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
<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTORY SECTION</td>
<td></td>
</tr>
<tr>
<td>Letter of Transmittal</td>
<td>vii – xi</td>
</tr>
<tr>
<td>Certificate of Achievement for Excellence in Financial Reporting</td>
<td>xii</td>
</tr>
<tr>
<td>Listing of Principal Officials</td>
<td>xiii</td>
</tr>
<tr>
<td>Organizational Chart</td>
<td>xiv</td>
</tr>
<tr>
<td>FINANCIAL SECTION</td>
<td></td>
</tr>
<tr>
<td>Independent Auditors' Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>3-13</td>
</tr>
<tr>
<td>Basic Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Government-wide Statements:</td>
<td></td>
</tr>
<tr>
<td>Statement of Net Assets</td>
<td>A 15</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>B 16</td>
</tr>
<tr>
<td>Fund Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet – Governmental Funds</td>
<td>C 17</td>
</tr>
<tr>
<td>Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets</td>
<td>C 18</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</td>
<td>D 19</td>
</tr>
<tr>
<td>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</td>
<td>D 20</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund</td>
<td>E 21</td>
</tr>
<tr>
<td>Statement of Net Assets – Proprietary Funds</td>
<td>F 22</td>
</tr>
<tr>
<td>Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds</td>
<td>G 23</td>
</tr>
<tr>
<td>Statement of Cash Flows - Proprietary Funds</td>
<td>H 24</td>
</tr>
</tbody>
</table>
## CITY OF LANCASTER, SOUTH CAROLINA

### TABLE OF CONTENTS (CONTINUED)

**June 30, 2011**

<table>
<thead>
<tr>
<th>FINANCIAL SECTION (CONTINUED)</th>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Fiduciary Net Assets – Fiduciary Funds</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Notes to the Basic Financial Statements</td>
<td></td>
<td>26-56</td>
</tr>
</tbody>
</table>

### REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits – Defined Benefit Health Care Plan</td>
<td>1</td>
</tr>
</tbody>
</table>

### COMBINING AND INDIVIDUAL FUND STATEMENT SECTION

**General Fund:**

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative Balance Sheets</td>
<td>2</td>
</tr>
<tr>
<td>Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</td>
<td>3</td>
</tr>
</tbody>
</table>

**Nonmajor Governmental Funds:**

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combining Balance Sheet – Nonmajor Governmental Funds</td>
<td>4</td>
</tr>
<tr>
<td>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Nonmajor Governmental Funds</td>
<td>5</td>
</tr>
</tbody>
</table>

**Southside Project:**

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative Balance Sheets</td>
<td>6</td>
</tr>
<tr>
<td>Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance</td>
<td>7</td>
</tr>
</tbody>
</table>

**Hospitality Tax Fund:**

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative Balance Sheets</td>
<td>8</td>
</tr>
<tr>
<td>Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance</td>
<td>9</td>
</tr>
</tbody>
</table>

**Enterprise Funds:**

**Gross Revenue Fund:**

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative Balance Sheets</td>
<td>10</td>
</tr>
<tr>
<td>Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)</td>
<td>11</td>
</tr>
</tbody>
</table>
### CITY OF LANCASTER, SOUTH CAROLINA

#### TABLE OF CONTENTS (CONTINUED)

June 30, 2011

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL SECTION (CONTINUED)</td>
<td></td>
</tr>
<tr>
<td>COMBINING AND INDIVIDUAL FUND STATEMENT SECTION (CONTINUED)</td>
<td></td>
</tr>
<tr>
<td>Enterprise Funds (continued):</td>
<td></td>
</tr>
<tr>
<td>Gross Revenue Fund (continued):</td>
<td></td>
</tr>
<tr>
<td>Comparative Statement of Cash Flows</td>
<td>12</td>
</tr>
<tr>
<td>Solid Waste Fund:</td>
<td></td>
</tr>
<tr>
<td>Comparative Balance Sheets</td>
<td>13</td>
</tr>
<tr>
<td>Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)</td>
<td>14</td>
</tr>
<tr>
<td>Comparative Statement of Cash Flows</td>
<td>15</td>
</tr>
<tr>
<td>Fiduciary Fund Type - Agency Fund:</td>
<td></td>
</tr>
<tr>
<td>Comparative Statement of Fiduciary Net Assets</td>
<td>16</td>
</tr>
<tr>
<td>Statement of Changes in Fiduciary Assets and Liabilities</td>
<td>17</td>
</tr>
<tr>
<td>OTHER FINANCIAL INFORMATION SECTION</td>
<td></td>
</tr>
<tr>
<td>Schedule of Debt Coverage</td>
<td>18</td>
</tr>
<tr>
<td>Analysis of Victims' Services</td>
<td>19</td>
</tr>
<tr>
<td>Schedule of Court Fines, Assessments and Surcharges</td>
<td>20</td>
</tr>
<tr>
<td>STATISTICAL SECTION – UNAUDITED</td>
<td></td>
</tr>
<tr>
<td>Financial Trends Information</td>
<td></td>
</tr>
<tr>
<td>Net Assets by Component, Last Nine Fiscal Years</td>
<td>21</td>
</tr>
<tr>
<td>Changes in Net Assets, Last Nine Fiscal Years</td>
<td>22</td>
</tr>
<tr>
<td>Fund Balances, Governmental Funds – Last Ten Fiscal Years</td>
<td>23</td>
</tr>
<tr>
<td>Changes in Fund Balances, Governmental Funds – Last Nine Fiscal Years</td>
<td>24</td>
</tr>
<tr>
<td>Revenue Capacity Information</td>
<td></td>
</tr>
<tr>
<td>Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years</td>
<td>25</td>
</tr>
</tbody>
</table>
## CITY OF LANCASTER, SOUTH CAROLINA

### TABLE OF CONTENTS (CONTINUED)

June 30, 2011

### STATISTICAL SECTION – UNAUDITED (continued)

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>27</td>
<td>101</td>
</tr>
<tr>
<td>28</td>
<td>102</td>
</tr>
<tr>
<td>29</td>
<td>103</td>
</tr>
<tr>
<td>30</td>
<td>104</td>
</tr>
<tr>
<td>31</td>
<td>105</td>
</tr>
<tr>
<td>32</td>
<td>106</td>
</tr>
<tr>
<td>33</td>
<td>107</td>
</tr>
<tr>
<td>34</td>
<td>108</td>
</tr>
<tr>
<td>35</td>
<td>109</td>
</tr>
<tr>
<td>36</td>
<td>110</td>
</tr>
<tr>
<td>37</td>
<td>111</td>
</tr>
<tr>
<td>38</td>
<td>112</td>
</tr>
<tr>
<td>39</td>
<td>113</td>
</tr>
</tbody>
</table>

### Debt Capacity Information

- Ratios of Outstanding Debt by Type – Last Ten Fiscal Years
- Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin Information – Last Eight Fiscal Years
- Pledged Revenue Coverage – Last Ten Fiscal Years

### Demographic and Economic Information

- Demographic and Economic Statistics – Last Ten Fiscal Years
- Principal Employers – Current and Eight Years Ago

### Schedule of Operating Information

- Full-Time Equivalent (FTE) City Government Employees by Function/Program - Last Eight Fiscal Years
- Operating Indicators by Function – Last Ten Fiscal Years
- Capital Asset Statistics by Function – Last Ten Fiscal Years

### COMPLIANCE SECTION

- Schedule of Expenditures of Federal Awards
- 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
CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS (CONTINUED)

June 30, 2011

COMPLIANCE SECTION (continued)

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-133 119-120

Schedule of Findings and Questioned Costs 121-122

Summary of Prior Audit Findings 123
CITY OF LANCASTER, SOUTH CAROLINA

INTRODUCTORY SECTION
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,

Helen P. Sowell

Helen P. Sowell, City Administrator

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.

[Signature]
President

[Signature]
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

Richard T. Bowers, Director
Building, Planning & Zoning

Chris Nunnery, Chief
Fire Department

Lisa Driggers, Director
Human Resources

Kathryn A. Hayes, Administrator
Municipal Court

Marty Cauthen, Director
Solid Waste

Hugh White, Chief
Police Department

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

Jerry Crocket, Director
Public Works
City of Lancaster Organizational Chart
CITY OF LANCASTER, SOUTH CAROLINA

FINANCIAL SECTION
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.
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 & Whitsett, P.C.

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.
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 gage 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

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

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th></th>
<th>Business-type Activities</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$789,955</td>
<td>$716,664</td>
<td>$7,189,607</td>
<td>$6,928,793</td>
<td>$7,979,562</td>
<td>$7,645,457</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>631,897</td>
<td>596,489</td>
<td>-</td>
<td>-</td>
<td>631,897</td>
<td>596,489</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>-</td>
<td>-</td>
<td>1,135,749</td>
<td>731,674</td>
<td>1,135,749</td>
<td>731,674</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>5,064,683</td>
<td>4,897,937</td>
<td>-</td>
<td>-</td>
<td>5,064,683</td>
<td>4,897,937</td>
</tr>
<tr>
<td>Other taxes</td>
<td>3,955,793</td>
<td>3,960,039</td>
<td>-</td>
<td>-</td>
<td>3,955,793</td>
<td>3,960,039</td>
</tr>
<tr>
<td>Grants and contributions not restricted to specific programs</td>
<td>1,026,000</td>
<td>325,019</td>
<td>-</td>
<td>-</td>
<td>1,026,000</td>
<td>325,019</td>
</tr>
<tr>
<td>Other</td>
<td>458,408</td>
<td>165,477</td>
<td>32,423</td>
<td>406,647</td>
<td>490,831</td>
<td>572,124</td>
</tr>
<tr>
<td>Total revenues</td>
<td>11,926,736</td>
<td>10,661,625</td>
<td>8,357,779</td>
<td>8,067,114</td>
<td>20,284,515</td>
<td>18,728,739</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>3,663,014</td>
<td>3,653,829</td>
<td>-</td>
<td>-</td>
<td>3,663,014</td>
<td>3,653,829</td>
</tr>
<tr>
<td>Public safety</td>
<td>4,848,268</td>
<td>4,482,373</td>
<td>-</td>
<td>-</td>
<td>4,848,268</td>
<td>4,482,373</td>
</tr>
<tr>
<td>Public Works</td>
<td>909,897</td>
<td>864,617</td>
<td>-</td>
<td>-</td>
<td>909,897</td>
<td>864,617</td>
</tr>
<tr>
<td>Planning</td>
<td>196,393</td>
<td>187,303</td>
<td>-</td>
<td>-</td>
<td>196,393</td>
<td>187,303</td>
</tr>
<tr>
<td>Parks and Playgrounds</td>
<td>134,555</td>
<td>102,767</td>
<td>-</td>
<td>-</td>
<td>134,555</td>
<td>102,767</td>
</tr>
<tr>
<td>Community Service</td>
<td>539,769</td>
<td>401,993</td>
<td>-</td>
<td>-</td>
<td>539,769</td>
<td>401,993</td>
</tr>
<tr>
<td>Interest and fees</td>
<td>37,216</td>
<td>52,630</td>
<td>-</td>
<td>-</td>
<td>37,216</td>
<td>52,630</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>-</td>
<td>-</td>
<td>1,466,507</td>
<td>1,323,073</td>
<td>1,466,507</td>
<td>1,323,073</td>
</tr>
<tr>
<td>Total expenses</td>
<td>10,359,112</td>
<td>9,745,512</td>
<td>6,913,627</td>
<td>6,866,178</td>
<td>17,272,739</td>
<td>16,431,690</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>1,567,624</td>
<td>916,113</td>
<td>1,444,152</td>
<td>1,380,936</td>
<td>3,011,766</td>
<td>2,297,049</td>
</tr>
<tr>
<td>Net assets, July 1</td>
<td>19,512,444</td>
<td>18,596,331</td>
<td>18,795,496</td>
<td>17,414,560</td>
<td>38,307,940</td>
<td>36,010,891</td>
</tr>
<tr>
<td>Net assets, June 30</td>
<td>$21,080,068</td>
<td>$19,512,444</td>
<td>$20,239,648</td>
<td>$18,795,496</td>
<td>$41,319,716</td>
<td>$38,307,940</td>
</tr>
</tbody>
</table>

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.

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

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Land</td>
<td>3,196,503</td>
<td>3,191,503</td>
<td>3,661,057</td>
</tr>
<tr>
<td>Buildings, systems and</td>
<td>$364,554</td>
<td>$364,554</td>
<td>$3,566,057</td>
</tr>
<tr>
<td>improvements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery and</td>
<td>4,618,145</td>
<td>3,483,211</td>
<td>25,805,413</td>
</tr>
<tr>
<td>equipment</td>
<td></td>
<td>22,322,202</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>965,491</td>
<td>977,607</td>
<td>2,913,440</td>
</tr>
<tr>
<td></td>
<td>1,933,838</td>
<td>1,935,833</td>
<td></td>
</tr>
<tr>
<td>Construction in</td>
<td>3,859,976</td>
<td>3,346,867</td>
<td></td>
</tr>
<tr>
<td>progress</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$12,640,115</td>
<td>$11,408,445</td>
<td></td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>$425,000</td>
<td>$550,000</td>
<td>$425,000</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>146,752</td>
<td>351,882</td>
<td>3,445,415</td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>-</td>
<td>205,000</td>
<td>205,000</td>
</tr>
<tr>
<td>Revolving loans</td>
<td>-</td>
<td>8,847,724</td>
<td>8,847,724</td>
</tr>
<tr>
<td>Total</td>
<td>$571,752</td>
<td>$901,882</td>
<td></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Employer</th>
<th>Description</th>
<th># of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lancaster County School District</td>
<td>County school system</td>
<td>1521</td>
</tr>
<tr>
<td>Red Ventures</td>
<td>Call Center</td>
<td>813</td>
</tr>
<tr>
<td>Lancaster County</td>
<td>County government</td>
<td>767</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>Retail goods</td>
<td>670</td>
</tr>
<tr>
<td>Cardinal Health</td>
<td>Healthcare</td>
<td>600</td>
</tr>
<tr>
<td>Springs Memorial Hospital</td>
<td>Hospital</td>
<td>584</td>
</tr>
<tr>
<td>Duracell</td>
<td>Batteries manufacturing</td>
<td>405</td>
</tr>
<tr>
<td>Continental Tire</td>
<td>Tire manufacturing</td>
<td>400</td>
</tr>
<tr>
<td>Founders Federal Credit Union</td>
<td>Credit union</td>
<td>275</td>
</tr>
<tr>
<td>Kershaw Correctional Institution</td>
<td>Prison facility</td>
<td>262</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Businesses</th>
<th>Retail Sales</th>
<th>% Incr/Decr</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>332</td>
<td>$383,094,891</td>
<td>13.82%</td>
</tr>
<tr>
<td>2006</td>
<td>324</td>
<td>$424,883,100</td>
<td>10.91%</td>
</tr>
<tr>
<td>2007</td>
<td>324</td>
<td>$378,478,120</td>
<td>(10.91%)</td>
</tr>
<tr>
<td>2008</td>
<td>294</td>
<td>$392,376,037</td>
<td>3.67%</td>
</tr>
<tr>
<td>2009</td>
<td>321</td>
<td>$370,836,792</td>
<td>(5.49%)</td>
</tr>
<tr>
<td>2010</td>
<td>417</td>
<td>$405,078,218</td>
<td>9.20%</td>
</tr>
</tbody>
</table>

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/](http://www.lancastercitysc.com/).
Exhibit A

CITY OF LANCASTER, SOUTH CAROLINA

Statement of Net Assets

June 30, 2011

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Activities</th>
<th>Business Type Activities</th>
<th>Total Primary Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,588,096</td>
<td>2,612,076</td>
<td>9,200,172</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes, net</td>
<td>271,635</td>
<td>271,635</td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>37,110</td>
<td>37,110</td>
<td></td>
</tr>
<tr>
<td>Internal balances</td>
<td>695,330</td>
<td>(695,330)</td>
<td>-</td>
</tr>
<tr>
<td>Mortgages</td>
<td>29,634</td>
<td>29,634</td>
<td></td>
</tr>
<tr>
<td>Water and Sewer</td>
<td></td>
<td>474,725</td>
<td>474,725</td>
</tr>
<tr>
<td>Garbage and Trash</td>
<td></td>
<td>90,101</td>
<td>90,101</td>
</tr>
<tr>
<td>Roll-off containers</td>
<td></td>
<td>13,974</td>
<td>13,974</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>348,949</td>
<td></td>
<td>348,949</td>
</tr>
<tr>
<td>Other</td>
<td>340,026</td>
<td>354,411</td>
<td>694,437</td>
</tr>
<tr>
<td>Inventory</td>
<td>6,276</td>
<td>91,918</td>
<td>98,194</td>
</tr>
<tr>
<td>Cash and cash equivalents - capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>improvement account</td>
<td>-</td>
<td>163,571</td>
<td>163,571</td>
</tr>
<tr>
<td>Cash and cash equivalents - designated</td>
<td>694,187</td>
<td>-</td>
<td>694,187</td>
</tr>
<tr>
<td>Cash and cash equivalents - restricted</td>
<td>1,472,870</td>
<td>2,299,343</td>
<td>3,772,213</td>
</tr>
<tr>
<td>Deferred charges</td>
<td></td>
<td>53,037</td>
<td>53,037</td>
</tr>
<tr>
<td>Total current assets</td>
<td>10,484,113</td>
<td>5,457,826</td>
<td>15,941,939</td>
</tr>
<tr>
<td>Non-current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td>3,196,503</td>
<td>4,102,497</td>
</tr>
<tr>
<td>Nondepreciable</td>
<td>3,196,503</td>
<td>905,994</td>
<td>4,102,497</td>
</tr>
<tr>
<td>Depreciable, net of accumulated depreciation</td>
<td>9,443,612</td>
<td>26,144,942</td>
<td>35,588,554</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>12,640,115</td>
<td>27,050,936</td>
<td>39,691,051</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 23,124,228</td>
<td>$ 32,508,762</td>
<td>$ 55,632,990</td>
</tr>
</tbody>
</table>

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

**Net (Expense) Revenue and Changes in Net Assets**

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Net (Expense) Revenue and Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Charges for Services</td>
<td>Governmental Activities</td>
</tr>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td>Business-type Activities</td>
</tr>
<tr>
<td>General administration</td>
<td>$3,693,014</td>
<td>$135,530</td>
<td>$1,026,000</td>
</tr>
<tr>
<td>Public safety</td>
<td>$4,848,268</td>
<td>401,010</td>
<td>(4,447,258)</td>
</tr>
<tr>
<td>Public works</td>
<td>909,897</td>
<td>-</td>
<td>(909,897)</td>
</tr>
<tr>
<td>Code enforcement</td>
<td>196,393</td>
<td>41,421</td>
<td>(154,972)</td>
</tr>
<tr>
<td>Parks and playgrounds</td>
<td>134,555</td>
<td>-</td>
<td>(134,555)</td>
</tr>
<tr>
<td>Community service</td>
<td>539,769</td>
<td>211,994</td>
<td>(327,775)</td>
</tr>
<tr>
<td>Interest and fees</td>
<td>37,216</td>
<td>-</td>
<td>(37,216)</td>
</tr>
<tr>
<td><strong>Total governmental activities</strong></td>
<td>10,359,112</td>
<td>789,955</td>
<td>(7,911,260)</td>
</tr>
<tr>
<td><strong>Business-type activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and Sewer</td>
<td>5,445,120</td>
<td>5,635,995</td>
<td>1,135,749</td>
</tr>
<tr>
<td>Solid waste</td>
<td>1,468,507</td>
<td>1,553,612</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total business-type activities</strong></td>
<td>6,913,627</td>
<td>7,189,607</td>
<td>1,135,749</td>
</tr>
<tr>
<td><strong>Total primary government</strong></td>
<td>$17,272,739</td>
<td>$7,979,562</td>
<td>$2,161,749</td>
</tr>
</tbody>
</table>

**General revenues:**

- Ad valorem taxes: $5,064,683
- Other taxes and licenses: $3,955,793
- Unrestricted intergovernmental: $278,732
- Unrestricted investment earnings: $27,032
- Miscellaneous: $146,150
- Gain on sale of capital assets: $6,494

**Total general revenues:** $9,478,884

**Change in net assets:** $1,567,624

**Net assets - beginning:** $19,512,444

**Net assets - ending:** $21,080,068

---

See notes to financial statements.
CITY OF LANCASTER, SOUTH CAROLINA

Balance Sheet
Governmental Funds

June 30, 2011

<table>
<thead>
<tr>
<th>Assets</th>
<th>General</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 6,573,373</td>
<td>$ 14,723</td>
<td>$ 6,588,096</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes, net</td>
<td>271,635</td>
<td>-</td>
<td>271,635</td>
</tr>
<tr>
<td>Grants</td>
<td>37,110</td>
<td>-</td>
<td>37,110</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>348,949</td>
<td>-</td>
<td>348,949</td>
</tr>
<tr>
<td>Mortgages</td>
<td>-</td>
<td>29,634</td>
<td>29,634</td>
</tr>
<tr>
<td>Taxes - other</td>
<td>279,652</td>
<td>60,373</td>
<td>340,025</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>484,381</td>
<td>-</td>
<td>484,381</td>
</tr>
<tr>
<td>Designated assets</td>
<td>694,187</td>
<td>-</td>
<td>694,187</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>194,373</td>
<td>1,278,497</td>
<td>1,472,870</td>
</tr>
<tr>
<td>Inventory</td>
<td>6,276</td>
<td>-</td>
<td>6,276</td>
</tr>
<tr>
<td>Advances to other funds</td>
<td>295,515</td>
<td>-</td>
<td>295,515</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 9,185,451</td>
<td>$ 1,383,227</td>
<td>$ 10,568,678</td>
</tr>
</tbody>
</table>

| 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 | 1,661,032 | 84,566 | 1,745,598 |

| 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 | 7,524,419 | 1,298,661 | 8,823,080 |
| Total liabilities and fund balances | $ 9,185,451 | $ 1,383,227 | $ 10,568,678 |

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.

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

454,180

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

(837,308)

Rounding $1

Net assets of governmental activities $21,080,068

See notes to financial statements.
CITY OF LANCASTER, SOUTH CAROLINA

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

<table>
<thead>
<tr>
<th>Revenues</th>
<th>General</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$ 5,173,807</td>
<td>$ 720,449</td>
<td>$ 5,894,256</td>
</tr>
<tr>
<td>Fines, fees, licenses and permits</td>
<td>3,287,007</td>
<td>-</td>
<td>3,287,007</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>420,298</td>
<td>-</td>
<td>420,298</td>
</tr>
<tr>
<td>Charges for services</td>
<td>339,284</td>
<td>-</td>
<td>339,284</td>
</tr>
<tr>
<td>Grants</td>
<td>631,897</td>
<td>-</td>
<td>631,897</td>
</tr>
<tr>
<td>Interest</td>
<td>25,052</td>
<td>1,979</td>
<td>27,031</td>
</tr>
<tr>
<td>Other</td>
<td>152,644</td>
<td>-</td>
<td>152,644</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>10,029,989</td>
<td>722,428</td>
<td>10,752,417</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General administration</td>
<td>3,145,953</td>
<td>435,310</td>
<td>3,581,263</td>
</tr>
<tr>
<td>Public safety</td>
<td>4,652,427</td>
<td>-</td>
<td>4,652,427</td>
</tr>
<tr>
<td>Public works</td>
<td>839,537</td>
<td>-</td>
<td>839,537</td>
</tr>
<tr>
<td>Code enforcement</td>
<td>191,894</td>
<td>-</td>
<td>191,894</td>
</tr>
<tr>
<td>Parks and playgrounds</td>
<td>124,245</td>
<td>-</td>
<td>124,245</td>
</tr>
<tr>
<td>Community service</td>
<td>539,976</td>
<td>-</td>
<td>539,976</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>546,705</td>
<td>35,858</td>
<td>582,563</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>330,212</td>
<td>-</td>
<td>330,212</td>
</tr>
<tr>
<td>Interest and fees</td>
<td>37,216</td>
<td>-</td>
<td>37,216</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>10,408,165</td>
<td>471,168</td>
<td>10,879,333</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess of revenues over (under) expenditures</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(378,176)</td>
<td>251,260</td>
<td>(126,916)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other financing sources (uses)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>176,246</td>
<td>-</td>
<td>176,246</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>(176,246)</td>
<td>(176,246)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>176,246</td>
<td>(176,246)</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net change in fund balances</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(201,930)</td>
<td>75,014</td>
<td>(126,916)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund balance - beginning</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,726,349</td>
<td>1,223,647</td>
<td>8,949,996</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund balance - ending</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 7,524,419</td>
<td>$ 1,298,661</td>
<td>$ 8,823,080</td>
</tr>
</tbody>
</table>

See notes to financial statements.
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)

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 (665,061)
  
  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 137,260
  
  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

  (3)

Change in net assets of governmental activities $ 1,567,624

See notes to financial statements.
CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year ended June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 5,358,000</td>
<td>$ 5,388,000</td>
<td>$ 5,173,807</td>
<td>$ (214,193)</td>
</tr>
<tr>
<td>Fines, fees, licenses and permits</td>
<td>2,814,500</td>
<td>2,883,735</td>
<td>3,287,007</td>
<td>403,272</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>422,000</td>
<td>422,000</td>
<td>420,298</td>
<td>(1,702)</td>
</tr>
<tr>
<td>Charges for services</td>
<td>395,000</td>
<td>395,000</td>
<td>339,284</td>
<td>(55,716)</td>
</tr>
<tr>
<td>Grants</td>
<td>562,900</td>
<td>754,300</td>
<td>631,897</td>
<td>(122,403)</td>
</tr>
<tr>
<td>Interest</td>
<td>35,000</td>
<td>35,000</td>
<td>25,052</td>
<td>(9,948)</td>
</tr>
<tr>
<td>Other</td>
<td>68,500</td>
<td>133,000</td>
<td>152,644</td>
<td>19,644</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 9,655,900</td>
<td>$10,011,035</td>
<td>$10,029,989</td>
<td>18,954</td>
</tr>
</tbody>
</table>

|                      |                 |              |              |                           |
| **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**| 10,515,570    | 11,151,255  | 10,408,165  | 743,090                   |

| Excess (deficiency) of revenues over expenditures | (859,670) | (1,140,220) | (378,176) | 762,044 |

| 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** | 859,670 | 1,140,220 | 176,246 | (963,974) |

| Net change in fund balances | $ - | $ - | (201,930) | $ (201,930) |

| Fund balance - beginning | 7,726,349 |
| Fund balance - ending   | $ 7,524,419 |

See notes to financial statements.
<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Gross Revenue</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,702,559</td>
<td>$ 909,517</td>
<td>$ 2,612,076</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and sewer</td>
<td>474,725</td>
<td>-</td>
<td>474,725</td>
</tr>
<tr>
<td>Garbage and trash</td>
<td>-</td>
<td>90,101</td>
<td>90,101</td>
</tr>
<tr>
<td>Roll-off containers</td>
<td>-</td>
<td>13,974</td>
<td>13,974</td>
</tr>
<tr>
<td>Other</td>
<td>294,121</td>
<td>60,290</td>
<td>354,411</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>379</td>
<td>-</td>
<td>379</td>
</tr>
<tr>
<td>Inventory</td>
<td>91,918</td>
<td>-</td>
<td>91,918</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>2,563,702</td>
<td>1,073,882</td>
<td>3,637,584</td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital improvement account</td>
<td>163,571</td>
<td>-</td>
<td>163,571</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer deposits</td>
<td>218,001</td>
<td>-</td>
<td>218,001</td>
</tr>
<tr>
<td>Bond depreciation account</td>
<td>305,460</td>
<td>-</td>
<td>305,460</td>
</tr>
<tr>
<td>Bond contingency account</td>
<td>305,460</td>
<td>-</td>
<td>305,460</td>
</tr>
<tr>
<td>Bond debt service and reserve account</td>
<td>1,470,422</td>
<td>-</td>
<td>1,470,422</td>
</tr>
<tr>
<td><strong>Total restricted assets</strong></td>
<td>2,299,343</td>
<td>-</td>
<td>2,299,343</td>
</tr>
<tr>
<td>Deferred charges, net</td>
<td>53,037</td>
<td>-</td>
<td>53,037</td>
</tr>
<tr>
<td>Capital assets (net, where applicable, of accumulated depreciation)</td>
<td>25,371,837</td>
<td>1,679,099</td>
<td>27,050,936</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>27,887,788</td>
<td>1,679,099</td>
<td>29,566,887</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>30,451,490</td>
<td>2,752,981</td>
<td>33,204,471</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>75,694</td>
<td>4,899</td>
<td>80,593</td>
</tr>
<tr>
<td>Compensated absences payable</td>
<td>110,748</td>
<td>40,044</td>
<td>150,792</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>1,012,463</td>
<td>-</td>
<td>1,012,463</td>
</tr>
<tr>
<td>Capital leases payable - current</td>
<td>250,786</td>
<td>72,997</td>
<td>323,783</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>218,001</td>
<td>-</td>
<td>218,001</td>
</tr>
<tr>
<td>Due to General Fund</td>
<td>371,753</td>
<td>28,441</td>
<td>400,194</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,039,445</td>
<td>146,381</td>
<td>2,185,826</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Long-term liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances from other funds</td>
<td>-</td>
<td>295,515</td>
<td>295,515</td>
</tr>
<tr>
<td>Revenue bonds and notes payable</td>
<td>8,040,261</td>
<td>-</td>
<td>8,040,261</td>
</tr>
<tr>
<td>Capital leases payable - long-term</td>
<td>2,369,573</td>
<td>73,649</td>
<td>2,443,222</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>10,409,834</td>
<td>369,164</td>
<td>10,778,996</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>12,449,279</td>
<td>515,545</td>
<td>12,964,824</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>13,698,754</td>
<td>1,532,453</td>
<td>15,231,207</td>
</tr>
<tr>
<td>Restricted for debt payments</td>
<td>2,081,342</td>
<td>-</td>
<td>2,081,342</td>
</tr>
<tr>
<td>Net assets unrestricted</td>
<td>2,222,115</td>
<td>704,983</td>
<td>2,927,098</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$18,002,211</td>
<td>$2,237,436</td>
<td>$20,239,647</td>
</tr>
</tbody>
</table>

See notes to financial statements.
### CITY OF LANCASTER, SOUTH CAROLINA

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

**PROPRIETARY FUNDS**

**Year ended June 30, 2011**

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

See notes to financial statements.
### CITY OF LANCASTER, SOUTH CAROLINA

#### STATEMENT OF CASH FLOWS

**PROPRIETARY FUNDS**

*Year ended June 30, 2011*

<table>
<thead>
<tr>
<th>OPERATING ACTIVITIES</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Revenue</td>
<td>Solid Waste</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>$ 5,780,013</td>
<td>$ 1,527,433</td>
<td>$ 7,307,446</td>
<td></td>
</tr>
<tr>
<td>Cash paid to employees</td>
<td>(1,413,752)</td>
<td>(606,519)</td>
<td>(2,020,271)</td>
<td></td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>(2,596,212)</td>
<td>(722,118)</td>
<td>(3,318,330)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,770,049</td>
<td>198,796</td>
<td>1,968,845</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NONCAPITAL FINANCING ACTIVITIES</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>21,859</td>
<td>21,859</td>
<td></td>
</tr>
<tr>
<td>Due to other funds</td>
<td>(274,482)</td>
<td>(404,353)</td>
<td>(678,835)</td>
<td></td>
</tr>
<tr>
<td>Customer deposits</td>
<td>146</td>
<td>-</td>
<td>146</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash used in noncapital financing activities</strong></td>
<td>(274,336)</td>
<td>(382,494)</td>
<td>(656,830)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPITAL AND RELATED FINANCING ACTIVITIES</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from capital grants</td>
<td>1,135,749</td>
<td>-</td>
<td>1,135,749</td>
<td></td>
</tr>
<tr>
<td>Insurance proceeds</td>
<td>4,242</td>
<td>-</td>
<td>4,242</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>7,032</td>
<td>-</td>
<td>7,032</td>
<td></td>
</tr>
<tr>
<td>Acquisition of capital assets</td>
<td>(1,568,764)</td>
<td>(796,249)</td>
<td>(2,365,013)</td>
<td></td>
</tr>
<tr>
<td>Principal paid on capital leases</td>
<td>(255,534)</td>
<td>(70,994)</td>
<td>(326,528)</td>
<td></td>
</tr>
<tr>
<td>Principal paid on bond and note maturities</td>
<td>(979,753)</td>
<td>-</td>
<td>(979,753)</td>
<td></td>
</tr>
<tr>
<td>Interest and bond fees</td>
<td>(331,182)</td>
<td>(9,288)</td>
<td>(340,470)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(1,988,210)</td>
<td>(876,531)</td>
<td>(2,864,741)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTING ACTIVITIES</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on investments</td>
<td>9,018</td>
<td>4,568</td>
<td>13,586</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>9,018</td>
<td>4,568</td>
<td>13,586</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS/INVESTMENTS</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(483,479)</td>
<td>(1,055,661)</td>
<td>(1,539,140)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS/INVESTMENTS</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>4,648,952</td>
<td>1,965,178</td>
<td>6,614,130</td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>$ 4,165,473</td>
<td>$ 909,517</td>
<td>$ 5,074,990</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$ 537,498</td>
<td>$ 100,094</td>
<td>$ 637,592</td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,143,525</td>
<td>163,863</td>
<td>1,307,388</td>
<td></td>
</tr>
<tr>
<td>Change in assets and liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>142,156</td>
<td>(31,880)</td>
<td>110,276</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>244</td>
<td>-</td>
<td>244</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(60,925)</td>
<td>(36,994)</td>
<td>(97,919)</td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>7,551</td>
<td>3,713</td>
<td>11,264</td>
<td></td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td>1,232,551</td>
<td>98,702</td>
<td>1,331,253</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$ 1,770,049</td>
<td>$ 198,796</td>
<td>$ 1,968,845</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RECONCILIATION TO STATEMENT OF NET ASSETS</th>
<th>ENTERPRISE FUNDS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted cash and cash equivalents</td>
<td>$ 1,702,559</td>
<td>$ 909,517</td>
<td>$ 2,612,076</td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>2,462,914</td>
<td>-</td>
<td>2,462,914</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 4,165,473</td>
<td>$ 909,517</td>
<td>$ 5,074,990</td>
<td></td>
</tr>
</tbody>
</table>

See notes to financial statements.
CITY OF LANCASTER, SOUTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

<table>
<thead>
<tr>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Cash and temporary investments</td>
</tr>
<tr>
<td>Total assets</td>
</tr>
<tr>
<td>Liabilities</td>
</tr>
<tr>
<td>Due to firemen's association</td>
</tr>
<tr>
<td>Total liabilities</td>
</tr>
</tbody>
</table>

See notes to financial statements.
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.
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.
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.
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.
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.
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.
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:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10-40 years</td>
</tr>
<tr>
<td>Water and sewer distribution system</td>
<td>40 years</td>
</tr>
<tr>
<td>Fence and paving</td>
<td>15 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3-10 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5-7 years</td>
</tr>
</tbody>
</table>
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.
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.
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.
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.
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.
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.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Maturity</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity US Treasury MM</td>
<td>$1,470,422</td>
<td>N/A</td>
<td>Unrated</td>
</tr>
<tr>
<td>State Treasurer’s Investment Pool</td>
<td>9,444,824</td>
<td>N/A</td>
<td>Unrated</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$10,915,246</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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.
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:

<table>
<thead>
<tr>
<th>Cash and investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary government</td>
<td>$ 9,200,172</td>
</tr>
<tr>
<td>Fiduciary funds</td>
<td>16,118</td>
</tr>
<tr>
<td>Restricted and designated assets</td>
<td>4,629,971</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 13,846,261</strong></td>
</tr>
</tbody>
</table>
### 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:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Gross Revenue</th>
<th>Nonmajor Funds</th>
<th>Total</th>
<th>Adjustments to Full-Accrual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>$305,041</td>
<td>-</td>
<td>$305,041</td>
<td>-</td>
<td>$305,041</td>
</tr>
<tr>
<td><strong>Intergovernmental</strong></td>
<td>348,949</td>
<td>-</td>
<td>348,949</td>
<td>-</td>
<td>348,949</td>
</tr>
<tr>
<td><strong>Grants</strong></td>
<td>37,110</td>
<td>-</td>
<td>37,110</td>
<td>-</td>
<td>37,110</td>
</tr>
<tr>
<td><strong>Mortgages</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>163,497</td>
<td>163,497</td>
</tr>
<tr>
<td><strong>Water and sewer</strong></td>
<td>-</td>
<td>474,725</td>
<td>-</td>
<td>474,725</td>
<td>474,725</td>
</tr>
<tr>
<td><strong>Garbage and trash</strong></td>
<td>-</td>
<td>90,101</td>
<td>-</td>
<td>90,101</td>
<td>90,101</td>
</tr>
<tr>
<td><strong>Roll-off containers</strong></td>
<td>-</td>
<td>16,810</td>
<td>-</td>
<td>16,810</td>
<td>16,810</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>350,504</td>
<td>239,443</td>
<td>60,373</td>
<td>810,610</td>
<td>810,610</td>
</tr>
</tbody>
</table>

**Gross receivables** | $1,061,694 | $774,168 | $167,201 | $223,670 | $2,246,843 | $2,246,843 |

**Less: allowance for uncollectibles** | 144,257 | 5,322 | 2,836 | 133,633 | 286,278 | 286,278 |

**Net total receivables** | $937,437 | 768,846 | 164,365 | 90,007 | 1,960,565 | 1,960,565 |
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:

<table>
<thead>
<tr>
<th>Function/Program</th>
<th>Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>General administration</td>
<td>$334,594</td>
</tr>
<tr>
<td>Public safety</td>
<td>248,498</td>
</tr>
<tr>
<td>Public works</td>
<td>68,141</td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>3,518</td>
</tr>
<tr>
<td>Parks and playgrounds</td>
<td>10,310</td>
</tr>
<tr>
<td><strong>Total depreciation expense</strong></td>
<td><strong>$665,061</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governmental activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
</tr>
<tr>
<td>Land</td>
</tr>
<tr>
<td>Construction in progress</td>
</tr>
<tr>
<td><strong>Total capital assets not being depreciated</strong></td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
</tr>
<tr>
<td>Buildings and improvements</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td><strong>Total capital assets being depreciated</strong></td>
</tr>
<tr>
<td><strong>Less accumulated depreciation for:</strong></td>
</tr>
<tr>
<td>Buildings and improvements</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
</tr>
<tr>
<td><strong>Total capital assets being depreciated, net</strong></td>
</tr>
<tr>
<td><strong>Governmental activity capital assets, net</strong></td>
</tr>
</tbody>
</table>

Beginning Balances | Increases | Decreases | Transfers | Ending Balances

<table>
<thead>
<tr>
<th>$3,191,503</th>
<th>$5,000</th>
<th>$</th>
<th>$</th>
<th>$3,196,503</th>
</tr>
</thead>
<tbody>
<tr>
<td>$409,257</td>
<td>554,919</td>
<td>$</td>
<td>(964,176)</td>
<td>$</td>
</tr>
<tr>
<td>$3,600,760</td>
<td>559,919</td>
<td>$</td>
<td>(964,176)</td>
<td>$3,196,503</td>
</tr>
<tr>
<td>$5,180,160</td>
<td>1,020,000</td>
<td>$</td>
<td>268,242</td>
<td>$6,468,402</td>
</tr>
<tr>
<td>$5,422,031</td>
<td>286,227</td>
<td>77,620</td>
<td>$</td>
<td>5,630,638</td>
</tr>
<tr>
<td>$4,910,639</td>
<td>30,585</td>
<td>$</td>
<td></td>
<td>5,637,158</td>
</tr>
<tr>
<td>$15,512,830</td>
<td>1,336,812</td>
<td>77,620</td>
<td>964,176</td>
<td>17,736,198</td>
</tr>
<tr>
<td>$1,696,949</td>
<td>153,308</td>
<td>$</td>
<td></td>
<td>1,850,257</td>
</tr>
<tr>
<td>$4,444,424</td>
<td>298,343</td>
<td>77,620</td>
<td>$</td>
<td>4,665,147</td>
</tr>
<tr>
<td>$1,563,772</td>
<td>213,410</td>
<td>$</td>
<td></td>
<td>1,777,182</td>
</tr>
<tr>
<td>$7,705,145</td>
<td>665,061</td>
<td>77,620</td>
<td>$</td>
<td>8,292,586</td>
</tr>
<tr>
<td>$7,807,685</td>
<td>$</td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>$11,498,445</td>
<td></td>
<td></td>
<td></td>
<td>$12,640,115</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Business-type activities:</th>
<th>Beginning Balances</th>
<th>Increases</th>
<th>Decreases</th>
<th>Transfers</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$364,554</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$364,554</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>853,867</td>
<td>1,331,315</td>
<td>-</td>
<td>(1,643,745)</td>
<td>541,437</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>1,218,421</td>
<td>1,331,315</td>
<td>-</td>
<td>(1,643,745)</td>
<td>905,991</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>1,494,840</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,494,840</td>
</tr>
<tr>
<td>Equipment</td>
<td>4,886,434</td>
<td>167,165</td>
<td>44,340</td>
<td>-</td>
<td>5,009,259</td>
</tr>
<tr>
<td>Water and Sewer System</td>
<td>36,172,486</td>
<td>70,284</td>
<td>-</td>
<td>1,643,745</td>
<td>37,886,515</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>42,553,760</td>
<td>237,449</td>
<td>44,340</td>
<td>1,643,745</td>
<td>44,390,614</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and building improvements</td>
<td>758,420</td>
<td>34,282</td>
<td>-</td>
<td>-</td>
<td>792,702</td>
</tr>
<tr>
<td>Equipment</td>
<td>3,480,459</td>
<td>276,807</td>
<td>44,340</td>
<td>-</td>
<td>3,712,926</td>
</tr>
<tr>
<td>Water and Sewer System</td>
<td>14,586,704</td>
<td>832,436</td>
<td>-</td>
<td>-</td>
<td>15,419,140</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>18,825,583</td>
<td>1,143,525</td>
<td>44,340</td>
<td>-</td>
<td>19,924,768</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>23,728,177</td>
<td>1,679,099</td>
<td></td>
<td></td>
<td>25,372,296</td>
</tr>
<tr>
<td>Solid Waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$516,855</td>
<td>535,259</td>
<td>-</td>
<td>(1,052,114)</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>126,528</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>126,528</td>
</tr>
<tr>
<td>Equipment</td>
<td>3,006,258</td>
<td>260,990</td>
<td>-</td>
<td>-</td>
<td>3,267,248</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>127,000</td>
<td>10,521</td>
<td>-</td>
<td>-</td>
<td>137,521</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>3,295,787</td>
<td>260,990</td>
<td>-</td>
<td>1,052,114</td>
<td>4,572,891</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>126,528</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>126,528</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,476,401</td>
<td>153,342</td>
<td>-</td>
<td>-</td>
<td>2,629,743</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>127,000</td>
<td>10,521</td>
<td>-</td>
<td>-</td>
<td>137,521</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>2,729,929</td>
<td>163,863</td>
<td>-</td>
<td>-</td>
<td>2,893,792</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>529,858</td>
<td>1,679,099</td>
<td></td>
<td></td>
<td>1,679,099</td>
</tr>
</tbody>
</table>

Solid Waste capital assets, net 1,046,713 1,679,099
Business-type activities capital assets, net $25,993,311 $27,050,936
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:

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

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2011, were as follows:

<table>
<thead>
<tr>
<th>Payables</th>
<th>General Fund</th>
<th>Governmental Funds</th>
<th>Gross Revenue Fund</th>
<th>Solid Waste</th>
<th>Total</th>
<th>Full-Accrual Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and vouchers</td>
<td>$941,307</td>
<td>-</td>
<td>$18,484</td>
<td>-</td>
<td>$959,791</td>
<td>-</td>
<td>$959,791</td>
</tr>
<tr>
<td>Accrued payroll and related liabilities</td>
<td>36,325</td>
<td>-</td>
<td>1,171</td>
<td>(653)</td>
<td>36,843</td>
<td>-</td>
<td>36,843</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>4,817</td>
<td>-</td>
<td>54,924</td>
<td>1,652</td>
<td>61,393</td>
<td>-</td>
<td>61,393</td>
</tr>
<tr>
<td>Other</td>
<td>81,294</td>
<td>-</td>
<td>1,115</td>
<td>3,900</td>
<td>86,309</td>
<td>-</td>
<td>86,309</td>
</tr>
<tr>
<td>Total accounts payable and accrued liabilities</td>
<td>$1,063,743</td>
<td>-</td>
<td>$75,694</td>
<td>$4,899</td>
<td>$1,144,336</td>
<td>-</td>
<td>$1,144,336</td>
</tr>
</tbody>
</table>
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:

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

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:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Governmental Activities</th>
<th>Business - Type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2012</td>
<td>$ 9,651</td>
<td>$ 5,738</td>
</tr>
<tr>
<td>2013</td>
<td>10,516</td>
<td>5,338</td>
</tr>
<tr>
<td>2014</td>
<td>11,428</td>
<td>4,903</td>
</tr>
<tr>
<td>2015</td>
<td>12,390</td>
<td>4,431</td>
</tr>
<tr>
<td>2016</td>
<td>13,406</td>
<td>3,920</td>
</tr>
<tr>
<td>2017-2021</td>
<td>84,354</td>
<td>10,388</td>
</tr>
<tr>
<td>2022</td>
<td>5,007</td>
<td>4,926</td>
</tr>
<tr>
<td></td>
<td>$146,752</td>
<td>$39,644</td>
</tr>
</tbody>
</table>

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.
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:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>2012</td>
<td>$135,000</td>
</tr>
<tr>
<td>2013</td>
<td>$140,000</td>
</tr>
<tr>
<td>2014</td>
<td>$150,000</td>
</tr>
<tr>
<td></td>
<td>$425,000</td>
</tr>
</tbody>
</table>

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
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 1,012,463
Long-term portion 8,040,261

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized leases</td>
<td>$351,882</td>
<td>-</td>
<td>$205,130</td>
<td>$146,752</td>
<td>$9,651</td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>550,000</td>
<td>-</td>
<td>125,000</td>
<td>425,000</td>
<td>135,000</td>
</tr>
<tr>
<td>Compensated absenses</td>
<td>299,932</td>
<td>205,232</td>
<td>186,497</td>
<td>318,667</td>
<td>53,111</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$1,201,814</td>
<td>$205,232</td>
<td>$516,627</td>
<td>$890,419</td>
<td>$197,762</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized leases</td>
<td>$3,093,533</td>
<td>$326,528</td>
<td>$2,767,005</td>
<td>$323,783</td>
<td></td>
</tr>
<tr>
<td>Refunding bond and State Revolving loans</td>
<td>10,032,477</td>
<td>$979,753</td>
<td>9,052,724</td>
<td>1,012,463</td>
<td></td>
</tr>
<tr>
<td>Compensated absenses</td>
<td>139,528</td>
<td>110,074</td>
<td>98,810</td>
<td>150,792</td>
<td>150,792</td>
</tr>
<tr>
<td>Total business-type activities</td>
<td>$13,265,538</td>
<td>$110,074</td>
<td>$1,405,091</td>
<td>$11,970,521</td>
<td>$1,487,038</td>
</tr>
</tbody>
</table>

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                      425,000
Excess of debt limit over general obligation debt             $2,355,349
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.
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:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Fiscal Year Ending</th>
<th>Fiscal Year Ending</th>
<th>Fiscal Year Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>June 30, 2012</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>SCRS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee contributions</td>
<td>6.5%</td>
<td>$233,630</td>
<td>$216,244</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>9.24%</td>
<td>$332,766</td>
<td>$317,818</td>
</tr>
<tr>
<td>PORS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee contributions</td>
<td>6.5%</td>
<td>$175,312</td>
<td>$164,705</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>10.65%</td>
<td>$279,993</td>
<td>$279,998</td>
</tr>
</tbody>
</table>

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.
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.
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: $161,800
- Decrease in net OPEB obligation: $-

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:

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

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.
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 $127,000
- Unfunded actuarial accrued liability (UAAL) $1,422,800
- 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.
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:

<table>
<thead>
<tr>
<th>Deferred Revenue</th>
<th>Unearned Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot Clearing Fees (General Fund)</td>
<td>$12,128</td>
</tr>
<tr>
<td>Vehicle Tax (General Fund)</td>
<td>34,485</td>
</tr>
<tr>
<td>Real Property Tax (General Fund)</td>
<td>173,646</td>
</tr>
<tr>
<td>Tax Rollback (General Fund)</td>
<td>233,921</td>
</tr>
<tr>
<td>Performing Arts (General Fund)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$454,180</td>
</tr>
</tbody>
</table>

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.
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:

<table>
<thead>
<tr>
<th>Payable Fund</th>
<th>General Fund</th>
<th>Gross Revenue Fund</th>
<th>Solid Waste Fund</th>
<th>Hospitality Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$ - $</td>
<td>$ 484,514</td>
<td>$ 395,259</td>
<td>$ 84,566</td>
<td>$ 964,339</td>
</tr>
<tr>
<td>Solid Waste Fund</td>
<td>-</td>
<td>-</td>
<td>379</td>
<td>-</td>
<td>379</td>
</tr>
<tr>
<td></td>
<td>$ - $</td>
<td>$ 484,514</td>
<td>$ 395,259</td>
<td>$ 84,566</td>
<td>$ 964,718</td>
</tr>
</tbody>
</table>

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.
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.
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
## 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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 July 1, 2007</td>
<td>$ -</td>
<td>$ 1,944,000</td>
<td>$ 1,944,000</td>
<td>0%</td>
<td>$ 4,626,000</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>2010 July 1, 2009</td>
<td>127,000</td>
<td>1,549,800</td>
<td>1,422,800</td>
<td>8%</td>
<td>5,241,300</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>2011 July 1, 2009</td>
<td>323,322</td>
<td>1,549,800</td>
<td>1,226,478</td>
<td>21%</td>
<td>5,241,300</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

### Schedule of Employer Contributions

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Annual Required Contribution</th>
<th>Actual Contribution</th>
<th>Percent Funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$ 211,000</td>
<td>$ 84,000</td>
<td>40%</td>
</tr>
<tr>
<td>2010</td>
<td>211,000</td>
<td>338,000</td>
<td>160%</td>
</tr>
<tr>
<td>2011</td>
<td>161,800</td>
<td>161,800</td>
<td>100%</td>
</tr>
</tbody>
</table>
COMBINING AND INDIVIDUAL FUND STATEMENT SECTION
GOVERNMENTAL FUNDS
## CITY OF LANCASTER, SOUTH CAROLINA

General Fund
Comparative Balance Sheets

### June 30, 2011 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 6,573,373</td>
<td>$ 6,472,656</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes, net</td>
<td>$ 271,635</td>
<td>$ 237,821</td>
</tr>
<tr>
<td>Grants</td>
<td>$ 37,110</td>
<td>$ 102,254</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$ 348,949</td>
<td>$ 338,867</td>
</tr>
<tr>
<td>Taxes - other</td>
<td>$ 279,652</td>
<td>$ 276,051</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>$ 484,381</td>
<td>$ 1,036,829</td>
</tr>
<tr>
<td>Designated assets</td>
<td>$ 694,187</td>
<td>$ 792,097</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>$ 194,373</td>
<td>$ 194,007</td>
</tr>
<tr>
<td>Inventory</td>
<td>$ 6,276</td>
<td>$ 59,040</td>
</tr>
<tr>
<td>Advances to other funds</td>
<td>$ 295,515</td>
<td>$ 352,197</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 9,185,451</td>
<td>$ 9,861,819</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and fund balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 1,063,743</td>
<td>$ 1,677,851</td>
</tr>
<tr>
<td>Compensated absences payable</td>
<td>$ 53,111</td>
<td>$ 49,988</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>$ 89,998</td>
<td>$ 101,770</td>
</tr>
<tr>
<td>Deferred revenues - tax rollback</td>
<td>$ 233,921</td>
<td>$ 96,661</td>
</tr>
<tr>
<td>Deferred revenues - other</td>
<td>$ 220,259</td>
<td>$ 209,200</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$ 1,661,032</td>
<td>$ 2,135,470</td>
</tr>
</tbody>
</table>

| 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**| $ 7,524,419| $ 7,726,349|

| **Total liabilities and fund balances** | $ 9,185,451| $ 9,861,819|
### Revenues:

#### Taxes:

<table>
<thead>
<tr>
<th>Source</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes</td>
<td>$3,450,000</td>
<td>$3,080,628</td>
<td>($369,372)</td>
<td>$3,203,068</td>
</tr>
<tr>
<td>Vehicle taxes</td>
<td>176,000</td>
<td>191,933</td>
<td>15,933</td>
<td>208,529</td>
</tr>
<tr>
<td>Motor carrier taxes</td>
<td>85,000</td>
<td>55,593</td>
<td>(29,407)</td>
<td>66,450</td>
</tr>
<tr>
<td>Homestead</td>
<td>174,000</td>
<td>171,988</td>
<td>(2,012)</td>
<td>176,659</td>
</tr>
<tr>
<td>Delinquent taxes</td>
<td>100,000</td>
<td>169,963</td>
<td>69,963</td>
<td>152,578</td>
</tr>
<tr>
<td>Tax penalties</td>
<td>30,000</td>
<td>32,126</td>
<td>2,126</td>
<td>73,646</td>
</tr>
<tr>
<td>Local option sales tax</td>
<td>1,373,000</td>
<td>1,471,576</td>
<td>98,576</td>
<td>1,538,674</td>
</tr>
<tr>
<td><strong>Total taxes</strong></td>
<td>5,388,000</td>
<td>5,173,807</td>
<td>(214,193)</td>
<td>5,419,604</td>
</tr>
</tbody>
</table>

#### Fines, fees, licenses, and permits:

<table>
<thead>
<tr>
<th>Source</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victim's services</td>
<td>30,000</td>
<td>26,256</td>
<td>(3,744)</td>
<td>26,821</td>
</tr>
<tr>
<td>Court fines</td>
<td>350,000</td>
<td>374,755</td>
<td>24,755</td>
<td>385,748</td>
</tr>
<tr>
<td>Duke power fees</td>
<td>600,000</td>
<td>629,854</td>
<td>29,854</td>
<td>592,626</td>
</tr>
<tr>
<td>Certification fees</td>
<td>1,700</td>
<td>2,700</td>
<td>1,000</td>
<td>2,000</td>
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<tr>
<td>Franchise fees</td>
<td>137,000</td>
<td>143,599</td>
<td>6,599</td>
<td>146,413</td>
</tr>
<tr>
<td>Privilege licenses</td>
<td>1,469,235</td>
<td>1,606,468</td>
<td>137,233</td>
<td>1,656,818</td>
</tr>
<tr>
<td>Building permits</td>
<td>40,000</td>
<td>41,421</td>
<td>1,421</td>
<td>71,498</td>
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<tr>
<td>Payments in lieu of taxes</td>
<td>255,800</td>
<td>461,954</td>
<td>206,154</td>
<td>292,550</td>
</tr>
<tr>
<td><strong>Total fines, fees, licenses, and permits</strong></td>
<td>2,883,735</td>
<td>3,287,007</td>
<td>403,272</td>
<td>3,174,474</td>
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</tbody>
</table>

#### Intergovernmental revenues:

<table>
<thead>
<tr>
<th>Source</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>State shared revenue</td>
<td>188,000</td>
<td>177,515</td>
<td>(10,485)</td>
<td>213,629</td>
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<tr>
<td>Merchants inventory</td>
<td>71,000</td>
<td>71,687</td>
<td>687</td>
<td>71,687</td>
</tr>
<tr>
<td>Accomodations tax</td>
<td>45,000</td>
<td>29,530</td>
<td>(15,470)</td>
<td>39,702</td>
</tr>
<tr>
<td>Exemption</td>
<td>118,000</td>
<td>141,566</td>
<td>23,566</td>
<td>140,654</td>
</tr>
<tr>
<td><strong>Total intergovernmental</strong></td>
<td>422,000</td>
<td>420,298</td>
<td>(1,702)</td>
<td>465,672</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th></th>
<th>2011 Budget</th>
<th>2011 Actual</th>
<th>Variance Positive (Negative)</th>
<th>2010 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (continued):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lot clearing</td>
<td>$ 4,000</td>
<td>$ 9,531</td>
<td>$ 5,531</td>
<td>$ 5,694</td>
</tr>
<tr>
<td>Fire protection contracts</td>
<td>41,000</td>
<td>49,749</td>
<td>8,749</td>
<td>41,925</td>
</tr>
<tr>
<td>School guards</td>
<td>60,000</td>
<td>68,010</td>
<td>8,010</td>
<td>68,012</td>
</tr>
<tr>
<td>See Lancaster</td>
<td>40,000</td>
<td>32,039</td>
<td>(7,961)</td>
<td>49,887</td>
</tr>
<tr>
<td>Performing arts</td>
<td>250,000</td>
<td>179,955</td>
<td>(70,045)</td>
<td>67,778</td>
</tr>
<tr>
<td>Total charges for services</td>
<td>395,000</td>
<td>339,284</td>
<td>(55,716)</td>
<td>233,296</td>
</tr>
<tr>
<td>Grants</td>
<td>754,300</td>
<td>631,897</td>
<td>(122,403)</td>
<td>596,489</td>
</tr>
<tr>
<td>Interest</td>
<td>35,000</td>
<td>25,052</td>
<td>(9,948)</td>
<td>30,654</td>
</tr>
<tr>
<td>Other revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance proceeds</td>
<td>52,800</td>
<td>53,787</td>
<td>987</td>
<td>7,134</td>
</tr>
<tr>
<td>Sale of assets</td>
<td>10,000</td>
<td>6,494</td>
<td>(3,506)</td>
<td>-</td>
</tr>
<tr>
<td>Police revenues</td>
<td>25,000</td>
<td>31,177</td>
<td>6,177</td>
<td>24,118</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>32,200</td>
<td>52,431</td>
<td>20,231</td>
<td>89,562</td>
</tr>
<tr>
<td>Cemetery fees</td>
<td>10,000</td>
<td>6,325</td>
<td>(3,675)</td>
<td>9,125</td>
</tr>
<tr>
<td>Planning and zoning</td>
<td>3,000</td>
<td>2,430</td>
<td>(570)</td>
<td>2,470</td>
</tr>
<tr>
<td>Total other</td>
<td>133,000</td>
<td>152,644</td>
<td>19,644</td>
<td>132,409</td>
</tr>
<tr>
<td>Total revenues</td>
<td>10,011,035</td>
<td>10,029,989</td>
<td>18,954</td>
<td>10,052,598</td>
</tr>
</tbody>
</table>

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)

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>Variance Positive (Negative)</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures (continued):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital improvements:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital outlay</td>
<td>$824,321</td>
<td>$546,705</td>
<td>$277,616</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>11,151,255</td>
<td>10,408,165</td>
<td>743,090</td>
</tr>
<tr>
<td>Excess of revenues over (under) expenditures</td>
<td>(1,140,220)</td>
<td>(378,176)</td>
<td>762,044</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balance appropriated</td>
<td>872,420</td>
<td>-</td>
<td>(872,420)</td>
</tr>
<tr>
<td>Transfer from Hospitality Tax Fund</td>
<td>207,100</td>
<td>176,246</td>
<td>(30,854)</td>
</tr>
<tr>
<td>Transfer to Solid Waste Fund</td>
<td>60,700</td>
<td>-</td>
<td>(60,700)</td>
</tr>
<tr>
<td>Total other financing sources</td>
<td>1,140,220</td>
<td>176,246</td>
<td>(963,974)</td>
</tr>
<tr>
<td>Excess of revenues and other sources over (under) expenditures</td>
<td>$-</td>
<td>(201,930)</td>
<td>$201,930</td>
</tr>
<tr>
<td><strong>Beginning of year, July 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,726,349</td>
<td></td>
<td>6,920,925</td>
</tr>
<tr>
<td><strong>End of year, June 30</strong></td>
<td>$7,524,419</td>
<td></td>
<td>$7,726,349</td>
</tr>
</tbody>
</table>
### CITY OF LANCASTER, SOUTH CAROLINA

**Combining Balance Sheet**
**Nonmajor Governmental Funds**

**June 30, 2011**

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

<table>
<thead>
<tr>
<th></th>
<th>Southside Project</th>
<th>Hospitality Tax Fund</th>
<th>Total Nonmajor Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Taxes</td>
<td>$</td>
<td>$ 720,449</td>
<td>$ 720,449</td>
</tr>
<tr>
<td>Interest</td>
<td>972</td>
<td>1,007</td>
<td>1,979</td>
</tr>
<tr>
<td>Total revenues</td>
<td>972</td>
<td>721,456</td>
<td>722,428</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Current:</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>General administration</td>
<td>57,235</td>
<td>378,075</td>
<td>435,310</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>35,858</td>
<td>35,858</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>57,235</td>
<td>413,933</td>
<td>471,168</td>
</tr>
<tr>
<td><strong>Other financing sources (uses)</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>(176,246)</td>
<td>(176,246)</td>
</tr>
<tr>
<td>Total other financing uses</td>
<td>-</td>
<td>(176,246)</td>
<td>(176,246)</td>
</tr>
<tr>
<td><strong>Net change in fund balances</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>(56,263)</td>
<td>131,277</td>
<td>75,014</td>
</tr>
<tr>
<td><strong>Fund balance - beginning</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>100,620</td>
<td>1,123,027</td>
<td>1,223,647</td>
</tr>
<tr>
<td><strong>Fund balance - ending</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>44,357</td>
<td>1,254,304</td>
<td>1,298,661</td>
</tr>
</tbody>
</table>
## Schedule 6

**CITY OF LANCASTER, SOUTH CAROLINA**

Southside Project
Comparative Balance Sheets

**June 30, 2011 and 2010**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$14,723</td>
<td>$67,947</td>
</tr>
<tr>
<td>Mortgages</td>
<td>$29,634</td>
<td>$32,673</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$44,357</td>
<td>$100,620</td>
</tr>
<tr>
<td><strong>Liabilities and fund balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>$44,357</td>
<td>$100,620</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td>$44,357</td>
<td>$100,620</td>
</tr>
<tr>
<td><strong>Total liabilities and fund balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$44,357</td>
<td>$100,620</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$ 972</td>
<td>$ 1,179</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 972</td>
<td>$ 1,179</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General administration</td>
<td>57,235</td>
<td>60,578</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>57,235</td>
<td>60,578</td>
</tr>
<tr>
<td><strong>Net change in fund balances</strong></td>
<td>(56,263)</td>
<td>(59,399)</td>
</tr>
<tr>
<td><strong>Beginning of year, July 1</strong></td>
<td>100,620</td>
<td>160,019</td>
</tr>
<tr>
<td><strong>End of year, June 30</strong></td>
<td>$ 44,357</td>
<td>$ 100,620</td>
</tr>
</tbody>
</table>
## Schedule 8

### CITY OF LANCASTER, SOUTH CAROLINA

Hospitality Tax Fund  
Comparative Balance Sheets

**June 30, 2011 and 2010**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes - other</td>
<td>$60,373</td>
<td>$61,206</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>$1,278,497</td>
<td>$1,098,480</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,338,870</td>
<td>$1,159,686</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and fund balances</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to other funds</td>
<td>$84,566</td>
<td>$36,720</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$84,566</td>
<td>$36,720</td>
</tr>
</tbody>
</table>

| Fund balances:                |            |            |
| Restricted                   | 1,254,304  | 1,122,966  |
| Total fund balances          | 1,254,304  | 1,122,966  |

<table>
<thead>
<tr>
<th>Total liabilities and fund balances</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,338,870</td>
<td>$1,159,686</td>
</tr>
</tbody>
</table>
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

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

Gross Revenue Fund
Comparative Balance Sheets

June 30, 2011 and 2010

<table>
<thead>
<tr>
<th>Assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current assets</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,702,559</td>
<td>$2,216,315</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and sewer</td>
<td>474,725</td>
<td>495,647</td>
</tr>
<tr>
<td>Other</td>
<td>294,121</td>
<td>415,355</td>
</tr>
<tr>
<td>Due from Solid Waste Fund</td>
<td>379</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>91,918</td>
<td>92,162</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$2,563,702</td>
<td>$3,219,479</td>
</tr>
<tr>
<td></td>
<td>Noncurrent assets</td>
<td></td>
</tr>
<tr>
<td>Capital improvement account</td>
<td>163,571</td>
<td>163,571</td>
</tr>
<tr>
<td>Restricted assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer deposits</td>
<td>218,001</td>
<td>217,855</td>
</tr>
<tr>
<td>Bond depreciation account</td>
<td>305,460</td>
<td>290,360</td>
</tr>
<tr>
<td>Bond contingency account</td>
<td>305,460</td>
<td>290,360</td>
</tr>
<tr>
<td>Bond debt service and reserve account</td>
<td>1,470,422</td>
<td>1,470,491</td>
</tr>
<tr>
<td>Total restricted assets</td>
<td>$2,299,343</td>
<td>$2,269,066</td>
</tr>
<tr>
<td>Deferred charges, net</td>
<td>53,037</td>
<td>66,616</td>
</tr>
<tr>
<td>Capital assets (net, where applicable, of accumulated depreciation)</td>
<td>25,371,837</td>
<td>24,946,598</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>$27,887,788</td>
<td>$27,445,851</td>
</tr>
<tr>
<td>Total assets</td>
<td>$30,451,490</td>
<td>$30,665,330</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>75,694</td>
<td>136,617</td>
</tr>
<tr>
<td>Compensated absences payable</td>
<td>110,748</td>
<td>103,197</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>1,012,463</td>
<td>979,754</td>
</tr>
<tr>
<td>Capital leases payable - current</td>
<td>250,786</td>
<td>255,197</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>218,001</td>
<td>217,855</td>
</tr>
<tr>
<td>Due to General Fund</td>
<td>371,753</td>
<td>623,997</td>
</tr>
<tr>
<td>Due to Solid Waste Fund</td>
<td>-</td>
<td>21,859</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$2,039,445</td>
<td>$2,338,470</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue bonds and notes payable</td>
<td>8,040,261</td>
<td>9,052,723</td>
</tr>
<tr>
<td>Capital leases payable - long-term</td>
<td>2,369,573</td>
<td>2,620,702</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$10,409,834</td>
<td>$11,673,425</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$12,449,279</td>
<td>$14,011,895</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>13,698,754</td>
<td>12,038,228</td>
</tr>
<tr>
<td>Restricted for debt payments</td>
<td>2,081,342</td>
<td>2,051,211</td>
</tr>
<tr>
<td>Net assets unrestricted</td>
<td>2,222,115</td>
<td>2,563,996</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$18,002,211</td>
<td>$16,653,435</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>Variance</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>Position</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and sewer charges</td>
<td>$5,804,000</td>
<td>$5,415,248</td>
<td>(388,752)</td>
</tr>
<tr>
<td>Water penalties</td>
<td>207,000</td>
<td>205,769</td>
<td>(1,231)</td>
</tr>
<tr>
<td>Tap fees</td>
<td>31,000</td>
<td>14,978</td>
<td>(16,022)</td>
</tr>
<tr>
<td>Interest income</td>
<td>10,000</td>
<td>9,018</td>
<td>(982)</td>
</tr>
<tr>
<td>Other</td>
<td>17,000</td>
<td>1,862</td>
<td>(15,138)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>6,069,000</td>
<td>5,646,875</td>
<td>(422,125)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public works administration:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>158,231</td>
<td>157,454</td>
<td>777</td>
</tr>
<tr>
<td>Clothing</td>
<td>400</td>
<td>121</td>
<td>279</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>8,000</td>
<td>7,030</td>
<td>970</td>
</tr>
<tr>
<td>Communications</td>
<td>20,000</td>
<td>19,823</td>
<td>177</td>
</tr>
<tr>
<td>Utilities</td>
<td>27,875</td>
<td>22,690</td>
<td>5,185</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>4,600</td>
<td>4,558</td>
<td>42</td>
</tr>
<tr>
<td>Special contracts</td>
<td>21,700</td>
<td>21,673</td>
<td>27</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>5,600</td>
<td>5,399</td>
<td>201</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,700</td>
<td>6,462</td>
<td>1,238</td>
</tr>
<tr>
<td><strong>Total public works administration</strong></td>
<td>254,106</td>
<td>245,210</td>
<td>8,896</td>
</tr>
<tr>
<td>Water service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>358,745</td>
<td>350,141</td>
<td>8,604</td>
</tr>
<tr>
<td>Clothing</td>
<td>9,700</td>
<td>9,681</td>
<td>19</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>66,800</td>
<td>66,781</td>
<td>19</td>
</tr>
<tr>
<td>Communications</td>
<td>3,000</td>
<td>2,981</td>
<td>19</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>143,000</td>
<td>126,493</td>
<td>16,507</td>
</tr>
<tr>
<td>Special contracts</td>
<td>70,000</td>
<td>69,979</td>
<td>21</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>150,650</td>
<td>150,630</td>
<td>20</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>530,900</td>
<td>519,381</td>
<td>11,519</td>
</tr>
<tr>
<td><strong>Total water service</strong></td>
<td>1,332,795</td>
<td>1,296,067</td>
<td>36,728</td>
</tr>
</tbody>
</table>
### 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)

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

<table>
<thead>
<tr>
<th></th>
<th>2011 Budget</th>
<th>2011 Actual</th>
<th>Variance Positive</th>
<th>Variance Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures (continued):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>$19,900</td>
<td>$40,873</td>
<td>$(20,973)</td>
<td>$17,201</td>
</tr>
<tr>
<td>Insurance</td>
<td>217,550</td>
<td>206,582</td>
<td>10,968</td>
<td>191,474</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>20,000</td>
<td>10,707</td>
<td>9,293</td>
<td>13,196</td>
</tr>
<tr>
<td>Special contracts</td>
<td>217,100</td>
<td>82,437</td>
<td>134,663</td>
<td>48,641</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>519,053</td>
<td>317,605</td>
<td>201,448</td>
<td>284,241</td>
</tr>
<tr>
<td><strong>Total general</strong></td>
<td>993,603</td>
<td>658,204</td>
<td>335,399</td>
<td>554,753</td>
</tr>
</tbody>
</table>

| **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** | 1,675,500  | 1,324,455   | 351,045           | 1,564,395       |

| **Capital outlay**   | 2,094,400   | 1,568,764   | 525,636           | 960,805         |
| **Total expenditures** | 8,330,784  | 6,850,053   | 1,480,731         | 6,354,130       |

| Excess (deficiency) of revenues over (under) expenditures | (2,261,784) | (1,203,178) | 1,058,606 | (544,781) |

| 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)** | 2,261,784  | 1,135,749   | (1,126,035)       | 756,355         |

| Revenues and other sources over (under) expenditures | $             | $(67,429)   | $(67,429)         | $211,574         |
### 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)

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

Gross Revenue Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2011 and 2010

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

Solid Waste Fund
Comparative Balance Sheets

**June 30, 2011 and 2010**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$909,517</td>
<td>$1,965,178</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garbage and trash</td>
<td>90,101</td>
<td>91,220</td>
</tr>
<tr>
<td>Roll-off containers</td>
<td>13,974</td>
<td>11,157</td>
</tr>
<tr>
<td>Other</td>
<td>60,290</td>
<td>30,108</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>21,859</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$1,073,882</td>
<td>$2,119,522</td>
</tr>
<tr>
<td>Capital assets (net, where applicable, of accumulated depreciation)</td>
<td>$1,679,099</td>
<td>$1,046,713</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>$1,679,099</td>
<td>$1,046,713</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,752,981</td>
<td>$3,166,235</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>4,899</td>
<td>41,892</td>
</tr>
<tr>
<td>Compensated absences payable</td>
<td>40,044</td>
<td>36,331</td>
</tr>
<tr>
<td>Capital leases payable - current</td>
<td>72,997</td>
<td>70,981</td>
</tr>
<tr>
<td>Due to General Fund</td>
<td>28,441</td>
<td>376,112</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$146,381</td>
<td>$525,316</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances from other funds</td>
<td>295,515</td>
<td>352,197</td>
</tr>
<tr>
<td>Capital leases payable - long-term</td>
<td>73,649</td>
<td>146,659</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$369,164</td>
<td>$498,856</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$515,545</td>
<td>$1,024,172</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$1,532,453</td>
<td>$829,073</td>
</tr>
<tr>
<td>Net assets unrestricted</td>
<td>704,983</td>
<td>1,312,990</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$2,237,436</td>
<td>$2,142,063</td>
</tr>
</tbody>
</table>
## 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)*

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

<table>
<thead>
<tr>
<th>Expenditures (continued):</th>
<th>2011 Budget</th>
<th>2011 Actual</th>
<th>Variance Positive (Negative)</th>
<th>2010 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial garbage:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>$84,501</td>
<td>$83,251</td>
<td>$1,250</td>
<td>$77,028</td>
</tr>
<tr>
<td>Clothing</td>
<td>2,000</td>
<td>1,454</td>
<td>546</td>
<td>1,408</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>57,100</td>
<td>57,022</td>
<td>78</td>
<td>58,803</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>500</td>
<td>-</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>Special contracts</td>
<td>117,000</td>
<td>105,581</td>
<td>11,419</td>
<td>113,747</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>40,000</td>
<td>36,676</td>
<td>3,324</td>
<td>16,821</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,100</td>
<td>-</td>
<td>1,100</td>
<td>696</td>
</tr>
<tr>
<td><strong>Total commercial garbage</strong></td>
<td>302,201</td>
<td>283,984</td>
<td>18,217</td>
<td>268,503</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transfer station:</th>
<th>2011</th>
<th>2011</th>
<th>Variance Positive (Negative)</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and employee benefits</td>
<td>147,459</td>
<td>145,578</td>
<td>1,881</td>
<td>122,983</td>
</tr>
<tr>
<td>Clothing</td>
<td>3,000</td>
<td>2,952</td>
<td>48</td>
<td>2,622</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>160,200</td>
<td>160,159</td>
<td>41</td>
<td>100,808</td>
</tr>
<tr>
<td>Communications</td>
<td>1,250</td>
<td>1,221</td>
<td>29</td>
<td>1,336</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>7,200</td>
<td>6,500</td>
<td>700</td>
<td>2,262</td>
</tr>
<tr>
<td>Special contracts</td>
<td>2,500</td>
<td>1,949</td>
<td>551</td>
<td>939</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>5,000</td>
<td>4,038</td>
<td>962</td>
<td>903</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,650</td>
<td>779</td>
<td>871</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total transfer station</strong></td>
<td>328,259</td>
<td>323,176</td>
<td>5,083</td>
<td>231,853</td>
</tr>
</tbody>
</table>
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)

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

Solid Waste Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2011 and 2010

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and temporary investments</td>
<td>$16,118</td>
<td>$16,591</td>
</tr>
<tr>
<td>Total assets</td>
<td>$16,118</td>
<td>$16,591</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to firemen's association</td>
<td>$16,118</td>
<td>$16,591</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$16,118</td>
<td>$16,591</td>
</tr>
</tbody>
</table>
CITY OF LANCASTER, SOUTH CAROLINA

Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds

For the Fiscal Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Firemen's Fund</th>
<th>July 1, 2010</th>
<th>Additions</th>
<th>Deductions</th>
<th>June 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and temporary investments</td>
<td>$16,591</td>
<td>$14,246</td>
<td>$14,719</td>
<td>$16,118</td>
</tr>
<tr>
<td>Total assets</td>
<td>$16,591</td>
<td>$14,246</td>
<td>$14,719</td>
<td>$16,118</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to firemen's association</td>
<td>$16,591</td>
<td>$14,246</td>
<td>$14,719</td>
<td>$16,118</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$16,591</td>
<td>$14,246</td>
<td>$14,719</td>
<td>$16,118</td>
</tr>
</tbody>
</table>
OTHER FINANCIAL INFORMATION SECTION
CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Debt Coverage
Gross Revenue Fund

For the Fiscal Year Ended June 30, 2011

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

(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*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds available for the year ended June 30, 2010</td>
<td>$11,558</td>
</tr>
<tr>
<td>Victims’ percentage of assessments</td>
<td>26,256</td>
</tr>
<tr>
<td>Total revenues</td>
<td>26,256</td>
</tr>
<tr>
<td>Actual expenditures</td>
<td>(49,564)</td>
</tr>
<tr>
<td>Grant and assessment receipts under expenditures</td>
<td>(23,308)</td>
</tr>
<tr>
<td>Funds available for the year ended June 30, 2011</td>
<td>$(11,750)</td>
</tr>
</tbody>
</table>
CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Victims' Fines, Assessments and Fees Collected

For the Fiscal Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Victim</th>
<th>Retained By City</th>
<th></th>
<th>Remitted to State</th>
<th></th>
<th>Total Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assessment</td>
<td>Victim Surcharge</td>
<td>Fines Collected</td>
<td>Other Revenue</td>
<td>Assessment</td>
</tr>
<tr>
<td>July-10</td>
<td>$ 1,503</td>
<td>$ 730</td>
<td>$ 8,786</td>
<td>$ 994</td>
<td>$ 11,965</td>
</tr>
<tr>
<td>August-10</td>
<td>1,491</td>
<td>457</td>
<td>7,688</td>
<td>873</td>
<td>11,849</td>
</tr>
<tr>
<td>September-10</td>
<td>1,717</td>
<td>845</td>
<td>15,955</td>
<td>1,516</td>
<td>13,623</td>
</tr>
<tr>
<td>October-10</td>
<td>1,398</td>
<td>636</td>
<td>12,120</td>
<td>818</td>
<td>11,128</td>
</tr>
<tr>
<td>November-10</td>
<td>1,694</td>
<td>625</td>
<td>13,886</td>
<td>719</td>
<td>13,456</td>
</tr>
<tr>
<td>December-10</td>
<td>1,289</td>
<td>372</td>
<td>7,091</td>
<td>628</td>
<td>10,264</td>
</tr>
<tr>
<td>January-11</td>
<td>1,322</td>
<td>562</td>
<td>15,324</td>
<td>635</td>
<td>10,523</td>
</tr>
<tr>
<td>February-11</td>
<td>1,795</td>
<td>647</td>
<td>16,906</td>
<td>839</td>
<td>14,288</td>
</tr>
<tr>
<td>March-11</td>
<td>1,787</td>
<td>877</td>
<td>16,136</td>
<td>1,265</td>
<td>14,092</td>
</tr>
<tr>
<td>April-11</td>
<td>1,127</td>
<td>440</td>
<td>9,346</td>
<td>1,246</td>
<td>8,968</td>
</tr>
<tr>
<td>May-11</td>
<td>1,488</td>
<td>662</td>
<td>11,789</td>
<td>1,225</td>
<td>11,820</td>
</tr>
<tr>
<td>June-11</td>
<td>1,859</td>
<td>933</td>
<td>12,990</td>
<td>1,001</td>
<td>14,797</td>
</tr>
</tbody>
</table>

$ 18,470  $ 7,786  $ 148,017  $ 11,759  $ 146,773  $ 68,206  $ 401,011
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. 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. 111 - 113
CITY OF LANCASTER, SOUTH CAROLINA

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

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$7,652,734</td>
<td>$8,396,369</td>
<td>$8,290,654</td>
<td>$9,783,893</td>
<td>$10,127,959</td>
<td>$10,189,630</td>
<td>$10,183,930</td>
<td>$10,506,563</td>
<td>$12,068,363</td>
</tr>
<tr>
<td>Restricted for tourism</td>
<td>$92,316</td>
<td>$409,141</td>
<td>$705,201</td>
<td>$1,095,633</td>
<td>$821,582</td>
<td>$979,272</td>
<td>$1,144,521</td>
<td>$1,098,480</td>
<td>$1,278,497</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>-</td>
<td>$171,694</td>
<td>$179,433</td>
<td>$181,197</td>
<td>$184,256</td>
<td>$187,659</td>
<td>$191,129</td>
<td>$193,522</td>
<td>-</td>
</tr>
<tr>
<td>Restricted for Southside project</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$44,357</td>
</tr>
<tr>
<td>Restricted for victims’ services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$4,232,441</td>
<td>$4,391,770</td>
<td>$5,189,683</td>
<td>$5,470,942</td>
<td>$6,343,575</td>
<td>$6,961,829</td>
<td>$7,074,358</td>
<td>$7,895,843</td>
<td>$7,688,851</td>
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<tr>
<td><strong>Total governmental activities net assets</strong></td>
<td>$12,149,185</td>
<td>$13,376,713</td>
<td>$14,366,735</td>
<td>$16,534,724</td>
<td>$17,480,775</td>
<td>$18,321,860</td>
<td>$18,596,331</td>
<td>$19,512,444</td>
<td>$21,080,068</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business-type activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$7,544,749</td>
<td>$7,641,105</td>
<td>$7,912,706</td>
<td>$8,121,010</td>
<td>$10,637,771</td>
<td>$11,652,353</td>
<td>$11,507,618</td>
<td>$12,867,301</td>
<td>$15,231,207</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>$1,337,813</td>
<td>$1,373,490</td>
<td>$1,413,093</td>
<td>$1,522,996</td>
<td>$1,923,007</td>
<td>$2,008,618</td>
<td>$2,017,930</td>
<td>$2,057,211</td>
<td>$2,081,342</td>
</tr>
<tr>
<td>Restricted for CDBG</td>
<td>-</td>
<td>$7,630</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$1,955,006</td>
<td>$2,518,494</td>
<td>$3,241,612</td>
<td>$4,036,351</td>
<td>$2,754,263</td>
<td>$2,801,339</td>
<td>$3,889,012</td>
<td>$3,870,984</td>
<td>$2,927,098</td>
</tr>
<tr>
<td><strong>Total business-type activities net assets</strong></td>
<td>$10,837,568</td>
<td>$11,540,719</td>
<td>$12,567,411</td>
<td>$13,680,357</td>
<td>$15,315,041</td>
<td>$16,462,310</td>
<td>$17,414,560</td>
<td>$18,795,496</td>
<td>$20,239,647</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$15,197,483</td>
<td>$16,037,474</td>
<td>$16,203,360</td>
<td>$17,904,903</td>
<td>$20,765,730</td>
<td>$21,841,983</td>
<td>$21,691,548</td>
<td>$23,373,864</td>
<td>$27,299,570</td>
</tr>
<tr>
<td>Restricted for tourism</td>
<td>$92,316</td>
<td>$409,141</td>
<td>$705,201</td>
<td>$1,095,633</td>
<td>$821,582</td>
<td>$979,272</td>
<td>$1,144,521</td>
<td>$1,098,480</td>
<td>$1,278,497</td>
</tr>
<tr>
<td>Restricted for Southside project</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$44,357</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>$1,509,507</td>
<td>$1,552,923</td>
<td>$1,594,290</td>
<td>$1,707,252</td>
<td>$2,110,666</td>
<td>$2,199,747</td>
<td>$2,211,452</td>
<td>$2,057,211</td>
<td>$2,081,342</td>
</tr>
<tr>
<td>Restricted for victims’ services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$11,558</td>
</tr>
<tr>
<td>Restricted for CDBG</td>
<td>-</td>
<td>$7,630</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$6,187,447</td>
<td>$6,910,264</td>
<td>$8,431,295</td>
<td>$9,507,293</td>
<td>$9,097,838</td>
<td>$9,763,168</td>
<td>$10,963,370</td>
<td>$11,772,827</td>
<td>$10,615,949</td>
</tr>
<tr>
<td><strong>Total primary government net assets</strong></td>
<td>$22,986,753</td>
<td>$24,917,432</td>
<td>$26,934,146</td>
<td>$30,215,081</td>
<td>$32,795,816</td>
<td>$34,784,170</td>
<td>$36,010,891</td>
<td>$38,313,940</td>
<td>$41,319,715</td>
</tr>
</tbody>
</table>

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**

| 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 | $953,950 | $826,893 | $874,349 | $925,599 | $899,345 | $894,617 | $909,897 |
| Parks and playgrounds | 90,963 | 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**

| 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 | $6,686,178 | $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**

| General administration | $122,078 | $123,572 | $136,711 | $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 | 412,599 | 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 | - | - | - | - | - | - | - | - | - |
| Interest and fees | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 173,345 | 178,302 | 101,150 | 1,135,171 | 568,572 | 364,464 | 292,626 | 596,489 | 1,657,897 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - |

**Total governmental activities program revenues** | $730,634 | $814,566 | $794,809 | 2,056,766 | 1,210,358 | 1,026,076 | 845,635 | 1,313,153 | 2,447,852 |

| 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 | 994,078 | 1,015,582 | 1,022,655 | 1,162,975 | 1,138,366 | 1,132,010 | 1,117,258 | 1,141,793 | 1,553,012 |
| Operating grants and contributions | - | - | - | 180,944 | 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 | $6,018,539 | $6,467,562 | $6,635,769 | $7,278,520 | $7,076,358 | $7,483,170 | $7,660,467 | $8,325,365 |

**Total primary government program revenues** | $6,307,883 | $6,833,495 | $7,262,371 | $6,952,535 | $8,486,878 | $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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (expense)/revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities</td>
<td>$6,888,290</td>
<td>$(7,067,120)</td>
<td>$(7,286,483)</td>
<td>$(6,650,303)</td>
<td>$(8,480,418)</td>
<td>$(8,530,758)</td>
<td>$(8,934,046)</td>
<td>$(8,432,359)</td>
<td>$(7,911,260)</td>
</tr>
<tr>
<td>Business-type activities</td>
<td>333,912</td>
<td>641,448</td>
<td>955,865</td>
<td>920,968</td>
<td>1,349,860</td>
<td>815,171</td>
<td>556,959</td>
<td>974,289</td>
<td>1,411,729</td>
</tr>
<tr>
<td>Total primary government net expense</td>
<td>$(6,554,378)</td>
<td>$(6,425,672)</td>
<td>$(6,330,618)</td>
<td>$(5,729,335)</td>
<td>$(7,130,558)</td>
<td>$(7,715,587)</td>
<td>$(8,377,087)</td>
<td>$(7,458,070)</td>
<td>$(6,498,531)</td>
</tr>
<tr>
<td>General revenues and other changes in net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>4,481,673</td>
<td>4,261,840</td>
<td>4,446,987</td>
<td>4,628,579</td>
<td>4,852,881</td>
<td>4,843,596</td>
<td>4,754,054</td>
<td>4,897,937</td>
<td>5,064,683</td>
</tr>
<tr>
<td>Other taxes and licenses</td>
<td>2,680,932</td>
<td>3,174,839</td>
<td>3,339,415</td>
<td>3,566,245</td>
<td>3,811,441</td>
<td>3,858,938</td>
<td>3,886,268</td>
<td>3,960,039</td>
<td>3,955,793</td>
</tr>
<tr>
<td>Unrestricted intergovernmental</td>
<td>326,192</td>
<td>337,191</td>
<td>344,288</td>
<td>372,110</td>
<td>366,282</td>
<td>387,057</td>
<td>374,003</td>
<td>325,019</td>
<td>278,732</td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>44,740</td>
<td>45,035</td>
<td>69,671</td>
<td>171,880</td>
<td>263,169</td>
<td>216,594</td>
<td>73,893</td>
<td>33,068</td>
<td>27,032</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>55,400</td>
<td>72,543</td>
<td>76,144</td>
<td>79,478</td>
<td>105,041</td>
<td>65,258</td>
<td>108,890</td>
<td>82,119</td>
<td>146,150</td>
</tr>
<tr>
<td>Donations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of capital assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,655</td>
<td>400</td>
<td>11,409</td>
<td></td>
<td></td>
<td>6,494</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>7,588,937</td>
<td>7,891,448</td>
<td>8,276,505</td>
<td>8,818,292</td>
<td>9,426,469</td>
<td>9,371,843</td>
<td>9,208,517</td>
<td>9,348,472</td>
<td>9,476,884</td>
</tr>
<tr>
<td>Business-type activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>30,142</td>
<td>28,549</td>
<td>60,003</td>
<td>186,112</td>
<td>258,609</td>
<td>184,807</td>
<td>43,672</td>
<td>19,337</td>
<td>13,586</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>8,312</td>
<td>4,266</td>
<td>4,218</td>
<td>147,200</td>
<td>349,017</td>
<td>387,310</td>
<td>11,805</td>
<td></td>
</tr>
<tr>
<td>Gain on sale of capital assets</td>
<td>80,963</td>
<td>12,425</td>
<td>2,512</td>
<td>1,600</td>
<td>21,997</td>
<td>92</td>
<td>2,602</td>
<td>-</td>
<td>7,032</td>
</tr>
<tr>
<td>Total business-type activities</td>
<td>110,205</td>
<td>40,974</td>
<td>70,827</td>
<td>191,978</td>
<td>234,824</td>
<td>332,099</td>
<td>395,291</td>
<td>406,647</td>
<td>32,423</td>
</tr>
</tbody>
</table>

#### Change in net assets

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental activities</td>
<td>700,647</td>
<td>824,328</td>
<td>990,022</td>
<td>2,167,989</td>
<td>946,051</td>
<td>841,068</td>
<td>274,471</td>
<td>916,113</td>
<td>1,587,824</td>
</tr>
<tr>
<td>Business-type activities</td>
<td>444,117</td>
<td>682,422</td>
<td>1,028,692</td>
<td>1,112,946</td>
<td>1,634,684</td>
<td>1,147,270</td>
<td>952,250</td>
<td>1,380,936</td>
<td>1,444,152</td>
</tr>
<tr>
<td>Total primary government</td>
<td>$1,144,764</td>
<td>$1,506,750</td>
<td>$2,016,714</td>
<td>$3,280,935</td>
<td>$2,580,735</td>
<td>$1,988,355</td>
<td>$1,226,721</td>
<td>$2,297,049</td>
<td>$3,011,776</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>$15,442</td>
<td>$17,939</td>
<td>$10,692</td>
<td>$11,780</td>
<td>$12,533</td>
<td>$6,548</td>
<td>$5,055</td>
<td>$2,999</td>
<td>$59,040</td>
<td>$6,276</td>
</tr>
<tr>
<td>Restricted</td>
<td>171,694</td>
<td>335,188</td>
<td>326,360</td>
<td>313,083</td>
<td>1,289,985</td>
<td>471,497</td>
<td>349,528</td>
<td>332,079</td>
<td>313,239</td>
<td>278,215</td>
</tr>
<tr>
<td>Committed</td>
<td>225,328</td>
<td>152,968</td>
<td>153,597</td>
<td>143,376</td>
<td>190,413</td>
<td>246,019</td>
<td>312,059</td>
<td>390,289</td>
<td>497,591</td>
<td>621,127</td>
</tr>
<tr>
<td>Assigned</td>
<td>89,094</td>
<td>77,264</td>
<td>89,608</td>
<td>599,600</td>
<td>524,600</td>
<td>476,400</td>
<td>52,600</td>
<td>105,000</td>
<td>587,770</td>
<td>1,082,368</td>
</tr>
<tr>
<td>Unassigned</td>
<td>2,953,493</td>
<td>3,093,066</td>
<td>3,543,425</td>
<td>3,807,330</td>
<td>4,539,825</td>
<td>4,858,137</td>
<td>5,857,957</td>
<td>6,090,558</td>
<td>6,268,709</td>
<td>5,536,433</td>
</tr>
<tr>
<td>Total General Fund</td>
<td>$3,455,051</td>
<td>$3,676,425</td>
<td>$4,123,682</td>
<td>$4,675,169</td>
<td>$6,557,356</td>
<td>$6,058,601</td>
<td>$6,577,199</td>
<td>$6,920,925</td>
<td>$7,726,349</td>
<td>$7,524,419</td>
</tr>
<tr>
<td>All Other Governmental Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>$250,937</td>
<td>$344,071</td>
<td>$646,180</td>
<td>$974,949</td>
<td>$878,638</td>
<td>$1,067,378</td>
<td>$1,251,110</td>
<td>$1,365,465</td>
<td>$1,223,616</td>
<td>$1,298,661</td>
</tr>
<tr>
<td>Total all other governmental funds</td>
<td>$250,937</td>
<td>$344,071</td>
<td>$646,180</td>
<td>$974,949</td>
<td>$878,638</td>
<td>$1,067,378</td>
<td>$1,251,110</td>
<td>$1,365,465</td>
<td>$1,223,616</td>
<td>$1,298,661</td>
</tr>
</tbody>
</table>
# Schedule 24

CITY OF LANCASTER, SOUTH CAROLINA

Changes in Fund Balances, Governmental Funds

Last Nine Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$4,916,663</td>
<td>$5,306,180</td>
<td>$5,549,200</td>
<td>$5,680,491</td>
<td>$5,966,935</td>
<td>$5,995,316</td>
<td>$6,132,422</td>
<td>$6,127,349</td>
<td>$5,894,256</td>
</tr>
<tr>
<td>Fines, fees, licenses and permits</td>
<td>$2,454,911</td>
<td>$2,608,132</td>
<td>$2,680,491</td>
<td>$2,968,236</td>
<td>$3,032,912</td>
<td>$3,164,720</td>
<td>$2,966,263</td>
<td>$3,174,474</td>
<td>$3,287,007</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$368,681</td>
<td>$375,153</td>
<td>$421,431</td>
<td>$446,129</td>
<td>$487,705</td>
<td>$520,489</td>
<td>$510,197</td>
<td>$465,672</td>
<td>$420,298</td>
</tr>
<tr>
<td>Charges for services</td>
<td>$122,078</td>
<td>$123,572</td>
<td>$119,682</td>
<td>$129,113</td>
<td>$88,216</td>
<td>$110,163</td>
<td>$90,760</td>
<td>$233,296</td>
<td>$339,284</td>
</tr>
<tr>
<td>Grants</td>
<td>$173,345</td>
<td>$178,302</td>
<td>$115,511</td>
<td>$429,228</td>
<td>$568,572</td>
<td>$346,464</td>
<td>$292,626</td>
<td>$569,489</td>
<td>$631,897</td>
</tr>
<tr>
<td>Interest</td>
<td>$44,740</td>
<td>$45,035</td>
<td>$69,671</td>
<td>$171,874</td>
<td>$263,170</td>
<td>$216,594</td>
<td>$73,894</td>
<td>$33,068</td>
<td>$27,031</td>
</tr>
<tr>
<td>Other</td>
<td>$61,707</td>
<td>$81,537</td>
<td>$85,459</td>
<td>$104,940</td>
<td>$75,527</td>
<td>$65,659</td>
<td>$127,872</td>
<td>$132,409</td>
<td>$152,644</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$8,142,125</td>
<td>$8,717,911</td>
<td>$9,041,445</td>
<td>$9,930,011</td>
<td>$10,483,037</td>
<td>$10,437,405</td>
<td>$10,194,034</td>
<td>$10,762,757</td>
<td>$10,752,417</td>
</tr>
</tbody>
</table>

| **Expenditures** |      |      |      |      |      |      |      |      |      |
| 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 | $806,681 | $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 | $559,976 |
| 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 | $9,793,052 | $9,735,075 | $9,762,913 | $10,072,222 | $10,878,333 |

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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Property Tax</th>
<th>Business License</th>
<th>Hospitality</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$2,504,968</td>
<td>$1,220,270</td>
<td>-</td>
<td>$3,725,238</td>
</tr>
<tr>
<td>2003</td>
<td>2,952,346</td>
<td>1,287,116</td>
<td>138,681</td>
<td>4,378,143</td>
</tr>
<tr>
<td>2004</td>
<td>2,708,976</td>
<td>1,290,596</td>
<td>581,926</td>
<td>4,581,498</td>
</tr>
<tr>
<td>2005</td>
<td>2,866,132</td>
<td>1,403,363</td>
<td>620,706</td>
<td>4,900,201</td>
</tr>
<tr>
<td>2006</td>
<td>2,982,590</td>
<td>1,563,831</td>
<td>675,163</td>
<td>5,221,584</td>
</tr>
<tr>
<td>2007</td>
<td>3,122,112</td>
<td>1,665,166</td>
<td>716,850</td>
<td>5,504,128</td>
</tr>
<tr>
<td>2008</td>
<td>3,030,884</td>
<td>1,636,388</td>
<td>700,488</td>
<td>5,367,760</td>
</tr>
<tr>
<td>2009</td>
<td>3,085,104</td>
<td>1,682,141</td>
<td>718,926</td>
<td>5,486,171</td>
</tr>
<tr>
<td>2010</td>
<td>3,203,068</td>
<td>1,656,818</td>
<td>707,745</td>
<td>5,567,631</td>
</tr>
<tr>
<td>2011</td>
<td>3,080,628</td>
<td>1,606,468</td>
<td>720,449</td>
<td>5,407,545</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Real Property</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assessed Value</td>
<td>Estimated Actual Taxable Value</td>
<td>Assessed Value</td>
<td>Estimated Actual Taxable Value</td>
<td>Assessed Value</td>
</tr>
<tr>
<td>2002</td>
<td>$18,060,781</td>
<td>$335,949,100</td>
<td>$9,457,752</td>
<td>$91,291,422</td>
<td>$27,518,533</td>
</tr>
<tr>
<td>2004</td>
<td>18,951,990</td>
<td>351,605,652</td>
<td>9,837,904</td>
<td>97,357,647</td>
<td>28,789,894</td>
</tr>
<tr>
<td>2005</td>
<td>19,457,770</td>
<td>360,603,098</td>
<td>9,776,550</td>
<td>98,932,161</td>
<td>29,234,320</td>
</tr>
<tr>
<td>2007</td>
<td>23,416,790</td>
<td>435,769,417</td>
<td>9,824,160</td>
<td>103,489,016</td>
<td>33,240,950</td>
</tr>
<tr>
<td>2008</td>
<td>23,898,380</td>
<td>444,040,000</td>
<td>9,629,965</td>
<td>104,329,824</td>
<td>33,528,345</td>
</tr>
<tr>
<td>2009</td>
<td>24,041,806</td>
<td>446,813,566</td>
<td>9,660,688</td>
<td>104,539,989</td>
<td>33,702,494</td>
</tr>
<tr>
<td>2010</td>
<td>24,276,030</td>
<td>450,874,564</td>
<td>9,970,555</td>
<td>99,180,999</td>
<td>34,246,585</td>
</tr>
<tr>
<td>2011</td>
<td>25,499,690</td>
<td>481,563,033</td>
<td>9,254,667</td>
<td>84,365,362</td>
<td>34,754,357</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>City Direct Rate</th>
<th>Lancaster County</th>
<th>USC - Lancaster</th>
<th>Lancaster County School District</th>
<th>Total Direct &amp; Overlapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>140.10</td>
<td>66.00</td>
<td>2.00</td>
<td>167.00</td>
<td>375.10</td>
</tr>
<tr>
<td>2003</td>
<td>142.10</td>
<td>67.00</td>
<td>2.50</td>
<td>172.00</td>
<td>383.60</td>
</tr>
<tr>
<td>2004</td>
<td>144.00</td>
<td>70.73</td>
<td>2.50</td>
<td>177.00</td>
<td>394.23</td>
</tr>
<tr>
<td>2005</td>
<td>147.00</td>
<td>76.50</td>
<td>3.50</td>
<td>182.00</td>
<td>409.00</td>
</tr>
<tr>
<td>2006</td>
<td>150.00</td>
<td>86.50</td>
<td>3.50</td>
<td>182.00</td>
<td>422.00</td>
</tr>
<tr>
<td>2007</td>
<td>137.00</td>
<td>71.50</td>
<td>3.00</td>
<td>157.50</td>
<td>369.00</td>
</tr>
<tr>
<td>2008</td>
<td>140.00</td>
<td>75.90</td>
<td>3.10</td>
<td>167.00</td>
<td>386.00</td>
</tr>
<tr>
<td>2009</td>
<td>143.50</td>
<td>82.20</td>
<td>3.30</td>
<td>172.00</td>
<td>401.00</td>
</tr>
<tr>
<td>2010</td>
<td>143.50</td>
<td>80.90</td>
<td>3.30</td>
<td>172.00</td>
<td>399.70</td>
</tr>
<tr>
<td>2011</td>
<td>143.50</td>
<td>83.60</td>
<td>3.40</td>
<td>175.25</td>
<td>405.75</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Tax Year 2010</th>
<th>Tax Year 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taxable Assessed Value</td>
<td>% of Total City</td>
</tr>
<tr>
<td></td>
<td>Rank</td>
<td>Assessed Value</td>
</tr>
<tr>
<td>The Gillette Company</td>
<td>$4,890,945</td>
<td>1 14.07%</td>
</tr>
<tr>
<td>Lancaster Hospital Corp</td>
<td>4,122,420</td>
<td>2 11.86%</td>
</tr>
<tr>
<td>Springland Associates, LLC</td>
<td>2,289,520</td>
<td>3 6.59%</td>
</tr>
<tr>
<td>Springmaid Federal Credit Union</td>
<td>896,919</td>
<td>4 2.59%</td>
</tr>
<tr>
<td>Kanawha Insurance Company</td>
<td>837,510</td>
<td>5 2.41%</td>
</tr>
<tr>
<td>Duke Energy Corp</td>
<td>750,680</td>
<td>6 2.16%</td>
</tr>
<tr>
<td>Lancaster Telephone Company</td>
<td>565,140</td>
<td>7 1.63%</td>
</tr>
<tr>
<td>Laner Center LLC</td>
<td>445,280</td>
<td>8 1.28%</td>
</tr>
<tr>
<td>HD Development of Maryland Inc.</td>
<td>421,190</td>
<td>9 1.21%</td>
</tr>
<tr>
<td>Springland Inc.</td>
<td>307,020</td>
<td>10 0.89%</td>
</tr>
<tr>
<td>Founders Federal Credit Union</td>
<td>290,620</td>
<td>9 1.06%</td>
</tr>
<tr>
<td>Safeco Title Insurance Co Trust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pardue St Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,526,624</strong></td>
<td><strong>44.69%</strong></td>
</tr>
</tbody>
</table>

Source: Lancaster County Treasurer’s and Auditor’s Office
CITY OF LANCASTER, SOUTH CAROLINA

Real Property Tax Levies and Collections
Last Ten Years

<table>
<thead>
<tr>
<th>Levy Year (1)</th>
<th>Original Levy</th>
<th>Adjustments</th>
<th>Total Adjusted Levy</th>
<th>Collected in the Fiscal Year of the Levy</th>
<th>Adjusted Levy Percentage</th>
<th>Collections in Subsequent Years</th>
<th>Total Collections to Date</th>
<th>Adjusted Levy Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,694,094</td>
<td>$954</td>
<td>$2,695,048</td>
<td>$2,504,968</td>
<td>92.95%</td>
<td>$189,615</td>
<td>$2,694,583</td>
<td>99.98%</td>
</tr>
<tr>
<td>2002</td>
<td>3,152,167</td>
<td>(517)</td>
<td>3,151,650</td>
<td>2,952,346</td>
<td>93.68%</td>
<td>198,739</td>
<td>3,151,085</td>
<td>99.98%</td>
</tr>
<tr>
<td>2003</td>
<td>2,891,475</td>
<td>1,367</td>
<td>2,892,842</td>
<td>2,708,976</td>
<td>93.64%</td>
<td>182,142</td>
<td>2,891,118</td>
<td>99.94%</td>
</tr>
<tr>
<td>2004</td>
<td>3,096,331</td>
<td>(222,490)</td>
<td>2,873,841</td>
<td>2,866,132</td>
<td>99.73%</td>
<td>5,679</td>
<td>2,871,811</td>
<td>99.93%</td>
</tr>
<tr>
<td>2005</td>
<td>3,205,955</td>
<td>7,525</td>
<td>3,213,480</td>
<td>2,982,590</td>
<td>92.81%</td>
<td>226,788</td>
<td>3,209,378</td>
<td>99.87%</td>
</tr>
<tr>
<td>2006</td>
<td>3,351,538</td>
<td>17,252</td>
<td>3,368,790</td>
<td>3,122,112</td>
<td>92.68%</td>
<td>241,932</td>
<td>3,364,044</td>
<td>99.86%</td>
</tr>
<tr>
<td>2007</td>
<td>3,297,417</td>
<td>27,178</td>
<td>3,324,595</td>
<td>3,030,884</td>
<td>91.17%</td>
<td>285,821</td>
<td>3,316,705</td>
<td>99.76%</td>
</tr>
<tr>
<td>2008</td>
<td>3,382,932</td>
<td>28,306</td>
<td>3,411,238</td>
<td>3,085,104</td>
<td>90.44%</td>
<td>312,009</td>
<td>3,397,113</td>
<td>99.59%</td>
</tr>
<tr>
<td>2009</td>
<td>3,566,312</td>
<td>235</td>
<td>3,566,547</td>
<td>3,203,068</td>
<td>89.81%</td>
<td>327,762</td>
<td>3,530,830</td>
<td>99.00%</td>
</tr>
<tr>
<td>2010</td>
<td>3,615,080</td>
<td>248,873</td>
<td>3,863,953</td>
<td>3,158,016</td>
<td>(1) 81.73%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
### Ratios of Outstanding Debt by Type
#### Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total Primary Government</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Obligation</td>
<td>Utility</td>
<td>State</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bonds (8% Limit)</td>
<td>Revenue Bonds</td>
<td>Revolving Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital Leases</td>
<td>Capital Leases</td>
<td>Government</td>
<td>Per Capita</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$1,335,000</td>
<td>$1,665,946</td>
<td>$6,351,464</td>
<td>$9,694,577</td>
</tr>
<tr>
<td></td>
<td>$342,167</td>
<td>$</td>
<td>$342,167</td>
<td>$1,166</td>
</tr>
<tr>
<td>2003</td>
<td>$1,255,000</td>
<td>$1,535,718</td>
<td>$6,556,927</td>
<td>$10,501,990</td>
</tr>
<tr>
<td></td>
<td>452,738</td>
<td>701,607</td>
<td>9,962,661</td>
<td>1,243</td>
</tr>
<tr>
<td>2004</td>
<td>$1,170,000</td>
<td>$1,395,359</td>
<td>$6,605,656</td>
<td>$9,626,661</td>
</tr>
<tr>
<td></td>
<td>333,370</td>
<td>458,276</td>
<td>1,182</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$1,080,000</td>
<td>$1,248,974</td>
<td>$6,213,469</td>
<td>$9,050,613</td>
</tr>
<tr>
<td></td>
<td>208,793</td>
<td>299,377</td>
<td>1,069</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$985,000</td>
<td>$1,097,589</td>
<td>$5,817,063</td>
<td>$12,264,975</td>
</tr>
<tr>
<td></td>
<td>1,193,489</td>
<td>3,171,834</td>
<td>1,460</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$885,000</td>
<td>$935,000</td>
<td>$5,394,507</td>
<td>$11,152,645</td>
</tr>
<tr>
<td></td>
<td>944,385</td>
<td>2,993,753</td>
<td>1,332</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$780,000</td>
<td>$765,000</td>
<td>$10,072,425</td>
<td>$15,141,857</td>
</tr>
<tr>
<td></td>
<td>709,685</td>
<td>2,814,747</td>
<td>1,559</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$670,000</td>
<td>$585,000</td>
<td>$10,369,139</td>
<td>$15,571,712</td>
</tr>
<tr>
<td></td>
<td>547,407</td>
<td>3,400,166</td>
<td>1,560</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$550,000</td>
<td>$400,000</td>
<td>$9,632,477</td>
<td>$14,027,892</td>
</tr>
<tr>
<td></td>
<td>351,882</td>
<td>3,093,533</td>
<td>1,381</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$425,000</td>
<td>$205,000</td>
<td>$8,847,667</td>
<td>$12,391,768</td>
</tr>
<tr>
<td></td>
<td>146,752</td>
<td>2,767,349</td>
<td>1,453</td>
<td></td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Obligation Bonds</th>
<th>Percentage of Estimated Actual Taxable Value</th>
<th>Debt Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$1,335,000</td>
<td>0.31%</td>
<td>$161</td>
</tr>
<tr>
<td>2003</td>
<td>1,255,000</td>
<td>0.28%</td>
<td>149</td>
</tr>
<tr>
<td>2004</td>
<td>1,170,000</td>
<td>0.26%</td>
<td>139</td>
</tr>
<tr>
<td>2005</td>
<td>1,080,000</td>
<td>0.24%</td>
<td>128</td>
</tr>
<tr>
<td>2006</td>
<td>985,000</td>
<td>0.21%</td>
<td>117</td>
</tr>
<tr>
<td>2007</td>
<td>885,000</td>
<td>0.16%</td>
<td>106</td>
</tr>
<tr>
<td>2008</td>
<td>780,000</td>
<td>0.14%</td>
<td>80</td>
</tr>
<tr>
<td>2009</td>
<td>670,000</td>
<td>0.12%</td>
<td>67</td>
</tr>
<tr>
<td>2010</td>
<td>550,000</td>
<td>0.10%</td>
<td>54</td>
</tr>
<tr>
<td>2011</td>
<td>425,000</td>
<td>0.08%</td>
<td>50</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Governmental Unit</th>
<th>Net General Obligation Bonded Debt Outstanding</th>
<th>Percentage Applicable to the City</th>
<th>Amount Applicable to the City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Lancaster</td>
<td>$ 425,000</td>
<td>100%</td>
<td>$ 425,000</td>
</tr>
<tr>
<td><strong>Overlapping:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lancaster County</td>
<td>21,278,707</td>
<td>100%</td>
<td>21,278,707</td>
</tr>
<tr>
<td>Lancaster School District</td>
<td>20,445,000</td>
<td>100%</td>
<td>20,445,000</td>
</tr>
<tr>
<td></td>
<td><strong>41,723,707</strong></td>
<td></td>
<td><strong>41,723,707</strong></td>
</tr>
<tr>
<td><strong>Total direct and overlapping debt</strong></td>
<td><strong>$ 42,148,707</strong></td>
<td></td>
<td><strong>$ 42,148,707</strong></td>
</tr>
</tbody>
</table>
CITY OF LANCASTER, SOUTH CAROLINA

Legal Debt Margin Information
Last Eight Fiscal Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt limit (8% of assessed value)</td>
<td>$2,073,870</td>
<td>$2,216,335</td>
<td>$2,364,082</td>
<td>$2,653,094</td>
<td>$2,682,268</td>
<td>$2,630,174</td>
<td>$2,706,705</td>
<td>$2,780,349</td>
</tr>
<tr>
<td>Total net debt applicable to limit</td>
<td>1,170,000</td>
<td>1,080,000</td>
<td>985,000</td>
<td>885,000</td>
<td>780,000</td>
<td>670,000</td>
<td>550,000</td>
<td>425,000</td>
</tr>
<tr>
<td>Legal debt margin</td>
<td>$903,870</td>
<td>$1,136,335</td>
<td>$1,379,082</td>
<td>$1,768,094</td>
<td>$1,902,268</td>
<td>$1,960,174</td>
<td>$2,156,705</td>
<td>$2,355,349</td>
</tr>
</tbody>
</table>

Total net debt applicable to the limit as a percentage of the debt limit:
- 2004: 56.42%
- 2005: 48.73%
- 2006: 41.67%
- 2007: 33.36%
- 2008: 29.08%
- 2009: 25.47%
- 2010: 20.32%
- 2011: 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): $(425,000)

Legal debt margin without referendum: $2,355,349

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Combined Utility System Revenue Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating Revenues</td>
</tr>
<tr>
<td>2002</td>
<td>$4,435,280</td>
</tr>
<tr>
<td>2003</td>
<td>4,687,326</td>
</tr>
<tr>
<td>2004</td>
<td>5,032,282</td>
</tr>
<tr>
<td>2005</td>
<td>5,493,784</td>
</tr>
<tr>
<td>2006</td>
<td>5,462,801</td>
</tr>
<tr>
<td>2007</td>
<td>6,341,711</td>
</tr>
<tr>
<td>2008</td>
<td>6,117,852</td>
</tr>
<tr>
<td>2009</td>
<td>6,386,670</td>
</tr>
<tr>
<td>2010</td>
<td>6,544,305</td>
</tr>
<tr>
<td>2011</td>
<td>6,793,898</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>City Population</th>
<th>County Population</th>
<th>Total County Personal Income (in thousands)</th>
<th>County Per Capita Income</th>
<th>County Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>8,313</td>
<td>61,590</td>
<td>$1,278,916</td>
<td>$20,765</td>
<td>6.6%</td>
</tr>
<tr>
<td>2003</td>
<td>8,448</td>
<td>62,220</td>
<td>1,323,233</td>
<td>21,267</td>
<td>12.9%</td>
</tr>
<tr>
<td>2004</td>
<td>8,432</td>
<td>62,520</td>
<td>1,328,000</td>
<td>21,269</td>
<td>11.0%</td>
</tr>
<tr>
<td>2005</td>
<td>8,467</td>
<td>63,135</td>
<td>1,401,000</td>
<td>22,191</td>
<td>8.2%</td>
</tr>
<tr>
<td>2006</td>
<td>8,399</td>
<td>63,113</td>
<td>1,486,000</td>
<td>23,545</td>
<td>9.6%</td>
</tr>
<tr>
<td>2007</td>
<td>8,374</td>
<td>71,723</td>
<td>1,542,045</td>
<td>21,500</td>
<td>8.8%</td>
</tr>
<tr>
<td>2008</td>
<td>9,715</td>
<td>73,393</td>
<td>1,620,517</td>
<td>22,080</td>
<td>10.1%</td>
</tr>
<tr>
<td>2009</td>
<td>9,981</td>
<td>75,913</td>
<td>1,580,281</td>
<td>20,817</td>
<td>19.1%</td>
</tr>
<tr>
<td>2010</td>
<td>10,160</td>
<td>77,767</td>
<td>1,822,945</td>
<td>23,441</td>
<td>16.3%</td>
</tr>
<tr>
<td>2011</td>
<td>8,526</td>
<td>76,652</td>
<td>1,450,946</td>
<td>18,929</td>
<td>15.3%</td>
</tr>
</tbody>
</table>


* 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

<table>
<thead>
<tr>
<th>Employer</th>
<th>Employees</th>
<th>Rank</th>
<th>% of Total County Employment (2)</th>
<th>Employees</th>
<th>Rank</th>
<th>% of Total County Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lancaster County School District</td>
<td>1,521</td>
<td>1</td>
<td>4.94%</td>
<td>1,374</td>
<td>2</td>
<td>4.95%</td>
</tr>
<tr>
<td>Red Ventures</td>
<td>813</td>
<td>2</td>
<td>2.64%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Lancaster County (3)</td>
<td>767</td>
<td>3</td>
<td>2.49%</td>
<td>426</td>
<td>7</td>
<td>1.53%</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>670</td>
<td>4</td>
<td>2.17%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Cardinal Health</td>
<td>600</td>
<td>5</td>
<td>1.95%</td>
<td>700</td>
<td>4</td>
<td>2.52%</td>
</tr>
<tr>
<td>Springs Memorial Hospital</td>
<td>584</td>
<td>6</td>
<td>1.89%</td>
<td>800</td>
<td>3</td>
<td>2.88%</td>
</tr>
<tr>
<td>Duracell</td>
<td>405</td>
<td>7</td>
<td>1.31%</td>
<td>601</td>
<td>5</td>
<td>2.16%</td>
</tr>
<tr>
<td>Continental Tire</td>
<td>400</td>
<td>8</td>
<td>1.30%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Founders Federal Credit Union</td>
<td>275</td>
<td>9</td>
<td>0.89%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Kershaw Correctional Institution</td>
<td>262</td>
<td>10</td>
<td>0.85%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Springs Industries</td>
<td>1,400</td>
<td>1</td>
<td>5.04%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Humana</td>
<td>560</td>
<td>6</td>
<td>2.02%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Berkshire Weaving</td>
<td>145</td>
<td>8</td>
<td>0.52%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Joslyn Clark Controls</td>
<td>145</td>
<td>9</td>
<td>0.52%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Virtual Image Technologies</td>
<td>125</td>
<td>10</td>
<td>0.45%</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

| Total                                 | 6,297     | 5     | 20.43%                          | 6,276     | 10   | 22.60%                       |

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.
## Schedule 37

### CITY OF LANCASTER, SOUTH CAROLINA

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

<table>
<thead>
<tr>
<th>Function/Program</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Administration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Administrator</td>
<td>3.0</td>
<td>3.0</td>
<td>4.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
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<tr>
<td>Building and Grounds Maintenance</td>
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<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Human Resources</td>
<td>1.0</td>
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<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Finance</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
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<tr>
<td>Legal</td>
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<td>0.0</td>
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<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Support Services</td>
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<td>3.0</td>
<td>4.0</td>
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<tr>
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</tr>
<tr>
<td><strong>Public Safety</strong></td>
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<tr>
<td>Police</td>
<td>49.5</td>
<td>48.5</td>
<td>48.5</td>
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<td>Victims’ Services</td>
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<td>1.0</td>
<td>1.0</td>
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<td>1.0</td>
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<tr>
<td>Court Administration</td>
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<td>6.5</td>
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<tr>
<td>Fire</td>
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<td>26.0</td>
<td>26.0</td>
<td>26.0</td>
<td>26.0</td>
<td>26.0</td>
<td>26.0</td>
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<tr>
<td><strong>Public Works</strong></td>
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<td></td>
</tr>
<tr>
<td>Street Division</td>
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<td>Vehicle Maintenance</td>
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<td>4.0</td>
<td>4.0</td>
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<tr>
<td><strong>Code Enforcement</strong></td>
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</tr>
<tr>
<td>Building, Planning &amp; Zoning</td>
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<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works Administration</td>
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<tr>
<td>Water Service</td>
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<td>10.0</td>
<td>10.0</td>
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</tr>
<tr>
<td>Utility Billing</td>
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<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
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</tr>
<tr>
<td>Wastewater Treatment</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Wastewater Collection</td>
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<td>12.0</td>
<td>12.0</td>
<td>11.0</td>
<td>11.0</td>
<td>13.0</td>
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<td><strong>Solid Waste</strong></td>
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<td></td>
</tr>
<tr>
<td>Residential</td>
<td>7.0</td>
<td>7.0</td>
<td>9.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
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<tr>
<td>Commercial</td>
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<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Transfer Station</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>4.0</td>
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</tr>
<tr>
<td><strong>Total FTE Employees</strong></td>
<td>166.0</td>
<td>166.0</td>
<td>167.0</td>
<td>162.0</td>
<td>162.0</td>
<td>164.0</td>
<td>170.0</td>
<td>170.0</td>
</tr>
</tbody>
</table>

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

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

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

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Safety</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of police stations</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Number of fire stations</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miles of paved roads</td>
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<td>15.96</td>
<td>15.96</td>
<td>15.96</td>
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<tr>
<td><strong>Parks &amp; Playgrounds</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of parks</td>
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<td>11</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>14</td>
<td>14</td>
</tr>
</tbody>
</table>

Sources: Various city departments
COMPLIANCE SECTION
## CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Expenditures of Federal Awards  

**Year Ended June 30, 2011**

<table>
<thead>
<tr>
<th>Grantor/Pass-through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>State/Pass-through Grantor's Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Grants:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U. S. Department of Commerce</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA - Investments for Public Works and Economic Development Facilities</td>
<td>11.300</td>
<td>04-01-06257</td>
<td>224,250</td>
</tr>
<tr>
<td>Total U.S Department of Commerce</td>
<td></td>
<td></td>
<td>224,250</td>
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<tr>
<td><strong>U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed-through S.C. Department of Commerce:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Block Grant:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA - South Main Street Improvement Project</td>
<td>14.255</td>
<td>4-S-08-0008</td>
<td>278,926</td>
</tr>
<tr>
<td>Total U.S. Department of Housing and Urban Development</td>
<td></td>
<td></td>
<td>278,926</td>
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<tr>
<td><strong>U.S. Department of Transportation National Highway Safety Administration</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Passed-through the S.C. Department of Public Safety:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Highway Safety Mini-Grant</td>
<td>20.600</td>
<td>2JC0100066</td>
<td>19,526</td>
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<tr>
<td>Highway Safety Mini-Grant</td>
<td>20.600</td>
<td>2JC1100066</td>
<td>7,647</td>
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<tr>
<td>Total U.S. Department of Transportation</td>
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<td>27,173</td>
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<tr>
<td><strong>U. S. Department of Justice</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2009 Justice Assistance Grant</td>
<td>16.592</td>
<td>2009-DJ-BX-0519</td>
<td>9,795</td>
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<tr>
<td>Total U.S Department of Justice</td>
<td></td>
<td></td>
<td>37,826</td>
</tr>
<tr>
<td><strong>U.S. Environmental Protection Agency Office of Water</strong></td>
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<tr>
<td>Passed-through S.C. State Budget and Control Board, Office of Local Government:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA - Capitalization Grants for State Revolving Funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wastewater Treatment, Upgrade and Expansion Program</td>
<td>66.458</td>
<td>F1-09-197-13</td>
<td>911,518</td>
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<tr>
<td>Total assistance</td>
<td></td>
<td></td>
<td>$1,479,693</td>
</tr>
</tbody>
</table>
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 & Whitesitt, P.C.

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

Honorabie 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.

December 6, 2011

Blair, Bohls & Whitehead, P.C.
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 ___X__no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___yes ___X__none reported
- Noncompliance material to financial statements noted? ___yes ___X__no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes ___X__no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___yes ___X__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 ___X__no

Identification of major federal programs:

<table>
<thead>
<tr>
<th>CFDA Numbers</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.458</td>
<td>ARRA – Capitalization Grants for State Revolving Funds: Wastewater Treatment, Upgrade and Expansion</td>
</tr>
</tbody>
</table>

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

Auditee qualified as low-risk auditee? ___yes ___X__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.