

**CITY OF LANCASTER, SOUTH CAROLINA**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Prepared by:

FINANCE DEPARTMENT

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



# CITY OF LANCASTER, SOUTH CAROLINA

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**CITY OF LANCASTER, SOUTH CAROLINA**

**INTRODUCTORY SECTION**





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

November 16, 2012

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, 2012.

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, 2012, 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, 2012, 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.

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-chartered 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 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 \$1,303,151. During the year, the City funded its annual required contribution (ARC) of \$96,609 and as of the fiscal year ended June 30, 2012 has contributed over 100% of its annual OPEB costs resulting in a corresponding asset recorded in the financial statements of \$86,691. The City has chosen to use a more conservative investment rate of return on investments of 5.00% in its actuarial assumptions.

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

### **Awards and Acknowledgements**

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, 2011. 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 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, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

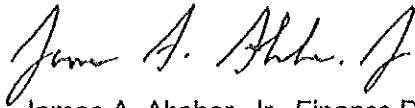
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Helen P. Sowell".

Helen P. Sowell, City Administrator

A handwritten signature in cursive script that reads "James A. Absher, Jr.". The signature is stylized with a large initial 'J'.

James A. Absher, Jr., Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lancaster  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF LANCASTER, SOUTH CAROLINA**

**LISTING OF PRINCIPAL OFFICIALS**

JUNE 30, 2012

**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

Harlean Howard, Chief  
Police Department

Louis Streeter, Interim Director  
Building, Planning & Zoning

Chuck Small, Chief  
Fire Department

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

Lisa Driggers, Director  
Human Resources

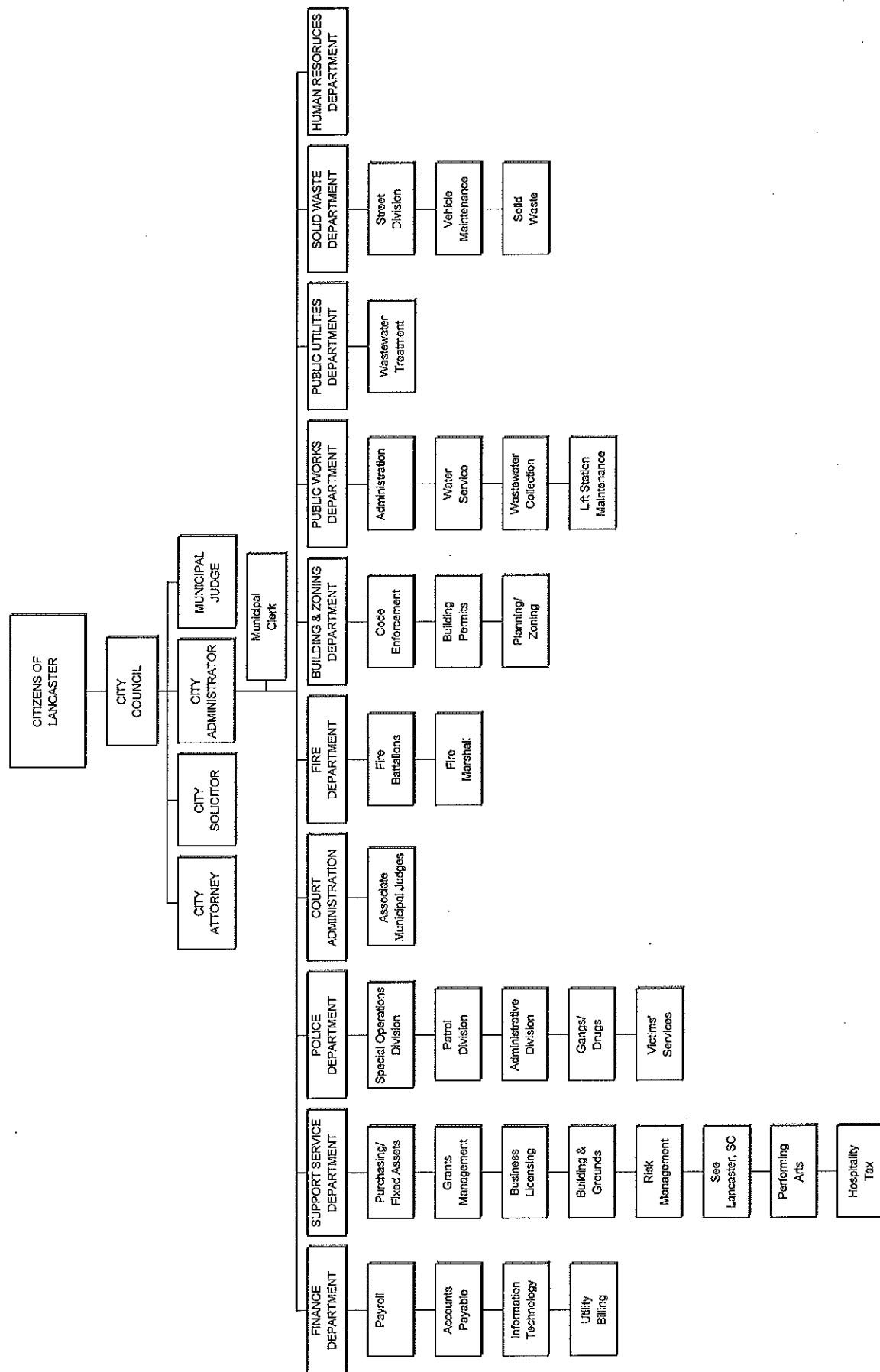
Cammie Heath, Administrator  
Municipal Court

Jerry Crocket, Director  
Public Works

Marty Cauthen, Director  
Solid Waste



# City of Lancaster Organizational Chart



**CITY OF LANCASTER, SOUTH CAROLINA**

FINANCIAL SECTION





Blair, Bohlé & Whitsitt<sup>PLLC</sup>  
Certified Public Accountants

10815 Sikes Place  
Suite 100  
Charlotte, NC  
28277

704-841-9800 Main  
704-841-9802 Fax  
[www.bbwp1lc.com](http://www.bbwp1lc.com)

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison schedule for the general fund of the City of Lancaster, South Carolina, as of and for the year ended June 31, 2012, 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, 2012, 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 November 16, 2012, 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.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the Schedules of Funding Progress and Employer Contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lancaster, South Carolina, financial statements as a whole. 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 combining and individual fund financial statement section, and the other financial information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

*Blair, Bohle & Whitsett, PC*

November 16, 2012



## 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, 2012. 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 \$42,778,277 (net assets) compared to \$41,319,715 (net assets) at June 30, 2011.
- The government's total assets increased by \$1,458,562 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 \$707,071 compared to \$1,444,152 at June 30, 2011.
- In the General Fund, revenues exceeded expenditures by \$220,418 compared to expenditures exceeding revenues by \$201,930 last year. This is largely attributable to revenues for property tax, local option sales tax and business license coming in above estimates and expenditures coming in under budget for most departments.
- In the Gross Revenue (water/sewer) Fund, revenue exceeded expenses by \$593,455 compared to \$1,348,778 last year.
- In the Solid Waste Fund, revenue exceeded expenses by \$113,616 compared to \$95,374 last year.
- As of the close of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$8,593,482, a decrease of \$229,598 in comparison with the prior year (\$8,823,080). Unassigned fund balance of \$5,748,321 or 67% 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 \$5,748,321 or 62% of total General Fund expenditures (\$9,288,981) for the fiscal year.
- Total long-term obligations for FY1112 were approximately \$11,363,000 compared to FY1011 of \$12,861,000. This amounts to a net decrease of 12.0% or approximately \$1,498,000.

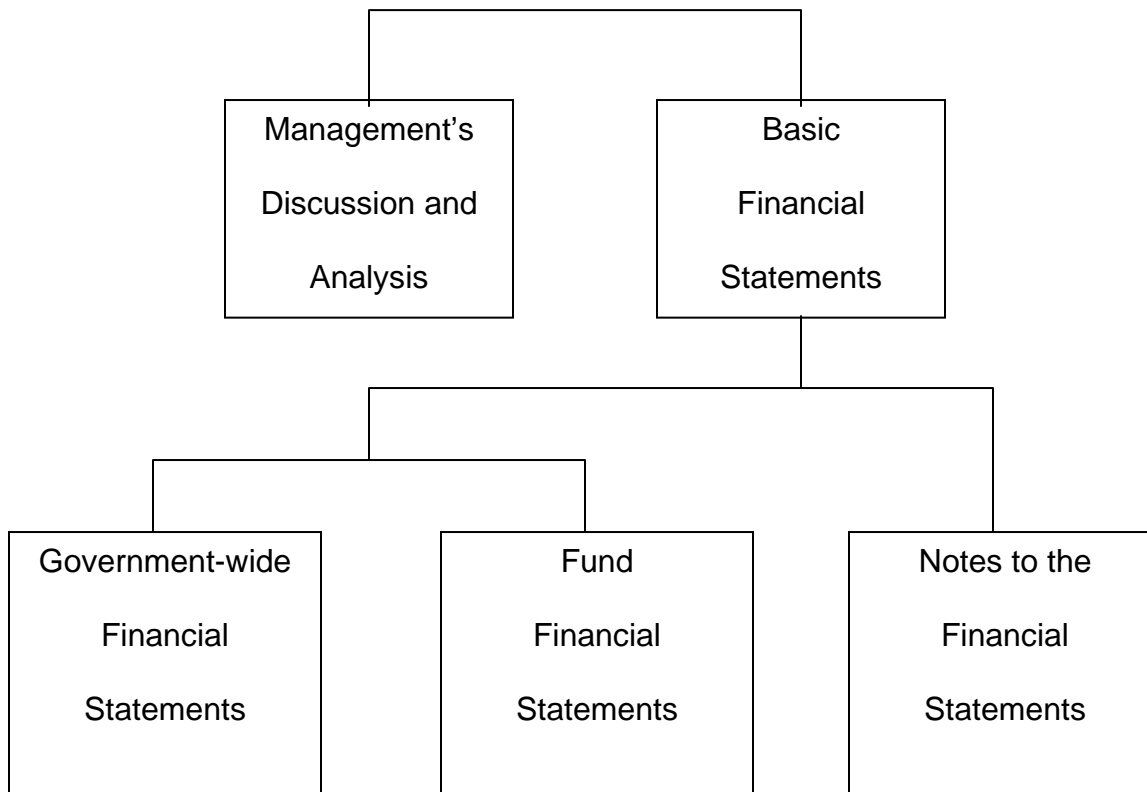
### Overview of the Financial Statements

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



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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



## Government-wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

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



budget as amended by City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26 - 56 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information providing additional detail regarding the City of Lancaster's various activities. This supplementary information, and other schedules, can be found on pages 57 - 113 of this report.

### **Government-Wide Financial Analysis**

The government-wide financial statements for the fiscal year ended June 30, 2012 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 tenth year of reporting under the new reporting model, comparative data are presented for the prior years where applicable.



## The City of Lancaster's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 11,523,200	\$ 10,484,113	\$ 4,960,019	\$ 5,457,826	\$ 16,483,219	\$ 15,941,939
Capital assets	12,083,160	12,640,115	26,909,815	27,050,936	38,992,975	39,691,051
Total assets	<u>23,606,360</u>	<u>23,124,228</u>	<u>31,869,834</u>	<u>32,508,762</u>	<u>55,476,194</u>	<u>55,632,990</u>
Long-term liabilities outstanding	527,926	692,657	9,368,788	10,483,483	9,896,714	11,176,140
Other liabilities	1,246,875	1,351,503	1,554,328	1,785,632	2,801,203	3,137,135
Total liabilities	<u>1,774,801</u>	<u>2,044,160</u>	<u>10,923,116</u>	<u>12,269,115</u>	<u>12,697,917</u>	<u>14,313,275</u>
Net assets:						
Invested in capital assets, net of related debt	11,656,059	12,068,363	16,437,282	15,231,207	28,093,341	27,299,570
Restricted	1,338,780	1,322,854	1,818,267	2,081,342	3,157,047	3,404,196
Unrestricted	8,836,720	7,688,851	2,691,169	2,927,098	11,527,889	10,615,949
Total net assets	<u>\$ 21,831,559</u>	<u>\$ 21,080,068</u>	<u>\$ 20,946,718</u>	<u>\$ 20,239,647</u>	<u>\$ 42,778,277</u>	<u>\$ 41,319,715</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Lancaster exceeded liabilities by \$42,778,277 as of June 30, 2012. The City's net assets increased by \$1,458,562 for the fiscal year ended June 30, 2012. 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 \$11,527,889.

Several aspects of the City operations influenced total unrestricted net assets, which increased by \$825,249 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, revenues exceeded expenditures by \$220,418. The City had better than estimated collections in several revenue categories and most departments came in under budgeted expenditures for the fiscal year.
- In the major Hospitality Fund, expenditures exceeded revenues by \$435,451 – which when added to the \$14,565 expenditure over revenue in the Southside fund – resulted in excess expenditures over revenues for the other governmental funds amounting to \$450,016. Expenditures exceeded revenues in the Hospitality Tax Fund by such a large amount due to the renovation expenditures for the Native American Studies building for University of South Carolina – Lancaster lease approved by City Council. The renovation project will be completed early in the 2012-2013 fiscal year with an overall project cost of \$922,460.
- In the Gross Revenue Fund, revenue exceeded expense by \$593,455. One large wastewater treatment project was completed which resulted in net assets being shifted from unrestricted to invested in capital assets classification.
- In the Solid Waste Fund, revenue exceeded expense by \$113,616.



## City of Lancaster Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 769,754	\$ 789,955	\$ 7,275,177	\$ 7,189,607	\$ 8,044,931	\$ 7,979,562
Operating grants and contributions	172,877	631,897	-	-	172,877	631,897
Capital grants and contributions	-	1,026,000	391,470	1,135,749	391,470	2,161,749
General revenues:						
Property taxes	5,410,709	5,064,683	-	-	5,410,709	5,064,683
Other taxes	3,942,377	3,955,793	-	-	3,942,377	3,955,793
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	398,657	458,408	460,898	32,423	859,555	490,831
<b>Total revenues</b>	<b>10,694,374</b>	<b>11,926,736</b>	<b>8,127,545</b>	<b>8,357,779</b>	<b>18,821,919</b>	<b>20,284,515</b>
<b>Expenses:</b>						
General government	3,933,606	3,693,014	-	-	3,933,606	3,693,014
Public safety	4,587,600	4,848,268	-	-	4,587,600	4,848,268
Public Works	945,278	909,897	-	-	945,278	909,897
Planning	205,859	196,393	-	-	205,859	196,393
Parks and Playgrounds	117,349	134,555	-	-	117,349	134,555
Community Service	125,733	539,769	-	-	125,733	539,769
Interest and fees	27,458	37,216	-	-	27,458	37,216
Water and sewer	-	-	5,810,577	5,445,121	5,810,577	5,445,121
Solid Waste	-	-	1,609,897	1,468,507	1,609,897	1,468,507
<b>Total expenses</b>	<b>9,942,883</b>	<b>10,359,112</b>	<b>7,420,474</b>	<b>6,913,628</b>	<b>17,363,357</b>	<b>17,272,740</b>
<b>Increase in net assets</b>	<b>751,491</b>	<b>1,567,624</b>	<b>707,071</b>	<b>1,444,151</b>	<b>1,458,562</b>	<b>3,011,775</b>
<b>Net assets, July 1</b>	<b>21,080,068</b>	<b>19,512,444</b>	<b>20,239,647</b>	<b>18,795,496</b>	<b>41,319,715</b>	<b>38,307,940</b>
<b>Net assets, June 30</b>	<b>\$21,831,559</b>	<b>\$21,080,068</b>	<b>\$20,946,718</b>	<b>\$20,239,647</b>	<b>\$42,778,277</b>	<b>\$41,319,715</b>





**Governmental Activities.** Governmental activities increased the City's net assets by \$751,491 thereby accounting for 51.5% of the total growth in the net assets of the City of Lancaster. Key elements of this increase are as follows:

- Hospitality Fund expenditures in excess of revenue amounted to \$435,451. The interfund payable in the amount of \$500,000 which for budgetary purposes was included in transfer revenue was appropriately accounted for under GAAP as a liability. The renovation expenditures on the Native American Studies Building was converted to invested in capital assets, net of related debt.
- In the General Fund, revenues exceeded expenditures by \$220,418. Several revenue budgetary line items came in higher than estimated.

**Business-Type Activities:** Business-type activities increased the City of Lancaster's net assets by \$707,071 accounting for 48.5% of the total growth in the government's net assets. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$593,455 of the increase in business-type activity net assets. This was largely attributable to \$391,470 of revenue from capital grant income.
- The Solid Waste Fund yielded \$113,616 of the increase in business-type activity net assets. This increase in net assets is a slight increase from the \$95,374 increase recorded by the fund last year. The slight increase in overall change in net assets from last fiscal year's number can be attributed to \$25,596 in revenue from gain on sale of assets and a decrease in the amount of interest income received by the fund.

### 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 \$5,748,321 while total fund balance was \$7,744,837. The Governing Body of the City of Lancaster has determined that the City should maintain an unassigned fund balance of 40% to 60% of budgeted 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 61.9% of total General Fund expenditures, while total fund balance represents 83.4% of that same amount.

At June 30, 2012, the governmental funds of City of Lancaster reported a combined fund balance of \$8,593,482, a 2.7% decrease over last year (\$8,823,080).





**Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on three 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 1112 budget amendments.

Ord No	Eff Date	Budget Impact	Comment - Primary Reasons for Change
O12-01	2/28/12	646,054	To fund purchase of Artisan's Center for renovation and other projects/expenditures approved after passing of original budget.
O12-05	5/22/12	\$1,889,844	To approve renovation of Native American Studies Center; Brook Drive Road and Sewer Project; Interfund loan between the General Fund and Hospitality Tax Fund; and other approved expenditures after passing of original budget.
O12-08	9/11/12	225,028	To fund compensated absences accrued; expenditures for Brooklyn Ave Phase II project; and approved expenditures at year-end.

Some of the significant differences in the General Fund between budgeted amounts and actual amounts for FY 1112 were as follows:

- Actual revenue for privilege licenses exceeded budgeted amounts by \$143,599 due to better than anticipated collections.
- Local options sales tax collections exceeded budgeted amounts by \$102,389 due to better retail sales conditions than expected in the City.
- Collections in Duke Energy Franchise fees exceeded budget by \$61,252. This could be partially due to the increase in rates awarded the utility by the South Carolina Public Service Commission.

**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 \$2,047,049, and those for the Solid Waste Fund amounted to \$644,120. The total growth in net assets for both funds was \$593,455 and \$113,616 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, 2012, totals \$38,992,975 (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 \$1,140,041 including building/equipment/infrastructure additions at \$586,060 and increases to construction in progress of \$553,981.



- Capital asset additions for business-type activities amounted to \$963,902 including \$161,732 for building/equipment/infrastructure additions and \$955,827 in transfers from construction in progress.

### City of Lancaster's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,196,503	\$ 3,196,503	\$ 364,554	\$ 364,554	\$ 3,561,057	\$ 3,561,057
Buildings, systems and improvements	3,473,028	4,618,145	24,119,303	24,211,107	27,592,331	28,829,252
Machinery and equipment	1,218,954	965,491	2,038,178	1,933,838	3,257,132	2,899,329
Infrastructure	3,640,694	3,859,976	-	-	3,640,694	3,859,976
Construction in progress	553,981	-	387,780	541,437	941,761	541,437
<b>Total</b>	<b>\$ 12,083,160</b>	<b>\$ 12,640,115</b>	<b>\$ 26,909,815</b>	<b>\$ 27,050,936</b>	<b>\$ 38,992,975</b>	<b>\$ 39,691,051</b>

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, 2012, the City of Lancaster had total bonded debt outstanding of \$290,000, all of which is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) or State Revolving Fund Loans or capital lease obligations.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 290,000	\$ 425,000	\$ -	\$ -	\$ 290,000	\$ 425,000
Capital lease obligations	137,101	146,752	2,443,222	2,767,005	2,580,323	2,913,757
Revenue bonds	-	-	-	205,000	-	205,000
Revolving loans	-	-	8,028,958	8,847,724	8,028,958	8,847,724
<b>Total</b>	<b>\$ 427,101</b>	<b>\$ 571,752</b>	<b>\$ 10,472,180</b>	<b>\$ 11,819,729</b>	<b>\$ 10,899,281</b>	<b>\$ 12,391,481</b>

During the past fiscal year, the City's total debt decreased by \$1,492,200 (12.0%).

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 2012 put the city's population at 8,667 (some 11.1% of Lancaster County's estimated population of 77,908). 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)

<b><u>Employer</u></b>	<b><u>Description</u></b>	<b><u># of Employees</u></b>
Lancaster County School District	County school system	1600
Red Ventures	Call Center	1250
Lancaster County	County government	743
Wal-Mart	Retail goods	700
Springs Memorial Hospital	Hospital	700
Cardinal Health	Healthcare	680
Continental Tire	Tire manufacturing	400
Duracell	Batteries manufacturing	395
Inspirational Industries	Ministry	310
Founders Federal Credit Union	Credit union	300

Lancaster County's unemployment rate at June 2012 was 13.0%, down by 2.3 percentage points from the June 2011 rate of 15.3%. This compares to statewide rates of 9.4% for June 2012 versus 10.5% for June 2011.

The following chart reflects the City of Lancaster retail businesses and sales from 2005 through 2011. (Source: SC Department of Revenue Annual Sales Reports)

<b>Year</b>	<b>Number of Businesses</b>	<b>Retail Sales</b>	<b>% Incr/Decr</b>
2005	332	\$383,094,891	13.82%
2006	324	\$424,883,100	10.91%
2007	324	\$378,478,120	(10.91%)
2008	294	\$392,376,037	3.67%
2009	321	\$370,836,792	(5.49%)
2010	417	\$405,078,218	9.20%
2011	467	\$410,870,492	1.41%

Estimated median household income for Lancaster County was \$38,959 which amounts to 88.7% of statewide median household income (\$43,939) for 2011.

## Budget Highlights for the Fiscal Year Ending June 30, 2012

**Governmental Activities:** Given uncertainty as to economic conditions, there was no property tax increase for FY 1112. 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 FY1112 remained the same as FY1011. Expense reductions – similar to those described for governmental activities – were implemented. Capital projects for FY1112 in the Gross Revenue Fund include a \$956,000 effluent pump replacement project at the city’s wastewater treatment plant – made possible largely as a result of “economic stimulus” funding. The effluent pump replacement project was completed in FY1112.

### **Requests for Information**

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



**CITY OF LANCASTER, SOUTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**



## CITY OF LANCASTER, SOUTH CAROLINA

### Statement of Net Assets

June 30, 2012

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total Primary Government</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,073,205	\$ 2,649,137	\$ 8,722,342
Accounts receivable			
Taxes, net	301,839	-	301,839
Grants	29,345	-	29,345
Internal balances	687,696	(687,696)	-
Mortgages	1,046,860	-	1,046,860
Water and Sewer	-	466,345	466,345
Garbage and Trash	-	94,742	94,742
Roll-off containers	-	11,422	11,422
Intergovernmental	246,197	-	246,197
Other	419,616	271,716	691,332
Inventory	4,092	80,426	84,518
Cash and cash equivalents - committed assets	1,124,201	-	1,124,201
Cash and cash equivalents - restricted assets	1,503,458	2,040,295	3,543,753
Deferred charges	-	33,632	33,632
Net OPEB asset	86,691	-	86,691
<b>Total current assets</b>	<b>11,523,200</b>	<b>4,960,019</b>	<b>16,483,219</b>
Non-current assets:			
Capital assets:			
Nondepreciable	3,750,484	752,341	4,502,825
Depreciable, net of accumulated depreciation	8,332,676	26,157,474	34,490,150
<b>Total non-current assets</b>	<b>12,083,160</b>	<b>26,909,815</b>	<b>38,992,975</b>
<b>Total assets</b>	<b>\$ 23,606,360</b>	<b>\$ 31,869,834</b>	<b>\$ 55,476,194</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,009,100	\$ 66,781	\$ 1,075,881
Customer deposits	-	222,028	222,028
Unearned revenue	36,991	-	36,991
Current portion of long-term liabilities	200,784	1,265,519	1,466,303
<b>Total current liabilities</b>	<b>1,246,875</b>	<b>1,554,328</b>	<b>2,801,203</b>
Long-term liabilities:			
Due in more than one year	527,926	9,368,788	9,896,714
<b>Total liabilities</b>	<b>1,774,801</b>	<b>10,923,116</b>	<b>12,697,917</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	11,656,059	16,437,282	28,093,341
Restricted for tourism	1,308,988	-	1,308,988
Restricted for Southside Housing	29,792	-	29,792
Restricted for debt service	-	1,818,267	1,818,267
Unrestricted	8,836,720	2,691,169	11,527,889
<b>Total net assets</b>	<b>\$ 21,831,559</b>	<b>\$ 20,946,718</b>	<b>\$ 42,778,277</b>

See notes to financial statements.



## CITY OF LANCASTER, SOUTH CAROLINA

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

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental activities:						
General administration	\$ 3,933,606	\$ 279,244	\$ 172,877	\$ -	\$ -	\$ (3,481,485)
Public safety	4,587,600	394,443	-	-	-	(4,193,157)
Public works	945,278	-	-	-	-	(945,278)
Code enforcement	205,859	68,965	-	-	-	(136,894)
Parks and playgrounds	117,349	-	-	-	-	(117,349)
Community service	125,733	27,102	-	-	-	(98,631)
Interest and fees	27,458	-	-	-	-	(27,458)
Total governmental activities	<u>9,942,883</u>	<u>769,754</u>	<u>172,877</u>	<u>-</u>	<u>-</u>	<u>(9,000,252)</u>
Business-type activities:						
Water and Sewer	5,810,577	5,596,440	-	391,470	-	177,333
Solid waste	1,609,897	1,678,737	-	-	-	68,840
Total business-type activities	<u>7,420,474</u>	<u>7,275,177</u>	<u>-</u>	<u>391,470</u>	<u>-</u>	<u>246,173</u>
<b>Total primary government</b>	<u>\$ 17,363,357</u>	<u>\$ 8,044,931</u>	<u>\$ 172,877</u>	<u>\$ 391,470</u>	<u>(9,000,252)</u>	<u>246,173</u>
General revenues:						
Ad valorem taxes					5,410,709	-
Other taxes, licenses, and fees:						
Property tax					359,431	-
Sales tax					1,233,425	-
Business licenses					1,547,204	-
Franchise fees					802,316	-
Unrestricted intergovernmental					253,818	-
Unrestricted investment earnings					21,070	8,843
Miscellaneous					69,134	384,317
Gain on sale of capital assets					54,636	67,738
Total general revenues					<u>9,751,743</u>	<u>460,898</u>
Change in net assets					751,491	707,071
Net assets - beginning					21,080,068	20,239,647
Net assets - ending					<u>\$ 21,831,559</u>	<u>\$ 20,946,718</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,070,273	\$ -	\$ 2,932	\$ 6,073,205
Receivables:				
Taxes, net	301,839	-	-	301,839
Grants	29,345	-	-	29,345
Intergovernmental	246,197	-	-	246,197
Mortgages	1,020,000	-	26,860	1,046,860
Taxes - other	329,660	66,968	-	396,628
Other	-	22,988	-	22,988
Due from other funds	459,735	-	-	459,735
Committed assets	1,124,201	-	-	1,124,201
Restricted assets	194,470	1,308,988	-	1,503,458
Inventory	4,092	-	-	4,092
Advances to other funds	738,266	-	-	738,266
Total assets	<u>\$ 10,518,078</u>	<u>\$ 1,398,944</u>	<u>\$ 29,792</u>	<u>\$ 11,946,814</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 976,304	\$ 32,796	\$ -	\$ 1,009,100
Compensated absences payable	50,268	-	-	50,268
Due to other funds	-	510,304	-	510,304
Deferred revenues - tax rollback	446,152	-	-	446,152
Deferred revenues - other	1,300,517	36,991	-	1,337,508
Total liabilities	<u>2,773,241</u>	<u>580,091</u>	<u>-</u>	<u>3,353,332</u>
Fund balances:				
Nonspendable:				
Inventory	4,092	-	-	4,092
Restricted:				
Debt payments	194,470	-	-	194,470
Drug fund	90,622	-	-	90,622
Hospitality tax	-	818,853	-	818,853
Southside Housing	-	-	29,792	29,792
Committed:				
Downtown development	683,208	-	-	683,208
Police department communications	67,842	-	-	67,842
Noncurrent portion of interfund loans	581,682	-	-	581,682
Assigned:				
Main street project	5,000	-	-	5,000
Subsequent year's expenditures	369,600	-	-	369,600
Unassigned	5,748,321	-	-	5,748,321
Total fund balances	<u>7,744,837</u>	<u>818,853</u>	<u>29,792</u>	<u>8,593,482</u>
Total liabilities and fund balances	<u>\$ 10,518,078</u>	<u>\$ 1,398,944</u>	<u>\$ 29,792</u>	<u>\$ 11,946,814</u>





## CITY OF LANCASTER, SOUTH CAROLINA

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2012

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

Ending fund balance - governmental funds	\$	8,593,482	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$20,917,332 and accumulated depreciation is \$8,834,172.			12,083,160
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.			86,691
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Lot clearing fees	\$	12,331	
Vehicle tax		35,123	
Real property tax		233,063	
Tax rollback		446,152	
Sale of fixed assets		<u>1,020,000</u>	
			1,746,669
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		290,000	
Capitalized leases		137,101	
Compensated absences payable		<u>251,341</u>	
			(678,442)
Rounding			<u>(1)</u>
Net assets of governmental activities	\$		<u><u>21,831,559</u></u>



**CITY OF LANCASTER, SOUTH CAROLINA**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2012

	<u>General</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 5,140,326	\$ 731,037	\$ -	\$ 5,871,363
Fines, fees, licenses and permits	3,537,736	-	-	3,537,736
Intergovernmental	388,927	-	-	388,927
Charges for services	166,436	139,707	-	306,143
Grants	172,877	-	-	172,877
Interest	19,667	529	873	21,069
Other	83,430	10,591	-	94,021
Total revenues	<u>9,509,399</u>	<u>881,864</u>	<u>873</u>	<u>10,392,136</u>
<b>Expenditures</b>				
Current:				
General administration	2,848,381	797,304	15,438	3,661,123
Public safety	4,352,009	-	-	4,352,009
Public works	862,836	-	-	862,836
Code enforcement	201,546	-	-	201,546
Parks and playgrounds	106,473	-	-	106,473
Community service	125,597	-	-	125,597
Capital outlay	620,667	519,374	-	1,140,041
Debt service:				
Principal	144,651	-	-	144,651
Interest and fees	26,821	637	-	27,458
Total expenditures	<u>9,288,981</u>	<u>1,317,315</u>	<u>15,438</u>	<u>10,621,734</u>
<b>Net change in fund balances</b>	220,418	(435,451)	(14,565)	(229,598)
<b>Fund balance - beginning</b>	<u>7,524,419</u>	<u>1,254,304</u>	<u>44,357</u>	<u>8,823,080</u>
<b>Fund balance - ending</b>	<u>\$ 7,744,837</u>	<u>\$ 818,853</u>	<u>\$ 29,792</u>	<u>\$ 8,593,482</u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	(229,598)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense.

Capital outlay	\$ 1,140,041	
Depreciation expense	<u>(706,746)</u>	
		433,295

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

Gain on sale of capital assets	29,750	
Lot clearing fees	203	
Vehicle tax	638	
Real property tax	59,417	
Tax rollback	<u>212,231</u>	
		302,239

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.

158,866

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds.

86,691

Rounding		<u>(2)</u>
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Change in net assets of governmental activities	\$	<u><u>751,491</u></u>
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## CITY OF LANCASTER, SOUTH CAROLINA

### Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund Year ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 5,097,194	\$ 4,961,027	\$ 5,140,326	\$ 179,299
Fines, fees, licenses and permits	3,004,000	3,243,725	3,537,736	294,011
Intergovernmental	401,000	401,000	388,927	(12,073)
Charges for services	144,000	144,000	166,436	22,436
Grants	176,300	278,800	172,877	(105,923)
Interest	25,000	25,000	19,667	(5,333)
Other	68,000	68,000	83,430	15,430
Total revenues	<u>8,915,494</u>	<u>9,121,552</u>	<u>9,509,399</u>	<u>387,847</u>
<b>Expenditures</b>				
Current:				
General administration	3,037,384	3,186,077	2,848,381	337,696
Public safety	4,828,026	4,886,251	4,352,009	534,242
Public works	876,695	1,075,748	862,836	212,912
Code enforcement	217,957	217,957	201,546	16,411
Parks and playgrounds	123,004	124,204	106,473	17,731
Community service	145,875	146,275	125,597	20,678
Capital outlay	650,821	653,821	620,667	33,154
Debt service:				
Principal	144,700	144,700	144,651	49
Interest and fees	29,100	29,100	26,821	2,279
Total expenditures	<u>10,053,562</u>	<u>10,464,133</u>	<u>9,288,981</u>	<u>1,175,152</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,138,068)</u>	<u>(1,342,581)</u>	<u>220,418</u>	<u>1,562,999</u>
<b>Other financing sources</b>				
Transfers out	60,700	(439,300)	-	439,300
Fund balance appropriated	1,077,368	1,781,881	-	(1,781,881)
Total other financing sources	<u>1,138,068</u>	<u>1,342,581</u>	<u>-</u>	<u>(1,342,581)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>220,418</u>	<u>\$ 220,418</u>
<b>Fund balance - beginning</b>			<u>7,524,419</u>	
<b>Fund balance - ending</b>			<u>\$ 7,744,837</u>	



STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2012

	Enterprise Funds		
	Gross Revenue	Solid Waste	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,764,513	\$ 884,624	\$ 2,649,137
Receivables:			
Water and sewer	466,345	-	466,345
Garbage and trash	-	94,742	94,742
Roll-off containers	-	11,422	11,422
Other	216,433	55,283	271,716
Due from other funds	-	11,973	11,973
Inventory	80,426	-	80,426
<b>Total current assets</b>	<b>2,527,717</b>	<b>1,058,044</b>	<b>3,585,761</b>
<b>Noncurrent assets</b>			
Restricted assets:			
Customer deposits	222,028	-	222,028
Bond depreciation account	356,422	-	356,422
Bond contingency account	356,422	-	356,422
Bond debt service and reserve account	1,105,423	-	1,105,423
Total restricted assets	2,040,295	-	2,040,295
Deferred charges, net	33,632	-	33,632
Capital assets (net, where applicable, of accumulated depreciation)	25,129,234	1,780,581	26,909,815
<b>Total noncurrent assets</b>	<b>27,203,161</b>	<b>1,780,581</b>	<b>28,983,742</b>
<b>Total assets</b>	<b>29,730,878</b>	<b>2,838,625</b>	<b>32,569,503</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	62,373	4,408	66,781
Compensated absences payable	54,533	23,328	77,861
Current portion of long-term debt	846,589	-	846,589
Capital leases payable - current	267,419	73,650	341,069
Customer deposits	222,028	-	222,028
Due to Hospitality Tax Fund	3,329	-	3,329
Due to General Fund	317,174	128,928	446,102
Due to Solid Waste Fund	11,973	-	11,973
<b>Total current liabilities</b>	<b>1,785,418</b>	<b>230,314</b>	<b>2,015,732</b>
<b>Long-term liabilities</b>			
Advances from other funds	-	238,265	238,265
Compensated absences payable	65,270	18,994	84,264
Revenue bonds and notes payable	7,182,369	-	7,182,369
Capital leases payable - long-term	2,102,155	-	2,102,155
<b>Total long-term liabilities</b>	<b>9,349,794</b>	<b>257,259</b>	<b>9,607,053</b>
<b>Total liabilities</b>	<b>11,135,212</b>	<b>487,573</b>	<b>11,622,785</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	14,730,350	1,706,932	16,437,282
Restricted for debt payments	1,818,267	-	1,818,267
Net assets unrestricted	2,047,049	644,120	2,691,169
<b>Total net assets</b>	<b>\$ 18,595,666</b>	<b>\$ 2,351,052</b>	<b>\$ 20,946,718</b>

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 Year ended June 30, 2012

	<b>Enterprise Funds</b>		
	<b>Gross Revenue</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Operating revenues</b>			
Water and sewer charges	\$ 5,364,374	\$ -	\$ 5,364,374
Water penalties	217,314	-	217,314
Tap fees	14,752	-	14,752
Garbage fees	-	1,107,561	1,107,561
Roll-off containers	-	74,558	74,558
Other	366,539	513,208	879,747
Total operating revenues	<u>5,962,979</u>	<u>1,695,327</u>	<u>7,658,306</u>
<b>Operating expenses</b>			
Public works administration	352,495	-	352,495
Residential garbage	-	524,458	524,458
Commercial garbage	-	300,154	300,154
Recycling	-	67,330	67,330
Transfer station	-	317,215	317,215
Water service	1,268,726	-	1,268,726
Utility billing	195,986	-	195,986
Wastewater treatment	1,028,820	-	1,028,820
Wastewater collection	732,028	-	732,028
General expense	757,599	175,667	933,266
Depreciation and amortization	1,206,506	218,642	1,425,148
Total operating expenses	<u>5,542,160</u>	<u>1,603,466</u>	<u>7,145,626</u>
<b>Operating income</b>	<u>420,819</u>	<u>91,861</u>	<u>512,680</u>
<b>Nonoperating revenue (expense)</b>			
Interest income	6,253	2,590	8,843
Interest expense	(268,417)	(6,431)	(274,848)
Insurance proceeds	1,188	-	1,188
Gain on sale of fixed assets	42,142	25,596	67,738
Total other income (expense)	<u>(218,834)</u>	<u>21,755</u>	<u>(197,079)</u>
<b>Income before capital contributions</b>	201,985	113,616	315,601
Capital grant income	391,470	-	391,470
<b>Change in net assets</b>	593,455	113,616	707,071
<b>Total net assets - beginning</b>	<u>18,002,211</u>	<u>2,237,436</u>	<u>20,239,647</u>
<b>Total net assets - ending</b>	<u>\$ 18,595,666</u>	<u>\$ 2,351,052</u>	<u>\$ 20,946,718</u>

See notes to financial statements.



**CITY OF LANCASTER, SOUTH CAROLINA**

Exhibit H

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year ended June 30, 2012

	<b>ENTERPRISE FUNDS</b>		
	<b>Gross Revenue</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Operating activities</b>			
Cash received from customers	\$ 6,049,047	\$ 1,698,245	\$ 7,747,292
Cash paid to employees	(1,472,680)	(577,352)	(2,050,032)
Cash paid to suppliers	(2,855,749)	(805,686)	(3,661,435)
<b>Net cash provided by operating activities</b>	<b>1,720,618</b>	<b>315,207</b>	<b>2,035,825</b>
<b>Noncapital financing activities</b>			
Due to other funds	(38,898)	31,265	(7,633)
Customer deposits	4,027	-	4,027
<b>Net cash provided by (used) in noncapital financing activities</b>	<b>(34,871)</b>	<b>31,265</b>	<b>(3,606)</b>
<b>Capital and related financing activities</b>			
Proceeds from capital grants	391,470	-	391,470
Insurance proceeds	1,188	-	1,188
Proceeds from sale of capital assets	42,142	25,596	67,738
Acquisition of capital assets	(963,902)	(320,124)	(1,284,026)
Principal paid on capital leases	(250,785)	(72,996)	(323,781)
Principal paid on bond and note maturities	(1,023,766)	-	(1,023,766)
Interest and bond fees	(249,012)	(6,431)	(255,443)
<b>Net cash used in capital and related financing activities</b>	<b>(2,052,665)</b>	<b>(373,955)</b>	<b>(2,426,620)</b>
<b>Investing activities</b>			
Interest on investments	6,253	2,590	8,843
<b>Net cash provided by investing activities</b>	<b>6,253</b>	<b>2,590</b>	<b>8,843</b>
<b>Net decrease in cash and cash equivalents/investments</b>	<b>(360,665)</b>	<b>(24,893)</b>	<b>(385,558)</b>
<b>Cash and cash equivalents/investments</b>			
<b>Beginning of year</b>	<b>4,165,473</b>	<b>909,517</b>	<b>5,074,990</b>
<b>End of year</b>	<b>\$ 3,804,808</b>	<b>\$ 884,624</b>	<b>\$ 4,689,432</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 420,819	\$ 91,861	\$ 512,680
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,206,506	218,642	1,425,148
Change in assets and liabilities			
Accounts receivable	86,068	2,918	88,986
Inventory	11,492	-	11,492
Accounts payable and accrued expenses	(13,322)	(492)	(13,814)
Compensated absences	9,055	2,278	11,333
Total adjustments	1,299,799	223,346	1,523,145
<b>Net cash provided by operating activities</b>	<b>\$ 1,720,618</b>	<b>\$ 315,207</b>	<b>\$ 2,035,825</b>
<b>Reconciliation to statement of net assets</b>			
Unrestricted cash and cash equivalents	\$ 1,764,513	\$ 884,624	\$ 2,649,137
Restricted cash and cash equivalents	2,040,295	-	2,040,295
	<b>\$ 3,804,808</b>	<b>\$ 884,624</b>	<b>\$ 4,689,432</b>



**CITY OF LANCASTER, SOUTH CAROLINA**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
*June 30, 2012*

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	<b>Agency Funds</b>
<b>Assets</b>	
Cash and temporary investments	\$ 13,040
Total assets	<u>\$ 13,040</u>
<b>Liabilities</b>	
Due to firemen's association	\$ 13,040
Total liabilities	<u>\$ 13,040</u>





# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2012

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### I. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

#### B. Basis of Presentation – Basis of Accounting

##### **Basis of Presentation**

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

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

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

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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.

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 nonmajor governmental fund:

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

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 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 City firemen and expended for their benefit.



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2012

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### I. Summary of Significant Accounting Policies (continued)

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

##### Measurement Focus, Basis of Accounting

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

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

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

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

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

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

#### Measurement Focus, Basis of Accounting (continued)

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

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

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

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

### C. Budgets

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

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

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

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

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

### C. Budgets (continued)

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

### D. Assets, Liabilities, and Fund Equity

#### 1. Cash and Cash Equivalents

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

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

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

#### 2. Property Taxes Receivable

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

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

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

#### 2. Property Taxes Receivable (continued)

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

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

#### 3. Allowance for Doubtful Accounts

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

#### 4. Interfund Receivables/Payables

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



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2012

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### 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 \$1,818,267 at June 30, 2012, 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, 2012, \$1,308,988 was restricted in the Hospitality Tax Fund for tourism.

##### 7. Capital Assets

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

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

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





# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

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

#### 7. Capital Assets (continued)

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

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

#### 8. Compensated Absences

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

#### 9. Long-Term Obligations

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

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

#### 10. Net Assets/Fund Balances

##### **Net Assets**

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





# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

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

#### 10. Net Assets/Fund Balances (continued)

##### **Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. Some portions of fund balance are limited in how they can be used and some can be used however the government decides, therefore the five classifications of fund balance.

The governmental fund types classify fund balances as follows:

##### **Nonspendable Fund Balance**

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

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

##### **Restricted Fund Balance**

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

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

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

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

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## 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, 2012 to provide victims’ services.

##### **Committed Fund Balance**

This classification of fund balance includes resources that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. 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.

*Noncurrent portion of interfund loans* – portion of fund balance committed through formal action of City Council for loans from the General Fund to other funds of the City that are not expected to be repaid during the next fiscal year. Any use of these resources must be approved by City Council.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## I. Summary of Significant Accounting Policies (continued)

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

#### 10. Net Assets/Fund Balances (continued)

##### Fund Balances (continued)

##### 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 2012-2013 annual budget approved by City Council.

##### 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.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## 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 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.
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.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## 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. 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.

#### 11. Reclassifications

For comparability, the 2011 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2012.

#### 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 \$3,518,775 and the bank balance was \$3,717,537. Of the bank balance, \$1,096,785 was covered by federal depository insurance and \$2,620,752 was covered by collateral held by the pledging financial institutions in the City's name.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

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## II. Detail Notes on All Funds (continued)

### A. Assets (continued)

#### 1. Deposits and Investments (continued)

At June 30, 2012, the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Fidelity US Treasury MM	\$ 1,105,423	N/A	Unrated
State Treasurer's Investment Pool	8,779,043	N/A	Unrated
Total Investments	<u>\$ 9,884,466</u>		

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

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

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

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

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

Cash and investments	
Primary government	\$ 8,722,342
Fiduciary funds	13,040
Restricted and designated assets	<u>4,667,954</u>
Total	\$ <u>13,403,336</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
 June 30, 2012

## II. Detail Notes on All Funds (continued)

### A. Assets (continued)

#### 2. Receivables – Allowance for Doubtful Accounts

At June 30, 2012, the City's receivable balances (unrestricted and restricted accounts receivable and taxes receivable in the accompanying statement) were as follows:

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012	Current Portion of Long-term Liabilities
Governmental Activities:					
Capitalized leases	\$ 146,752	\$ -	\$ 9,651	\$ 137,101	\$ 10,516
General Obligation Bonds	425,000	-	135,000	290,000	140,000
Compensated absences	318,667	159,070	176,128	301,609	50,268
Total governmental activities	<u>\$ 890,419</u>	<u>\$ 159,070</u>	<u>\$ 320,779</u>	<u>\$ 728,710</u>	<u>\$ 200,784</u>
Business-type Activities:					
Capitalized leases	\$ 2,767,005	\$ -	\$ 323,783	\$ 2,443,222	\$ 341,069
Refunding bond and State Revolving loans	9,052,724	-	1,023,766	8,028,958	846,589
Compensated absences	150,792	90,904	79,571	162,125	77,861
Total business-type activities	<u>\$ 11,970,521</u>	<u>\$ 90,904</u>	<u>\$ 1,427,120</u>	<u>\$ 10,634,305</u>	<u>\$ 1,265,519</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## II. Detail Notes on All Funds (continued)

### A. Assets (continued)

#### 3. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2012 was as follows:

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

General administration	\$ 355,857
Public safety	257,699
Public works	78,796
Code Enforcement	3,518
Parks and playgrounds	<u>10,876</u>
<b>Total depreciation expense</b>	<b><u><u>\$ 706,746</u></u></b>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,196,503	\$ -	\$ -	\$ -	\$ 3,196,503
Construction in progress	-	553,981	-	-	553,981
Total capital assets not being depreciated	<u>3,196,503</u>	<u>553,981</u>	<u>-</u>	<u>-</u>	<u>3,750,484</u>
Capital assets being depreciated:					
Buildings and improvements	6,468,402	-	1,020,000	-	5,448,402
Machinery and Equipment	5,630,638	575,260	135,410	-	6,070,488
Infrastructure	5,637,158	10,800	-	-	5,647,958
Total capital assets being depreciated	<u>17,736,198</u>	<u>586,060</u>	<u>1,155,410</u>	<u>-</u>	<u>17,166,848</u>
Less accumulated depreciation for:					
Buildings and improvements	1,850,257	154,867	29,750	-	1,975,374
Machinery and Equipment	4,665,147	321,797	135,410	-	4,851,534
Infrastructure	1,777,182	230,082	-	-	2,007,264
Total accumulated depreciation	<u>8,292,586</u>	<u>\$ 706,746</u>	<u>\$ 165,160</u>	<u>\$ -</u>	<u>8,834,172</u>
Total capital assets being depreciated, net	<u>9,443,612</u>				<u>8,332,676</u>
Governmental activity capital assets, net	<u><u>\$ 12,640,115</u></u>				<u><u>\$ 12,083,160</u></u>





# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## 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, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
<i>Gross Revenue</i>					
Capital assets not being depreciated:					
Land	\$ 364,554	\$ -	\$ -	\$ -	\$ 364,554
Construction in progress	541,437	802,170	-	(955,827)	387,780
Total capital assets not being depreciated	905,991	802,170	-	(955,827)	752,334
Capital assets being depreciated:					
Buildings	1,494,840	-	-	-	1,494,840
Equipment	5,009,259	151,064	205,575	-	4,954,748
Water and Sewer System	37,886,515	10,668	-	955,827	38,853,010
Total capital assets being depreciated	44,390,614	161,732	205,575	955,827	45,302,598
Less accumulated depreciation for:					
Building and building improvements	792,702	34,282	-	-	826,984
Equipment	3,712,926	290,291	(205,575)	-	3,797,642
Water and Sewer System	15,419,140	881,932	-	-	16,301,072
Total accumulated depreciation	19,924,768	\$ 1,206,505	\$ (205,575)	\$ -	20,925,698
Total capital assets being depreciated, net	24,465,846				24,376,900
Gross Revenue capital assets, net	25,371,837				25,129,234
<i>Solid Waste</i>					
Capital assets being depreciated:					
Buildings	126,528	\$ -	\$ -	\$ -	126,528
Equipment	3,267,248	320,124	118,220	-	3,469,152
Infrastructure	1,179,115	-	-	-	1,179,115
Total capital assets being depreciated	4,572,891	320,124	118,220	-	4,774,795
Less accumulated depreciation for:					
Buildings	126,528	-	-	-	126,528
Equipment	2,629,743	76,557	(118,220)	-	2,588,080
Infrastructure	137,521	142,085	-	-	279,606
Total accumulated depreciation	2,893,792	\$ 218,642	\$ (118,220)	\$ -	2,994,214
Total capital assets being depreciated, net	1,679,099				1,780,581
Solid Waste capital assets, net	1,679,099				1,780,581
Business-type activities capital assets, net	\$ 27,050,936				\$ 26,909,815



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## 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, 2012. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
South Main Street Streetscape	\$ -	\$ 20,000
Brook Drive	5,980	33,520
Brooklyn Avenue, Phase II	102,800	32,200
Native American Studies Center	219,910	702,550
Total	<u>\$ 328,690</u>	<u>\$ 788,270</u>

### B. Liabilities

#### 1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2012, were as follows:

	Governmental-wide Financial Statements						
	Fund Financial Statements						Adjustments to Full-Accrual
	General Fund	Hospitality Tax Fund	Other Governmental Funds	Gross Revenue Fund	Solid Waste	Total	
Payables:							
Accounts and vouchers	\$ 814,829	\$ 31,991	\$ -	\$ 17,350	\$ -	\$ 864,170	\$ -
Accrued payroll and related liabilities	69,316	168	-	4,012	(698)	72,798	-
Accrued interest payable	3,636	637	-	37,696	1,206	43,175	-
Other	88,523	-	-	3,315	3,900	95,738	-
Total accounts payable and accrued liabilities	<u>\$ 976,304</u>	<u>\$ 32,796</u>	<u>\$ -</u>	<u>\$ 62,373</u>	<u>\$ 4,408</u>	<u>\$ 1,075,881</u>	<u>\$ -</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## 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, 2012, the City leased buildings, infrastructure, vehicles, and equipment valued at:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings	\$ 180,505	\$ 48,887	\$ 131,618
Infrastructure	2,943,975	398,663	2,545,312
Vehicles	783,368	445,253	338,115
Total	<u>\$ 3,907,848</u>	<u>\$ 892,803</u>	<u>\$ 3,015,045</u>

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, 2012 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 10,516	\$ 5,338	\$ 341,069	\$ 90,682
2014	11,428	4,903	247,300	79,732
2015	12,390	4,431	199,670	71,411
2016	13,406	3,920	216,046	63,168
2017	14,479	3,367	233,355	54,255
2018-2022	74,882	7,071	1,205,782	113,883
	<u>\$ 137,101</u>	<u>\$ 29,030</u>	<u>\$ 2,443,222</u>	<u>\$ 473,131</u>

#### 3. General Obligation Bonds

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
 June 30, 2012

## II. Detail Notes on All Funds (continued)

### B. Liabilities (continued)

#### 3. General Obligation Bonds (continued)

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 140,000	\$ 14,650
2014	150,000	7,650
	<u>\$ 290,000</u>	<u>\$ 22,300</u>

#### 4. State Revolving Loans

The City's state revolving loans at June 30, 2012 are comprised of the following:

<p><u>1996 State Revolving Loan</u> - The City received a loan from the State Revolving Fund in the amount of \$5,760,765. The loan 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 originally had an interest rate of 4.00%. On January 5, 2012, the interest rate was reduced to 2.25% and is payable in quarterly installments of \$100,806 each. The loan matures in May 2016.</p>	\$1,537,791
<p><u>1998 State Revolving Loan</u> - The City received a loan from the State Revolving Fund in the amount of \$709,061 during the fiscal year ended June 30, 1999. The loan was used to defray costs associated with wastewater pump renovations. The loan originally had an interest rate of 4.25%. On November 7, 2011, the interest rate was reduced to 2.25% and is payable in quarterly installments of \$15,616 each. The loan matures in March 2014.</p>	106,895



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## II. Detail Notes on All Funds (continued)

### B. Liabilities (continued)

#### 4. 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 originally had an interest rate of 3.5%. On December 7, 2011, the interest rate was reduced to 2.25% and is payable in quarterly payments of \$21,328, including principal and interest, and matures in October 2021. \$ 727,873

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 originally had an interest rate of 3.75%. On December 7, 2011, the interest rate was lowered to 2.25% and is payable in quarterly payments of \$15,575, including principal and interest, and matures in October 2023. 629,694

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. 5,026,705

Total State Revolving Loans	8,028,958
Less amount representing current portion	<u>846,589</u>
Long-term portion	<u>\$ 7,182,369</u>

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

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ 846,589	\$ 112,106
2014	846,434	96,645
2015	814,477	81,754
2016	829,134	67,096
2017	437,447	55,560
2018 - 2022	2,236,813	185,568
2023 - 2027	1,761,548	58,882
2028	<u>256,516</u>	<u>1,289</u>
	<u>\$ 8,028,958</u>	<u>\$ 658,900</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## 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, 2012:

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012	Current Portion of Long-term Liabilities
<b>Governmental Activities:</b>					
Capitalized leases	\$ 146,752	\$ -	\$ 9,651	\$ 137,101	\$ 10,516
General Obligation Bonds	425,000	-	135,000	290,000	140,000
Compensated absences	318,667	159,070	176,128	301,609	50,268
Total governmental activities	<u>\$ 890,419</u>	<u>\$ 159,070</u>	<u>\$ 320,779</u>	<u>\$ 728,710</u>	<u>\$ 200,784</u>
<b>Business-type Activities:</b>					
Capitalized leases	\$ 2,767,005	\$ -	\$ 323,783	\$ 2,443,222	\$ 341,069
Refunding bond and State Revolving loans	9,052,724	-	1,023,766	8,028,958	846,589
Compensated absences	150,792	90,904	79,571	162,125	77,861
Total business-type activities	<u>\$ 11,970,521</u>	<u>\$ 90,904</u>	<u>\$ 1,427,120</u>	<u>\$ 10,634,305</u>	<u>\$ 1,265,519</u>

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

The total interest incurred for the year ended June 30, 2012 was \$302,306. 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, 2012 was \$32,681,525. The computation of legal debt limits is as follows:

General obligation debt limitation (\$32,681,525 x 8%)	\$2,614,522
General obligation debt at June 30, 2012	<u>290,000</u>
Excess of debt limit over general obligation debt	<u>\$2,324,522</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## 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](http://www.retirement.sc.gov) or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

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

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

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

#### **Funding policies**

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
 June 30, 2012

## 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, 2012, were 9.535% for SCRS and 11.563% for the PORS. The contribution requirements of members and of the City of Lancaster are established and may be amended by the South Carolina General Assembly. The City must contribute 100% of the actuarially determined employer contribution rates. The City's contributions to the SCRS and PORS of the three latest years available were as follows:

	<u>Rate</u>	<u>Fiscal Year Ending June 30, 2012</u>	<u>Fiscal Year Ending June 30, 2011</u>	<u>Fiscal Year Ending June 30, 2010</u>
<u>SCRS</u>				
Employee contributions	6.5%	\$234,174	\$233,630	\$216,244
Employer contributions	9.535%	\$338,112	\$332,766	\$317,818
<u>PORS</u>				
Employee contributions	6.5%	\$160,413	\$175,312	\$164,705
Employer contributions	10.563%	\$280,427	\$279,993	\$279,998

#### 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, 2011, the measurement date for the plan year 2012, there were 193 covered participants; 29 members are retirees and dependents receiving benefits and 164 are active participants.





# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## 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, 2009 and active employees who retire on or before January 1, 2010 with at least 10 years of service with the City as of their retirement date or who retire after January 1, 2010 with at least 25 years of service with the City will receive a monthly premium subsidy of \$200 from the City and will pay the difference between the City's subsidy and the rate effective for active employees and spouses enrolled in the Plan. Employees who retire after January 1, 2010 who have between 14 and 25 years of service to the City will receive a monthly premium subsidy of \$200 from the City and will pay the difference between the City's subsidy and 1.25 times the rate effective for active employees and spouses enrolled in the Plan. All other eligible retirees may participate in the Plan at a premium equal to 1.5 times the rate effective for active employees and spouses enrolled in the Plan.

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is based on 5.0 percent rate of return on SC Orbet fixed income securities.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
 June 30, 2012

## 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 2012, the City's annual OPEB cost (expense) of \$96,609 for the Plan is as follows:

Annual required contribution	\$ 96,609
Annual OPEB cost	96,609
Contributions made	<u>183,300</u>
Decrease in net OPEB obligation	<u><u>\$ (86,691)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 through 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 211,000	40%	\$ 127,000
6/30/2010	210,400	160%	(600)
6/30/2011	161,800	100%	-
6/30/2012	96,609	190%	(86,691)

Contributions included \$70,000 paid by the City to the Plan to pre-fund benefits and \$44,000 and \$69,300, respectively, made by the City paid for covered participants' explicit and implicit subsidized benefits for the year ended June 30, 2012.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

## 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, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,641,103
Actuarial value of Plan assets	<u>337,952</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,303,151</u>
Funded ratio (actuarial value of Plan assets / AAL)	21%
Covered payroll (active plan members)	\$ 5,424,724
UAAL as a percentage of covered payroll	24%

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, 2011 actuarial valuation, the projected unit credit 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 10.5 percent initially, graded to a rate of 5 percent over 7 years; and an inflation rate assumption of 3.0 percent.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## 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 the five year smoothed market value. The Plan's UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 30 years.

#### 9. Deferred Revenue

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Lot Clearing Fees (General Fund)	\$ 12,331	\$ -
Vehicle Tax (General Fund)	35,123	-
Real Property Tax (General Fund)	233,063	-
Tax Rollback (General Fund)	446,152	-
Installment sale (General Fund)	1,020,000	-
Performing Arts (Hospitality Tax)	-	36,991
Total	<u>\$ 1,746,669</u>	<u>\$ 36,991</u>

#### 10. Risk Management

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

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

The City participates in the South Carolina Municipal Insurance Trust (SCMIT) for the sharing of risk associated with workers' compensation claims. The pooling agreement permits the pool to make additional assessments to its members in addition to the annual premiums.

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



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2012

## 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, 2012 are as follows:

	Payable Fund				Total
	General Fund	Gross Revenue Fund	Solid Waste Fund	Hospitality Fund	
Receivable Fund					
General Fund	\$ -	\$ 317,174	\$ 367,194	\$ 513,634	\$ 1,198,002
Solid Waste Fund	-	11,973	-	-	11,973
Hospitality Tax Fund	-	3,329	-	-	3,329
	<u>\$ -</u>	<u>\$ 332,476</u>	<u>\$ 367,194</u>	<u>\$ 513,634</u>	<u>\$ 1,213,304</u>

The interfund balances, except for \$238,266 due from the Solid Waste Fund to the General Fund and \$500,000 due from the Hospitality Tax 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, 2012, the outstanding balance on this loan was \$238,266. Principal payments on the loan are expected to total \$57,822 in 2013, \$58,400 in 2014, \$58,984 in 2015, \$59,573 in 2016, and \$60,169 in 2017.

On May 22, 2012, the General Fund loaned the Hospitality Tax Fund \$500,000 as partial funding for the creation of the Native American Studies Center. The loan carries an interest rate of 1.5% is to be repaid in annual installments of \$104,545 representing interest and principal on the loan beginning May 31, 2013 and ending May 31, 2017. As of June 30, 2012, the outstanding balance on this loan was \$500,000. Principal payments on the loan are expected to total \$97,045 in 2013, \$98,550 in 2014, \$99,978 in 2015, \$101,478 in 2016, and \$102,999 in 2017.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2012

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## 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. During the year ended June 30, 2012, the City incurred costs of approximately \$91,000 to remediate the problem. DHEC has not yet provided its final approval of the remediation efforts but the City believes that it has no further remediation liability.

The City of Lancaster owns a building that it is renovating to house the Native American Studies Center. In the course of the renovation, the City determined that the building contained asbestos. During the year ended June 30, 2012, the City incurred approximately \$65,000 of costs to remove and monitor the asbestos. DHEC has not yet provided its final approval of the remediation efforts but the City believes that it has no further remediation liability.

### 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, 2012 was \$499,623.

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 \$521,920 for the year ended June 30, 2012.



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2012

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### II. Detail Notes on All Funds (continued)

#### D. Pending Implementation of GASB Statements

The GASB has issued the following statements:

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for the City's year ending June 30, 2013. This Statement provides financial reporting guidance deferred outflows of resources and deferred inflows of resources. The effect of implementation of the Statement on the financial statements has not been determined.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for the City's year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The effect of implementation of the Statement on the financial statements has not been determined.

Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, which is effective for the City's year ending June 30, 2014. This Statement resolves conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1090 FASB and AICPA Pronouncements*. The effect of implementation of the Statement on the financial statements has not been determined.

Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is effective for the City's year ending June 30, 2015. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts or equivalent arrangements. The effect of implementation of the Statement on the financial statements has not been determined.

#### E. Subsequent Events

The City has evaluated all events subsequent to the balance sheet date of June 30, 2012, through November 16, 2012, which is the date these financial statements were issued, and have determined that there are no additional subsequent events that require disclosure.



REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION





## CITY OF LANCASTER, SOUTH CAROLINA

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

For the Fiscal Year Ended June 30, 2012  
(Unaudited)

### Schedule of Funding Progress

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2007	\$ -	\$ 1,944,000	\$ 1,944,000	0%	\$ 4,626,000	42%
2010	July 1, 2009	127,000	1,549,800	1,422,800	8%	5,241,300	27%
2011	July 1, 2009	323,322	1,549,800	1,226,478	21%	5,241,300	23%
2012	July 1, 2011	337,952	1,641,103	1,303,151	21%	5,424,724	24%

### Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Funded
2009	\$ 211,000	\$ 84,000	40%
2010	211,000	338,000	160%
2011	161,800	161,800	100%
2012	96,609	183,300	190%



COMBINING AND INDIVIDUAL FUND STATEMENT SECTION



GOVERNMENTAL FUNDS



General Fund  
Comparative Balance Sheets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,070,273	\$ 6,573,373
Receivables:		
Taxes, net	301,839	271,635
Grants	29,345	37,110
Intergovernmental	246,197	348,949
Mortgages	1,020,000	-
Taxes - other	329,660	279,652
Due from other funds	459,735	484,381
Committed assets	1,124,201	694,187
Restricted assets	194,470	194,373
Inventory	4,092	6,276
Advances to other funds	738,266	295,515
Total assets	<u>\$ 10,518,078</u>	<u>\$ 9,185,451</u>
<b>Liabilities and fund balances</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 976,304	\$ 1,063,743
Compensated absences payable	50,268	53,111
Unearned revenue	-	89,998
Deferred revenues - tax rollback	446,152	233,921
Deferred revenues - other	1,300,517	220,259
Total liabilities	<u>2,773,241</u>	<u>1,661,032</u>
Fund balances:		
Nonspendable:		
Inventory	4,092	6,276
Restricted:		
Debt payments	194,470	194,373
Drug fund	90,622	83,842
Committed:		
Downtown development	683,208	553,285
Police department communications	67,842	67,842
Noncurrent portion of interfund loans	581,682	-
Assigned:		
Main street project	5,000	5,000
Subsequent year's expenditures	369,600	1,077,368
Unassigned	5,748,321	5,536,433
Total fund balances	<u>7,744,837</u>	<u>7,524,419</u>
Total liabilities and fund balances	<u>\$ 10,518,078</u>	<u>\$ 9,185,451</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

General Fund

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

For the Fiscal Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 2,992,250	\$ 3,036,358	\$ 44,108	\$ 3,080,628
Vehicle taxes	180,000	202,466	22,466	191,933
Motor carrier taxes	65,000	49,274	(15,726)	55,593
Homestead	172,000	175,048	3,048	171,988
Delinquent taxes	136,228	156,746	20,518	169,963
Tax penalties	27,549	30,045	2,496	32,126
Local option sales tax	1,388,000	1,490,389	102,389	1,471,576
Total taxes	4,961,027	5,140,326	179,299	5,173,807
Fines, fees, licenses, and permits:				
Victim's services	25,000	25,992	992	26,256
Court fines	360,725	368,451	7,726	374,755
Duke power fees	600,000	661,252	61,252	629,854
Certification fees	2,000	2,185	185	2,700
Franchise fees	137,000	141,065	4,065	143,599
Privilege licenses	1,400,000	1,545,019	145,019	1,606,468
Building permits	30,000	68,965	38,965	41,421
Payments in lieu of taxes	689,000	724,807	35,807	461,954
Total fines, fees, licenses, and permits	3,243,725	3,537,736	294,011	3,287,007
Intergovernmental revenues:				
State shared revenue	155,000	155,900	900	177,515
Merchants inventory	71,000	71,687	687	71,687
Accommodations tax	45,000	26,232	(18,768)	29,530
Exemption	130,000	135,108	5,108	141,566
Total intergovernmental	401,000	388,927	(12,073)	420,298



**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, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Revenues (continued):</b>				
Charges for services:				
Lot clearing	\$ 4,000	\$ 6,362	\$ 2,362	\$ 9,531
Fire protection contracts	50,000	60,757	10,757	49,749
School guards	65,000	72,215	7,215	68,010
See Lancaster	25,000	27,102	2,102	32,039
Performing arts	-	-	-	179,955
Total charges for services	144,000	166,436	22,436	339,284
Grants	278,800	172,877	(105,923)	631,897
Interest	25,000	19,667	(5,333)	25,052
Other revenues:				
Insurance proceeds	10,000	6,575	(3,425)	53,787
Sale of assets	10,000	24,886	14,886	6,494
Police revenues	25,000	31,968	6,968	31,177
Miscellaneous	10,000	10,971	971	52,431
Cemetery fees	10,000	5,700	(4,300)	6,325
Planning and zoning	3,000	3,330	330	2,430
Total other	68,000	83,430	15,430	152,644
Total revenues	9,121,552	9,509,399	387,847	10,029,989
<b>Expenditures:</b>				
General administration:				
Mayor and council:				
Personnel services	72,640	72,211	429	67,125
Operating expenses	42,646	27,541	15,105	37,718
Total mayor and council	115,286	99,752	15,534	104,843



**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, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
General administration (continued):				
City administrator:				
Personnel services	\$ 232,000	\$ 231,978	\$ 22	\$ 141,703
Operating expenses	32,100	28,504	3,596	24,938
Total city administrator	<u>264,100</u>	<u>260,482</u>	<u>3,618</u>	<u>166,641</u>
Building and grounds maintenance:				
Personnel services	132,026	117,504	14,522	131,103
Operating expenses	180,175	108,131	72,044	89,767
Total building and grounds maintenance	<u>312,201</u>	<u>225,635</u>	<u>86,566</u>	<u>220,870</u>
Human Resources:				
Personnel services	109,719	107,081	2,638	101,485
Operating expenses	84,575	57,082	27,493	44,959
Total human resources	<u>194,294</u>	<u>164,163</u>	<u>30,131</u>	<u>146,444</u>
Finance:				
Personnel services	238,475	238,043	432	219,716
Operating expenses	32,265	31,888	377	26,740
Total finance	<u>270,740</u>	<u>269,931</u>	<u>809</u>	<u>246,456</u>
Legal services:				
Personnel services	25,261	25,243	18	7,381
Operating expenses	39,855	29,998	9,857	107,048
Total legal services	<u>65,116</u>	<u>55,241</u>	<u>9,875</u>	<u>114,429</u>
General expense:				
Personnel services	682,825	667,382	15,443	694,373
Operating expenses	1,072,175	904,941	167,234	1,019,814
Capital outlay	-	-	-	227,025
Total general expense	<u>1,755,000</u>	<u>1,572,323</u>	<u>182,677</u>	<u>1,941,212</u>



## CITY OF LANCASTER, SOUTH CAROLINA

General Fund

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

For the Fiscal Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
General administration (continued):				
Administrative services:				
Personnel services	\$ 177,325	\$ 171,321	\$ 6,004	\$ 183,643
Operating expenses	32,015	29,533	2,482	21,415
Total administrative services	209,340	200,854	8,486	205,058
Total general administration	3,186,077	2,848,381	337,696	3,145,953
Public safety:				
Police:				
Personnel services	2,259,661	2,030,134	229,527	2,172,480
Operating expenses	575,920	429,286	146,634	445,567
Capital outlay	-	-	-	28,700
Total police	2,835,581	2,459,420	376,161	2,646,747
Victims' services:				
Personnel services	43,695	43,612	83	44,550
Operating expenses	4,365	3,969	396	5,014
Total victims' services	48,060	47,581	479	49,564
Law enforcement block grant:				
Capital outlay	35,428	-	35,428	7,643
Judiciary:				
Personnel services	292,638	268,228	24,410	258,668
Operating expenses	253,325	242,636	10,689	244,347
Total judiciary	545,963	510,864	35,099	503,015
Fire:				
Personnel services	1,248,119	1,193,185	54,934	1,213,882
Operating expenses	173,100	140,959	32,141	231,576
Total fire	1,421,219	1,334,144	87,075	1,445,458
Total public safety	4,886,251	4,352,009	534,242	4,652,427





**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, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Public works:				
Street division:				
Personnel services	\$ 237,635	\$ 237,340	\$ 295	\$ 244,673
Operating expenses	603,768	397,722	206,046	393,527
Total street division	<u>841,403</u>	<u>635,062</u>	<u>206,341</u>	<u>638,200</u>
Vehicle maintenance:				
Personnel services	173,355	172,839	516	164,316
Operating expenses	60,990	54,935	6,055	37,021
Total vehicle maintenance	<u>234,345</u>	<u>227,774</u>	<u>6,571</u>	<u>201,337</u>
Total public works	<u>1,075,748</u>	<u>862,836</u>	<u>212,912</u>	<u>839,537</u>
Code enforcement:				
Personnel services	157,012	156,475	537	150,850
Operating expenses	60,945	45,071	15,874	41,044
Total code enforcement	<u>217,957</u>	<u>201,546</u>	<u>16,411</u>	<u>191,894</u>
Parks and playgrounds:				
Operating expenses	<u>124,204</u>	<u>106,473</u>	<u>17,731</u>	<u>124,245</u>
Community service:				
Other community services:				
Operating expenses	<u>20,500</u>	<u>5,500</u>	<u>15,000</u>	<u>37,000</u>
Total other community services	<u>20,500</u>	<u>5,500</u>	<u>15,000</u>	<u>37,000</u>
See Lancaster:				
Personnel services	43,175	42,533	642	113,903
Operating expenses	82,600	77,564	5,036	113,494
Total See Lancaster	<u>125,775</u>	<u>120,097</u>	<u>5,678</u>	<u>227,397</u>
Performing Arts:				
Operating expenses	-	-	-	275,579
Total Performing Arts	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,579</u>
Total community service	<u>146,275</u>	<u>125,597</u>	<u>20,678</u>	<u>539,976</u>
Debt service:				
Principal	144,700	144,651	49	330,212
Interest and fees	29,100	26,821	2,279	37,216
Total debt service	<u>173,800</u>	<u>171,472</u>	<u>2,328</u>	<u>367,428</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

General Fund

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

*For the Fiscal Year Ended June 30, 2012*

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Capital improvements:				
Capital outlay	\$ 653,821	\$ 620,667	\$ 33,154	\$ 546,705
Total expenditures	1,464,133	9,288,981	1,175,152	10,408,165
Excess of revenues over (under) expenditures	(1,342,581)	220,418	1,562,999	(378,176)
<b>Other financing sources (uses):</b>				
Fund balance appropriated	1,781,881	-	(1,781,881)	-
Transfer from Hospitality Tax Fund	-	-	-	176,246
Transfer to Solid Waste Fund	(439,300)	-	439,300	-
Total other financing sources	1,342,581	-	(1,342,581)	176,246
Excess of revenues and other sources over (under) expenditures	\$ -	220,418	\$ 220,418	(201,930)
<b>Beginning of year, July 1</b>		7,524,419		7,726,349
<b>End of year, June 30</b>		\$ 7,744,837		\$ 7,524,419



**CITY OF LANCASTER, SOUTH CAROLINA**Hospitality Tax Fund  
Comparative Balance Sheets*June 30, 2012 and 2011*

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Receivables		
Taxes - other	\$ 66,968	\$ 60,373
Other	22,988	-
Restricted assets	1,308,988	1,278,497
Total assets	<u>\$ 1,398,944</u>	<u>\$ 1,338,870</u>
<b>Liabilities and fund balances</b>		
Accounts payable and accrued expenses	\$ 32,796	\$ -
Due to other funds	510,304	84,566
Deferred revenue	36,991	-
Total liabilities	<u>580,091</u>	<u>84,566</u>
Fund balances:		
Restricted	818,853	1,239,804
Total fund balances	<u>818,853</u>	<u>1,239,804</u>
 Total liabilities and fund balances	 <u>\$ 1,398,944</u>	 <u>\$ 1,324,370</u>



## CITY OF LANCASTER, SOUTH CAROLINA

Hospitality Tax Fund

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

For the Fiscal Year Ended June 30, 2012

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

	2012			Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
<b>Revenues</b>					
Taxes	\$ 670,000	\$ 670,000	\$ 731,037	\$ 61,037	\$ 720,449
Charges for services	175,500	175,000	139,707	(35,293)	-
Interest	1,000	1,000	529	(471)	1,007
Miscellaneous	500	500	10,591	10,091	-
Total revenues	<u>847,000</u>	<u>846,500</u>	<u>881,864</u>	<u>35,364</u>	<u>721,456</u>
<b>Expenditures</b>					
Current:					
General administration	835,967	849,467	797,304	52,163	392,544
Capital outlay	54,500	1,166,460	519,374	647,086	35,858
Interest expense	-	-	637	(637)	-
Total expenditures	<u>890,467</u>	<u>2,015,927</u>	<u>1,317,315</u>	<u>698,612</u>	<u>428,402</u>
<b>Excess of revenues over expenditures</b>	<u>(43,467)</u>	<u>(1,169,427)</u>	<u>(435,451)</u>	<u>733,976</u>	<u>293,054</u>
<b>Other financing sources (uses)</b>					
Fund balance appropriated	43,467	669,427	-	669,427	-
Transfers in	-	500,000	-	500,000	-
Transfers out	-	-	-	-	(176,246)
Total other financing uses	<u>43,467</u>	<u>1,169,427</u>	<u>-</u>	<u>1,169,427</u>	<u>(176,246)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(435,451)</u>	<u>\$ (435,451)</u>	<u>116,808</u>
<b>Beginning of year, July 1</b>			<u>1,254,304</u>		<u>1,122,996</u>
<b>End of year, June 30</b>			<u>\$ 818,853</u>		<u>\$ 1,239,804</u>



**CITY OF LANCASTER, SOUTH CAROLINA**Combining Balance Sheet  
Nonmajor Governmental Funds*June 30, 2012*

	<b>Southside Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,932	\$ 2,932
Receivables:		
Mortgages	26,860	26,860
Total assets	<u>\$ 29,792</u>	<u>\$ 29,792</u>
<b>Liabilities and fund balances</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund balances		
Restricted:		
Southside Housing	29,792	29,792
Total fund balances	<u>29,792</u>	<u>29,792</u>
Total liabilities and fund balances	<u>\$ 29,792</u>	<u>\$ 29,792</u>



## CITY OF LANCASTER, SOUTH CAROLINA

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

*For the Fiscal Year Ended June 30, 2012*

	<b>Southside Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>		
Interest	\$ 873	\$ 873
Total revenues	<u>873</u>	<u>873</u>
<b>Expenditures</b>		
Current:		
General administration	15,438	15,438
Total expenditures	<u>15,438</u>	<u>15,438</u>
<b>Net change in fund balances</b>	(14,565)	(14,565)
<b>Fund balance - beginning</b>	<u>44,357</u>	<u>44,357</u>
<b>Fund balance - ending</b>	<u><u>\$ 29,792</u></u>	<u><u>\$ 29,792</u></u>



**CITY OF LANCASTER, SOUTH CAROLINA**Southside Project  
Comparative Balance Sheets*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,932	\$ 14,723
Mortgages	26,860	29,634
Total assets	<u>\$ 29,792</u>	<u>\$ 44,357</u>
<b>Liabilities and fund balances</b>		
Fund balances:		
Restricted	<u>29,792</u>	<u>44,357</u>
Total fund balances	<u>29,792</u>	<u>44,357</u>
Total liabilities and fund balances	<u>\$ 29,792</u>	<u>\$ 44,357</u>



# CITY OF LANCASTER, SOUTH CAROLINA

## Southside Project

### Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

*For the Fiscal Years Ended June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Interest	\$ 873	\$ 972
Total revenues	<u>873</u>	<u>972</u>
<b>Expenditures</b>		
Current:		
General administration	<u>15,438</u>	<u>57,235</u>
Total expenditures	<u>15,438</u>	<u>57,235</u>
<b>Net change in fund balances</b>	(14,565)	(56,263)
<b>Beginning of year, July 1</b>	<u>44,357</u>	<u>100,620</u>
<b>End of year, June 30</b>	<u>\$ 29,792</u>	<u>\$ 44,357</u>





## ENTERPRISE FUNDS



# CITY OF LANCASTER, SOUTH CAROLINA

## Gross Revenue Fund Comparative Balance Sheets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,764,513	\$ 1,702,559
Receivables:		
Water and sewer	466,345	474,725
Other	216,433	294,121
Due from Solid Waste Fund	-	379
Inventory	80,426	91,918
Total current assets	<u>2,527,717</u>	<u>2,563,702</u>
Noncurrent assets		
Capital improvement account	-	163,571
Restricted assets		
Customer deposits	222,028	218,001
Bond depreciation account	356,422	305,460
Bond contingency account	356,422	305,460
Bond debt service and reserve account	1,105,423	1,470,422
Total restricted assets	<u>2,040,295</u>	<u>2,299,343</u>
Deferred charges, net	<u>33,632</u>	<u>53,037</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>25,129,234</u>	<u>25,371,837</u>
Total noncurrent assets	<u>27,203,161</u>	<u>27,887,788</u>
Total assets	<u>29,730,878</u>	<u>30,451,490</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	62,373	75,694
Compensated absences payable	54,533	110,748
Current portion of long-term debt	846,589	1,012,463
Capital leases payable - current	267,419	250,786
Customer deposits	222,028	218,001
Due to Hospitality Tax Fund	3,329	-
Due to General Fund	317,174	371,753
Due to Solid Waste Fund	11,973	-
Total current liabilities	<u>1,785,418</u>	<u>2,039,445</u>
Noncurrent liabilities		
Compensated absences payable	65,270	-
Revenue bonds and notes payable	7,182,369	8,040,261
Capital leases payable - long-term	2,102,155	2,369,573
Total noncurrent liabilities	<u>9,349,794</u>	<u>10,409,834</u>
Total liabilities	<u>11,135,212</u>	<u>12,449,279</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	14,730,350	13,698,754
Restricted for debt payments	1,818,267	2,081,342
Net assets unrestricted	2,047,049	2,222,115
Total net assets	<u>\$ 18,595,666</u>	<u>\$ 18,002,211</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

## Gross Revenue Fund

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

*For the Fiscal Year Ended June 30, 2012**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)*

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Revenues</b>				
Water and sewer charges	\$ 5,804,000	\$ 5,364,374	\$ (439,626)	\$ 5,415,248
Water penalties	207,000	217,314	10,314	205,769
Tap fees	25,000	14,752	(10,248)	14,978
Interest income	10,000	6,253	(3,747)	9,018
Other	159,781	366,539	206,758	1,862
Total revenues	<u>6,205,781</u>	<u>5,969,232</u>	<u>(236,549)</u>	<u>5,646,875</u>
<b>Expenditures</b>				
Public works administration:				
Salaries and employee benefits	233,762	221,206	12,556	157,454
Clothing	585	581	4	121
Vehicle maintenance	5,035	5,032	3	7,030
Communications	36,255	21,815	14,440	19,823
Utilities	52,000	51,459	541	22,690
Repairs and maintenance	19,500	22,386	(2,886)	4,558
Special contracts	16,685	16,683	2	21,673
Materials and supplies	10,500	8,950	1,550	5,399
Miscellaneous	5,900	4,383	1,517	6,462
Total public works administration	<u>380,222</u>	<u>352,495</u>	<u>27,727</u>	<u>245,210</u>
Water service:				
Salaries and employee benefits	370,193	368,425	1,768	350,141
Clothing	11,665	11,662	3	9,681
Vehicle maintenance	85,970	85,965	5	66,781
Communications	3,000	2,431	569	2,981
Repairs and maintenance	66,000	5,251	60,749	126,493
Special contracts	189,045	153,732	35,313	69,979
Materials and supplies	152,500	138,741	13,759	150,630
Miscellaneous	542,550	502,519	40,031	519,381
Total water service	<u>1,420,923</u>	<u>1,268,726</u>	<u>152,197</u>	<u>1,296,067</u>



## CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

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

For the Fiscal Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Utility billing:				
Salaries and employee benefits	\$ 135,461	\$ 128,762	\$ 6,699	\$ 125,898
Communications	7,000	6,355	645	6,455
Repairs and maintenance	240	-	240	-
Special contracts	60,000	55,457	4,543	44,976
Materials and supplies	4,760	4,756	4	7,557
Miscellaneous	1,600	656	944	523
Total utility billing	<u>209,061</u>	<u>195,986</u>	<u>13,075</u>	<u>185,409</u>
Wastewater treatment:				
Salaries and employee benefits	289,789	280,880	8,909	318,284
Clothing	5,145	5,144	1	4,046
Vehicle maintenance	21,605	21,602	3	18,619
Communications	10,000	8,588	1,412	9,601
Utilities	216,100	215,789	311	171,393
Repairs and maintenance	146,075	142,249	3,826	30,832
Special contracts	32,060	15,869	16,191	24,164
Materials and supplies	39,520	37,451	2,069	37,736
Miscellaneous	327,295	301,248	26,047	274,735
Total wastewater treatment	<u>1,087,589</u>	<u>1,028,820</u>	<u>58,769</u>	<u>889,410</u>
Wastewater collection:				
Salaries and employee benefits	483,255	482,462	793	469,526
Clothing	10,600	8,957	1,643	8,856
Vehicle maintenance	72,860	72,859	1	69,610
Communications	1,800	1,748	52	1,597
Repairs and maintenance	166,540	44,824	121,716	31,435
Special contracts	127,355	61,423	65,932	39,128
Materials and supplies	57,800	57,786	14	58,243
Miscellaneous	2,465	1,969	496	4,139
Total wastewater collection	<u>922,675</u>	<u>732,028</u>	<u>190,647</u>	<u>682,534</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

Gross Revenue Fund

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

*For the Fiscal Year Ended June 30, 2012**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)*

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
General:				
Communications	\$ 20,000	\$ 19,582	\$ 418	\$ 40,873
Insurance	209,205	207,352	1,853	206,582
Repairs and maintenance	12,500	12,232	268	10,707
Special contracts	433,296	171,133	262,163	82,437
Miscellaneous	379,700	347,300	32,400	317,605
Total general	<u>1,054,701</u>	<u>757,599</u>	<u>297,102</u>	<u>658,204</u>
Debt service:				
Principal payments	1,363,500	1,274,551	88,949	979,694
Interest	299,000	268,417	30,583	344,761
Total debt service	<u>1,662,500</u>	<u>1,542,968</u>	<u>119,532</u>	<u>1,324,455</u>
Capital outlay	<u>1,040,500</u>	<u>963,902</u>	<u>76,598</u>	<u>1,568,764</u>
Total expenditures	<u>7,778,171</u>	<u>6,842,524</u>	<u>935,647</u>	<u>6,850,053</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>(1,572,390)</u>	<u>(873,292)</u>	<u>699,098</u>	<u>(1,203,178)</u>
<b>Other financing sources (uses)</b>				
Fund balance appropriated	923,670	-	(923,670)	-
Capital grant income	475,000	391,470	(83,530)	1,135,749
Total other financing sources (uses)	<u>1,398,670</u>	<u>391,470</u>	<u>(1,007,200)</u>	<u>1,135,749</u>
<b>Revenues and other sources     over (under) expenditures</b>	<u>\$ (173,720)</u>	<u>\$ (481,822)</u>	<u>\$ (308,102)</u>	<u>\$ (67,429)</u>



## CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund

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

*For the Fiscal Year Ended June 30, 2012*

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

	<u>2012</u>	<u>2011</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>		
Revenues and other sources over (under) expenditures	\$ (481,822)	\$ (67,429)
Payment of debt principal	1,274,551	979,694
Insurance proceeds and other	43,330	11,274
Depreciation	(1,206,506)	(1,143,525)
Capital outlay	<u>963,902</u>	<u>1,568,764</u>
Change in net assets per full accrual basis - Exhibit G	<u>\$ 593,455</u>	<u>\$ 1,348,778</u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Gross Revenue Fund Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>		
Cash received from customers	\$ 6,049,047	\$ 5,780,013
Cash paid to employees	(1,472,680)	(1,413,752)
Cash paid to suppliers	(2,855,749)	(2,596,212)
Net cash provided by operating activities	<u>1,720,618</u>	<u>1,770,049</u>
<b>Noncapital financing activities</b>		
Due to other funds	(38,898)	(274,482)
Customer deposits	4,027	146
Net cash used in noncapital activities	<u>(34,871)</u>	<u>(274,336)</u>
<b>Capital and related financing activities</b>		
Proceeds from capital grants	391,470	1,135,749
Insurance proceeds	1,188	4,242
Proceeds from sale of capital assets	42,142	7,032
Acquisition of capital assets	(963,902)	(1,568,764)
Principal paid on capital leases	(250,785)	(255,534)
Principal paid on bond and note maturities	(1,023,766)	(979,753)
Interest and bond fees	(249,012)	(331,182)
Net cash used in capital and related financing activities	<u>(2,052,665)</u>	<u>(1,988,210)</u>
<b>Investing activities</b>		
Interest on investments	6,253	9,018
Net cash provided by investing activities	<u>6,253</u>	<u>9,018</u>
Net decrease in cash and cash equivalents/investments	(360,665)	(483,479)
<b>Cash and cash equivalents/investments</b>		
Beginning of year	4,165,473	4,648,952
End of year	<u>\$ 3,804,808</u>	<u>\$ 4,165,473</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 420,819	\$ 537,498
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,206,506	1,143,525
Change in assets and liabilities		
Accounts receivable	86,068	142,156
Inventory	11,492	244
Accounts payable and accrued expenses	(13,322)	(60,925)
Compensated absences	9,055	7,551
Total adjustments	<u>1,299,799</u>	<u>1,232,551</u>
Net cash provided by operating activities	<u>\$ 1,720,618</u>	<u>\$ 1,770,049</u>



# CITY OF LANCASTER, SOUTH CAROLINA

## Solid Waste Fund Comparative Balance Sheets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 884,624	\$ 909,517
Receivables:		
Garbage and trash	94,742	90,101
Roll-off containers	11,422	13,974
Other	55,283	60,290
Due from other funds	11,973	-
Total current assets	<u>1,058,044</u>	<u>1,073,882</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>1,780,581</u>	<u>1,679,099</u>
Total noncurrent assets	<u>1,780,581</u>	<u>1,679,099</u>
Total assets	<u>2,838,625</u>	<u>2,752,981</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	4,408	4,899
Compensated absences payable	23,328	40,044
Capital leases payable - current	73,650	72,997
Due to General Fund	128,928	28,441
Total current liabilities	<u>230,314</u>	<u>146,381</u>
Noncurrent liabilities		
Advances from other funds	238,265	295,515
Compensated absences payable	18,994	-
Capital leases payable - long-term	-	73,649
Total noncurrent liabilities	<u>257,259</u>	<u>369,164</u>
Total liabilities	<u>487,573</u>	<u>515,545</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	1,706,932	1,532,453
Net assets unrestricted	644,120	704,983
Total net assets	<u>\$ 2,351,052</u>	<u>\$ 2,237,436</u>





**CITY OF LANCASTER, SOUTH CAROLINA**

## Solid Waste Fund

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

*For the Fiscal Year Ended June 30, 2012**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)*

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Revenues</b>				
Garbage fees	\$ 1,165,000	\$ 1,107,561	\$ (57,439)	\$ 1,040,335
Roll-off containers	93,000	74,558	(18,442)	81,624
Interest	6,000	2,590	(3,410)	4,568
Other	432,500	513,208	80,708	437,354
Total revenues	<u>1,696,500</u>	<u>1,697,917</u>	<u>1,417</u>	<u>1,563,881</u>
<b>Expenditures</b>				
General:				
Insurance	93,500	83,355	10,145	98,194
Repairs and maintenance	180,500	-	180,500	-
Special contracts	8,600	7,462	1,138	5,709
Miscellaneous	103,500	84,850	18,650	53,036
Total general	<u>386,100</u>	<u>175,667</u>	<u>210,433</u>	<u>156,939</u>
Residential garbage:				
Salaries and employee benefits	398,739	364,082	34,657	381,403
Clothing	8,000	7,998	2	7,224
Communications	2,250	2,233	17	1,002
Vehicle maintenance	104,650	104,646	4	108,788
Materials and supplies	23,000	20,848	2,152	32,204
Utilities	28,380	22,008	6,372	-
Miscellaneous	4,220	2,643	1,577	636
Total residential garbage	<u>569,239</u>	<u>524,458</u>	<u>44,781</u>	<u>531,257</u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Solid Waste Fund

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

For the Fiscal Year Ended June 30, 2012

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

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Recycling:				
Vehicle maintenance	28,020	28,015	5	-
Communications	500	369	131	-
Special contracts	15,980	15,226	754	-
Materials and supplies	18,300	18,021	279	-
Miscellaneous	7,000	5,699	1,301	-
Total recycling	<u>69,800</u>	<u>67,330</u>	<u>2,470</u>	<u>-</u>
Commerical garbage:				
Salaries and employee benefits	79,762	79,193	569	83,251
Clothing	1,840	1,026	814	1,454
Vehicle maintenance	82,600	82,471	129	57,022
Repairs and maintenance	500	225	275	-
Special contracts	125,000	108,110	16,890	105,581
Materials and supplies	40,000	29,129	10,871	36,676
Miscellaneous	1,100	-	1,100	-
Total commercial garbage	<u>330,802</u>	<u>300,154</u>	<u>30,648</u>	<u>283,984</u>
Transfer station:				
Salaries and employee benefits	139,071	136,355	2,716	145,578
Clothing	4,000	3,959	41	2,952
Vehicle maintenance	162,590	162,586	4	160,159
Communications	1,500	1,494	6	1,221
Repairs and maintenance	1,000	-	1,000	6,500
Special contracts	5,160	8,656	(3,496)	1,949
Materials and supplies	4,000	3,030	970	4,038
Miscellaneous	2,500	1,135	1,365	779
Total transfer station	<u>319,821</u>	<u>317,215</u>	<u>2,606</u>	<u>323,176</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

Solid Waste Fund

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

*For the Fiscal Year Ended June 30, 2012**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)*

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Debt service:				
Principal	\$ 129,250	\$ 130,246	\$ (996)	\$ 70,995
Interest	8,100	6,431	1,669	9,288
Total debt service	<u>137,350</u>	<u>136,677</u>	<u>673</u>	<u>80,283</u>
Capital outlay	<u>350,000</u>	<u>320,124</u>	<u>29,876</u>	<u>796,249</u>
Total expenditures	<u>2,163,112</u>	<u>1,841,625</u>	<u>321,487</u>	<u>2,171,888</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(466,612)</u>	<u>(143,708)</u>	<u>322,904</u>	<u>(608,007)</u>
<b>Other financing sources (uses)</b>				
Fund balance appropriated	<u>447,412</u>	<u>-</u>	<u>(447,412)</u>	<u>-</u>
Total other financing uses	<u>447,412</u>	<u>-</u>	<u>(447,412)</u>	<u>-</u>
<b>Revenues and other sources over (under) expenditures</b>	<u>\$ (19,200)</u>	<u>\$ (143,708)</u>	<u>\$ (124,508)</u>	<u>\$ (608,007)</u>
			<b>2012</b>	<b>2011</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Revenues and other sources over expenditures			\$ (143,708)	\$ (608,007)
Payment of debt principal			130,246	70,995
Insurance proceeds and other			25,596	-
Depreciation			(218,642)	(163,863)
Capital outlay			<u>320,124</u>	<u>796,249</u>
Change in net assets per full accrual basis - Exhibit G			<u>\$ 113,616</u>	<u>\$ 95,374</u>



Solid Waste Fund  
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>		
Cash received from customers	\$ 1,698,245	\$ 1,527,433
Cash paid to employees	(577,352)	(606,519)
Cash paid to suppliers	<u>(805,686)</u>	<u>(722,118)</u>
Net cash provided by operating activities	<u>315,207</u>	<u>198,796</u>
<b>Noncapital financing activities</b>		
Due from other funds	-	21,859
Due to other funds	<u>31,265</u>	<u>(404,353)</u>
Net cash provided by (used in) noncapital activities	<u>31,265</u>	<u>(382,494)</u>
<b>Capital and related financing activities</b>		
Proceeds from sale of capital assets	25,596	-
Acquisition of capital assets	(320,124)	(796,249)
Principal paid on capital leases	(72,996)	(70,994)
Interest and bond fees	<u>(6,431)</u>	<u>(9,288)</u>
Net cash used in capital and related financing activities	<u>(373,955)</u>	<u>(876,531)</u>
<b>Investing activities</b>		
Interest on investments	<u>2,590</u>	<u>4,568</u>
Net cash provided by investing activities	<u>2,590</u>	<u>4,568</u>
Net decrease in cash and cash equivalents/investments	(24,893)	(1,055,661)
<b>Cash and cash equivalents/investments</b>		
Beginning of year	<u>909,517</u>	<u>1,965,178</u>
End of year	<u>\$ 884,624</u>	<u>\$ 909,517</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 91,861	\$ 100,094
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	218,642	163,863
Change in assets and liabilities		
Accounts receivable	2,918	(31,880)
Accounts payable and accrued expenses	(492)	(36,994)
Compensated absences	<u>2,278</u>	<u>3,713</u>
Total adjustments	<u>223,346</u>	<u>98,702</u>
Net cash provided by operating activities	<u>\$ 315,207</u>	<u>\$ 198,796</u>



## FIDUCIARY FUND



# CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

## Comparative Statement of Fiduciary Net Assets June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and temporary investments	\$ 13,040	\$ 16,118
Total assets	<u>\$ 13,040</u>	<u>\$ 16,118</u>
<b>Liabilities</b>		
Due to firemen's association	\$ 13,040	\$ 16,118
Total liabilities	<u>\$ 13,040</u>	<u>\$ 16,118</u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

*For the Fiscal Year Ended June 30, 2012*

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<b>Firemen's Fund</b>				
<b>Assets</b>				
Cash and temporary investments	\$ 16,118	\$ 16,685	\$ 19,763	\$ 13,040
Total assets	<u>\$ 16,118</u>	<u>\$ 16,685</u>	<u>\$ 19,763</u>	<u>\$ 13,040</u>
<b>Liabilities</b>				
Due to firemen's association	\$ 16,118	\$ 16,685	\$ 19,763	\$ 13,040
Total liabilities	<u>\$ 16,118</u>	<u>\$ 16,685</u>	<u>\$ 19,763</u>	<u>\$ 13,040</u>



OTHER FINANCIAL INFORMATION SECTION





**CITY OF LANCASTER, SOUTH CAROLINA**Schedule of Debt Coverage  
Gross Revenue Fund*For the Fiscal Year Ended June 30, 2012*

Operating revenues	<u>\$ 5,962,979</u>
Operating expenses (including depreciation)	5,042,537
Contract with Lancaster Water and Sewer District	<u>499,623</u>
Total operating expenses	<u>5,542,160</u>
Nonoperating revenues (expenses):	
Interest income	6,253
Interest expense and bond fees	(268,417)
Insurance proceeds	1,188
Capital grant income	42,142
Gain on sale of fixed assets	<u>391,470</u>
Total nonoperating expense	<u>172,636</u>
Net income	<u>593,455</u>
Add:	
Depreciation allowance	1,206,506
Interest and fees on bonds	<u>268,417</u>
Total additions	<u>1,474,923</u>
Net earnings	<u>\$ 2,068,378</u>
Debt service requirements	<u>\$ 1,178,977</u>
Debt coverage ratio	<u>1.75</u>

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



**CITY OF LANCASTER, SOUTH CAROLINA**Analysis of Victims' Services  
*For the Fiscal Year Ended June 30, 2012*

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Funds available for the year ended June 30, 2011	<u>\$ -</u>
Victims' percentage of assessments	<u>25,992</u>
Total revenues	25,992
Actual expenditures	<u>(47,582)</u>
Grant and assessment receipts under expenditures	<u>(21,590)</u>
Funds available for the year ended June 30, 2012	<u><u>\$ (21,590)</u></u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Schedule of Victims' Fines, Assessments and Fees Collected

*For the Fiscal Year Ended June 30, 2012*

	Retained By City				Remitted to State		Total Collected
	Victim Assessment	Victim Surcharge	Fines Collected	Other Revenue	Assessment	Other Fees	
July-11	\$ 1,556	\$ 824	\$ 16,283	\$ 1,194	\$ 12,385	\$ 5,659	\$ 37,901
August-11	1,428	776	13,052	1,952	11,356	4,897	33,461
September-11	1,132	455	8,097	1,501	9,076	4,799	25,060
October-11	1,297	424	10,562	912	10,326	5,212	28,733
November-11	1,329	541	10,544	562	10,530	4,915	28,421
December-11	1,296	569	10,753	937	10,368	5,046	28,969
January-12	1,320	612	10,442	1,345	10,659	5,700	30,078
February-12	2,036	948	16,113	730	16,259	7,866	43,952
March-12	2,366	1,142	28,949	1,565	18,864	9,011	61,897
April-12	1,438	604	1,642	561	11,450	5,499	21,194
May-12	1,569	722	12,585	1,075	12,494	5,877	34,322
June-12	1,099	508	5,879	494	8,748	3,727	20,455
	<u>\$ 17,866</u>	<u>\$ 8,125</u>	<u>\$ 144,901</u>	<u>\$ 12,828</u>	<u>\$ 142,515</u>	<u>\$ 68,208</u>	<u>\$ 394,443</u>



## STATISTICAL SECTION - UNAUDITED

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

	<b>Pages</b>
<b>Financial Trends Information</b> 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
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	99 - 103
<b>Debt Capacity Information</b> 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
<b>Demographic and Economic Information</b> 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
<b>Operating Information</b> 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 Ten Fiscal Years  
(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 7,652,734	\$ 8,396,369	\$ 8,290,654	\$ 9,783,893	\$ 10,127,959	\$ 10,189,630	\$ 10,183,930	\$ 10,506,563	\$ 12,068,363	\$ 11,656,059
Restricted for tourism	92,316	409,141	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497	1,308,988
Restricted for debt service	171,694	179,433	181,197	184,256	187,659	191,129	193,522	-	-	-
Restricted for Southside project	-	-	-	-	-	-	-	-	44,357	29,792
Restricted for victims' services	-	-	-	-	-	-	-	11,558	-	-
Unrestricted	4,232,441	4,391,770	5,189,683	5,470,942	6,343,575	6,961,829	7,074,358	7,895,843	7,688,851	8,836,720
<b>Total governmental activities net assets</b>	<b>12,149,185</b>	<b>13,376,713</b>	<b>14,366,735</b>	<b>16,534,724</b>	<b>17,480,775</b>	<b>18,321,860</b>	<b>18,596,331</b>	<b>19,512,444</b>	<b>21,080,068</b>	<b>21,831,559</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 7,544,749	\$ 7,641,105	\$ 7,912,706	\$ 8,121,010	\$ 10,637,771	\$ 11,652,353	\$ 11,507,618	\$ 12,867,301	\$ 15,231,207	\$ 16,437,282
Restricted for debt service	1,337,813	1,373,490	1,413,093	1,522,996	1,923,007	2,008,618	2,017,930	2,057,211	2,081,342	1,818,267
Restricted for CDBG	-	7,630	-	-	-	-	-	-	-	-
Unrestricted	1,955,006	2,518,494	3,241,612	4,036,351	2,754,263	2,801,339	3,889,012	3,870,984	2,927,098	2,691,169
<b>Total business-type activities net assets</b>	<b>10,837,568</b>	<b>11,540,719</b>	<b>12,567,411</b>	<b>13,680,357</b>	<b>15,315,041</b>	<b>16,462,310</b>	<b>17,414,560</b>	<b>18,795,496</b>	<b>20,239,647</b>	<b>20,946,718</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 15,197,483	\$ 16,037,474	\$ 16,203,360	\$ 17,904,903	\$ 20,765,730	\$ 21,841,983	\$ 21,691,548	\$ 23,373,864	\$ 27,299,570	\$ 28,093,341
Restricted for tourism	92,316	409,141	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497	1,308,988
Restricted for Southside project	-	-	-	-	-	-	-	-	44,357	29,792
Restricted for debt service	1,509,507	1,552,923	1,594,290	1,707,252	2,110,666	2,199,747	2,211,452	2,057,211	2,081,342	1,818,267
Restricted for victims' services	-	-	-	-	-	-	-	11,558	-	-
Restricted for CDBG	-	7,630	-	-	-	-	-	-	-	-
Unrestricted	6,187,447	6,910,264	8,431,295	9,507,293	9,097,838	9,763,168	10,963,370	11,772,827	10,615,949	11,527,889
<b>Total primary government net assets</b>	<b>22,986,753</b>	<b>24,917,432</b>	<b>26,934,146</b>	<b>30,215,081</b>	<b>32,795,816</b>	<b>34,784,170</b>	<b>36,010,891</b>	<b>38,313,940</b>	<b>41,319,715</b>	<b>42,778,277</b>

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 Ten Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities										
General administration	\$ 2,361,500	\$ 2,396,872	\$ 2,483,485	\$ 2,871,033	\$ 3,965,591	\$ 3,532,169	\$ 3,828,191	\$ 3,653,829	\$ 3,693,014	\$ 3,933,606
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	4,587,600
Public works	843,840	905,991	853,950	826,893	874,349	925,599	899,345	864,617	909,897	945,278
Code enforcement	194,122	206,679	236,330	223,674	235,403	234,941	240,646	187,303	196,393	205,859
Parks and playgrounds	90,063	93,819	96,954	96,954	101,470	101,470	101,470	102,767	134,555	117,349
Community service	28,500	42,000	80,444	109,071	68,313	42,629	51,557	401,993	539,769	125,733
Interest and fees	87,341	78,199	67,873	60,601	101,629	75,436	66,723	52,630	37,216	27,458
Total governmental activities expense	<u>7,618,924</u>	<u>7,881,676</u>	<u>8,081,292</u>	<u>8,707,069</u>	<u>9,690,776</u>	<u>9,556,834</u>	<u>9,779,701</u>	<u>9,745,512</u>	<u>10,359,112</u>	<u>9,942,883</u>
Business-type activities										
Water and sewer	4,407,642	4,505,020	4,642,388	4,702,789	4,847,371	5,039,653	5,755,799	5,363,105	5,445,120	5,810,577
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	1,609,897
Total business-type activities expense	<u>5,243,337</u>	<u>5,377,491</u>	<u>5,511,697</u>	<u>5,714,801</u>	<u>5,928,660</u>	<u>6,261,214</u>	<u>6,906,211</u>	<u>6,686,178</u>	<u>6,913,627</u>	<u>7,420,474</u>
Total primary government expenses	<u>\$ 12,862,261</u>	<u>\$ 13,259,167</u>	<u>\$ 13,592,989</u>	<u>\$ 14,421,870</u>	<u>\$ 15,619,436</u>	<u>\$ 15,818,048</u>	<u>\$ 16,685,912</u>	<u>\$ 16,431,690</u>	<u>\$ 17,272,739</u>	<u>\$ 17,363,357</u>
<b>Program revenues</b>										
Governmental activities										
Charges for service:										
General administration	\$ 122,078	\$ 123,572	\$ 136,711	\$ 113,309	\$ 91,486	\$ 110,279	\$ 90,645	\$ 114,932	\$ 135,530	\$ 279,244
Public safety	398,550	432,874	515,992	567,776	500,795	492,520	417,344	412,569	401,010	394,443
Public works	-	-	-	-	-	-	-	-	-	-
Code enforcement	36,661	79,808	40,956	60,510	49,505	58,813	35,245	71,498	41,421	68,965
Parks and playgrounds	-	-	-	-	-	-	-	-	-	-
Community service	-	-	-	-	-	-	-	117,665	211,994	27,102
Interest and fees	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	173,345	178,302	101,150	1,315,171	568,572	364,464	292,626	596,489	1,657,897	172,877
Capital grants and contributions	-	-	-	-	-	-	9,795	-	-	-
Total governmental activities program revenues	<u>730,634</u>	<u>814,556</u>	<u>794,809</u>	<u>2,056,766</u>	<u>1,210,358</u>	<u>1,026,076</u>	<u>845,655</u>	<u>1,313,153</u>	<u>2,447,852</u>	<u>942,631</u>
Business-type activities										
Water and sewer	4,582,571	4,897,357	5,283,028	5,292,750	5,637,329	5,335,291	6,313,111	5,787,000	5,635,995	5,596,440
Solid waste	994,678	1,015,582	1,022,655	1,162,975	1,138,386	1,132,010	1,117,258	1,141,793	1,553,612	1,678,737
Operating grants and contributions	-	-	-	180,044	502,805	609,084	32,801	-	-	-
Capital grants and contributions	-	106,000	161,879	-	-	-	-	731,674	1,135,749	391,470
Total business-type activities program revenues	<u>5,577,249</u>	<u>6,018,939</u>	<u>6,467,562</u>	<u>6,635,769</u>	<u>7,278,520</u>	<u>7,076,385</u>	<u>7,463,170</u>	<u>7,660,467</u>	<u>8,325,356</u>	<u>7,666,647</u>
Total primary government program revenues	<u>\$ 6,307,883</u>	<u>\$ 6,833,495</u>	<u>\$ 7,262,371</u>	<u>\$ 8,692,535</u>	<u>\$ 8,488,878</u>	<u>\$ 8,102,461</u>	<u>\$ 8,308,825</u>	<u>\$ 8,973,620</u>	<u>\$ 10,773,208</u>	<u>\$ 8,609,278</u>



## CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (6,888,290)	\$ (7,067,120)	\$ (7,286,483)	\$ (6,650,303)	\$ (8,480,418)	\$ (8,530,758)	\$ (8,934,046)	\$ (8,432,359)	\$ (7,911,260)	\$ (9,000,252)
Business-type activities	333,912	641,448	955,865	920,968	1,349,860	815,171	556,959	974,289	1,411,729	246,173
Total primary government net expense	<u>(6,554,378)</u>	<u>(6,425,672)</u>	<u>(6,330,618)</u>	<u>(5,729,335)</u>	<u>(7,130,558)</u>	<u>(7,715,587)</u>	<u>(8,377,087)</u>	<u>(7,458,070)</u>	<u>(6,499,531)</u>	<u>(8,754,079)</u>
<b>General revenues and other changes in net assets</b>										
Governmental activities										
Ad valorem taxes	4,481,673	4,261,840	4,446,987	4,628,579	4,852,881	4,843,596	4,754,054	4,897,937	5,064,683	5,410,709
Other taxes and licenses	2,680,932	3,174,839	3,339,415	3,566,245	3,811,441	3,858,938	3,886,268	3,960,039	3,955,793	
Property tax										359,431
Sales tax										1,233,425
Business licenses										1,547,204
Franchise fees										802,316
Unrestricted intergovernmental	326,192	337,191	344,288	372,110	366,282	387,057	374,003	325,019	278,732	253,818
Unrestricted investment earnings	44,740	45,035	69,671	171,880	263,169	216,594	73,893	33,068	27,032	21,070
Miscellaneous	55,400	72,543	76,144	79,478	105,041	65,258	108,890	82,119	146,150	69,134
Donations	-	-	-	-	-	-	-	50,290	-	-
Gain on sale of capital assets	-	-	-	-	27,655	400	11,409	-	6,494	54,636
Total governmental activities	<u>7,588,937</u>	<u>7,891,448</u>	<u>8,276,505</u>	<u>8,818,292</u>	<u>9,426,469</u>	<u>9,371,843</u>	<u>9,208,517</u>	<u>9,348,472</u>	<u>9,478,884</u>	<u>9,751,743</u>
Business-type activities										
Unrestricted investment earnings	30,142	28,549	60,003	186,112	258,609	184,807	43,672	19,337	13,586	8,843
Miscellaneous	-	-	8,312	4,266	4,218	147,200	349,017	387,310	11,805	384,317
Gain on sale of capital assets	80,063	12,425	2,512	1,600	21,997	92	2,602	-	7,032	67,738
Total business-type activities	<u>110,205</u>	<u>40,974</u>	<u>70,827</u>	<u>191,978</u>	<u>284,824</u>	<u>332,099</u>	<u>395,291</u>	<u>406,647</u>	<u>32,423</u>	<u>460,898</u>
<b>Change in net assets</b>										
Governmental activities	700,647	824,328	990,022	2,167,989	946,051	841,085	274,471	916,113	1,567,624	751,491
Business-type activities	444,117	682,422	1,026,692	1,112,946	1,634,684	1,147,270	952,250	1,380,936	1,444,152	707,071
Total primary government	<u>\$ 1,144,764</u>	<u>\$ 1,506,750</u>	<u>\$ 2,016,714</u>	<u>\$ 3,280,935</u>	<u>\$ 2,580,735</u>	<u>\$ 1,988,355</u>	<u>\$ 1,226,721</u>	<u>\$ 2,297,049</u>	<u>\$ 3,011,776</u>	<u>\$ 1,458,562</u>



## CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ 17,939	\$ 10,692	\$ 11,780	\$ 12,533	\$ 6,548	\$ 5,055	\$ 2,999	\$ 59,040	\$ 6,276	\$ 4,092
Restricted	335,188	326,360	313,083	1,289,985	471,497	349,528	332,079	313,239	278,215	285,092
Committed	152,968	153,597	143,376	190,413	246,019	312,059	390,289	497,591	621,127	1,332,732
Assigned	77,264	89,608	599,600	524,600	476,400	52,600	105,000	587,770	1,082,368	374,600
Unassigned	3,093,066	3,543,425	3,807,330	4,539,825	4,858,137	5,857,957	6,090,558	6,268,709	5,536,433	5,748,321
Total General Fund	<u>\$ 3,676,425</u>	<u>\$ 4,123,682</u>	<u>\$ 4,875,169</u>	<u>\$ 6,557,356</u>	<u>\$ 6,058,601</u>	<u>\$ 6,577,199</u>	<u>\$ 6,920,925</u>	<u>\$ 7,726,349</u>	<u>\$ 7,524,419</u>	<u>\$ 7,744,837</u>
All Other Governmental Funds										
Restricted	\$ 344,071	\$ 646,180	\$ 974,949	\$ 878,638	\$ 1,067,378	\$ 1,251,110	\$ 1,365,465	\$ 1,223,616	\$ 1,298,661	\$ 848,645
Total all other governmental funds	<u>\$ 344,071</u>	<u>\$ 646,180</u>	<u>\$ 974,949</u>	<u>\$ 878,638</u>	<u>\$ 1,067,378</u>	<u>\$ 1,251,110</u>	<u>\$ 1,365,465</u>	<u>\$ 1,223,616</u>	<u>\$ 1,298,661</u>	<u>\$ 848,645</u>





**CITY OF LANCASTER, SOUTH CAROLINA**

Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 4,916,663	\$ 5,306,180	\$ 5,549,200	\$ 5,680,491	\$ 5,966,935	\$ 5,995,316	\$ 6,132,422	\$ 6,127,349	\$ 5,894,256	\$ 5,871,363
Fines, fees, licenses and permits	2,454,911	2,608,132	2,680,491	2,968,236	3,032,912	3,164,720	2,966,263	3,174,474	3,287,007	3,537,736
Intergovernmental	368,681	375,153	421,431	446,129	487,705	520,489	510,197	465,672	420,298	388,927
Charges for services	122,078	123,572	119,682	129,113	88,216	110,163	90,760	233,296	339,284	306,143
Grants	173,345	178,302	115,511	429,228	568,572	364,464	292,626	596,489	631,897	172,877
Interest	44,740	45,035	69,671	171,874	263,170	216,594	73,894	33,068	27,031	21,069
Other	61,707	81,537	85,459	104,940	75,527	65,659	127,872	132,409	152,644	94,021
Total revenues	<u>8,142,125</u>	<u>8,717,911</u>	<u>9,041,445</u>	<u>9,930,011</u>	<u>10,483,037</u>	<u>10,437,405</u>	<u>10,194,034</u>	<u>10,762,757</u>	<u>10,752,417</u>	<u>10,392,136</u>
<b>Expenditures</b>										
General administration	2,030,907	2,227,878	2,307,898	2,738,928	3,409,733	3,120,908	3,323,973	3,356,589	3,581,263	3,661,123
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	4,352,009
Public works	794,095	860,681	804,792	790,905	800,594	855,822	837,673	815,736	839,537	862,836
Code enforcement	194,013	206,679	233,950	222,623	234,977	232,238	237,909	183,814	191,894	201,546
Parks and playgrounds	86,306	90,050	93,195	93,195	97,778	97,778	97,778	97,858	124,245	106,473
Community service	28,500	42,000	80,444	109,071	68,313	42,629	50,050	399,636	539,976	125,597
Capital outlay	658,055	276,489	217,699	1,011,144	1,699,778	599,768	597,616	637,134	582,563	1,140,041
Debt service:										
Principal	274,427	204,368	214,576	189,763	349,103	339,700	272,279	315,524	330,212	144,651
Interest and fees	87,229	78,199	67,873	60,601	101,629	75,436	66,723	52,630	37,216	27,458
Total expenditures	<u>7,827,617</u>	<u>7,968,545</u>	<u>7,961,189</u>	<u>9,423,596</u>	<u>10,793,052</u>	<u>9,735,075</u>	<u>9,762,913</u>	<u>10,072,222</u>	<u>10,879,333</u>	<u>10,621,734</u>
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)	(229,598)
<b>Other financing sources (uses)</b>										
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	<u>\$ 314,508</u>	<u>\$ 749,366</u>	<u>\$ 1,080,256</u>	<u>\$ 506,415</u>	<u>\$ (310,015)</u>	<u>\$ 702,330</u>	<u>\$ 431,121</u>	<u>\$ 690,535</u>	<u>\$ (126,916)</u>	<u>\$ (229,598)</u>
Debt service as a percentage of noncapital expenditures	<u>5.04%</u>	<u>3.67%</u>	<u>3.65%</u>	<u>2.98%</u>	<u>4.96%</u>	<u>4.54%</u>	<u>3.70%</u>	<u>3.90%</u>	<u>3.57%</u>	<u>1.82%</u>



## CITY OF LANCASTER, SOUTH CAROLINA

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Business License</u>	<u>Hospitality</u>	<u>Total</u>
2003	\$ 2,952,346	\$ 1,287,116	\$ 138,681	\$ 4,378,143
2004	2,708,976	1,290,596	581,926	4,581,498
2005	2,866,132	1,403,363	620,706	4,890,201
2006	2,982,590	1,563,831	675,163	5,221,584
2007	3,122,112	1,665,166	716,850	5,504,128
2008	3,030,884	1,636,388	700,488	5,367,760
2009	3,085,104	1,682,141	718,926	5,486,171
2010	3,203,068	1,656,818	707,745	5,567,631
2011	3,080,628	1,606,468	720,449	5,407,545
2012	3,036,358	1,545,019	731,037	5,312,414
Change 2003-2012	\$ 84,012	\$ 257,903	\$ 592,356	\$ 934,271



## CITY OF LANCASTER, SOUTH CAROLINA

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

Fiscal Year	Real Property		Personal Property		Total		Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Taxable Value	Assessed Value	Estimated Actual Taxable Value	Assessed Value	Estimated Actual Taxable Value		
2003	\$ 18,858,120	\$ 350,112,092	\$ 10,497,477	\$ 103,521,212	\$ 29,355,597	\$ 453,633,304	6.47%	142.1
2004	18,951,990	351,605,652	9,837,904	97,357,647	28,789,894	448,963,299	6.41%	144.0
2005	19,457,770	360,603,098	9,776,550	98,932,161	29,234,320	459,535,259	6.36%	147.0
2006	19,696,190	363,992,250	9,539,240	98,355,864	29,235,430	462,348,114	6.32%	150.0
2007	23,416,790	435,769,417	9,824,160	103,489,016	33,240,950	539,258,433	6.16%	137.0
2008	23,898,380	444,040,000	9,629,965	104,329,824	33,528,345	548,369,824	6.11%	140.0
2009	24,041,806	446,813,566	9,660,688	104,539,989	33,702,494	551,353,555	6.11%	143.5
2010	24,276,030	450,874,564	9,970,555	99,180,999	34,246,585	550,055,563	6.23%	143.5
2011	25,499,690	481,563,033	9,254,667	84,365,382	34,754,357	565,928,415	6.14%	143.5
2012	26,359,540	494,407,616	6,394,735	72,919,848	32,754,275	567,327,464	5.77%	143.5

Source: Lancaster County Auditor

#### Notes:

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.

Personal property assessed value decreased in fiscal year 2012 due to a large industry's personal property being reclassified by the Lancaster County Auditor to the category of fee in lieu of taxes (FILOT) because of the inclusion of the industry in a multi-county industrial park by Lancaster County. This reclassification of personal property is the reason for the decrease in personal property assessed and market value for fiscal year 2012.



**CITY OF LANCASTER, SOUTH CAROLINA**

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Lancaster County</u>	<u>USC - Lancaster</u>	<u>Lancaster County School District</u>	<u>Total Direct &amp; Overlapping</u>
2003	142.10	67.00	2.50	172.00	383.60
2004	144.00	70.73	2.50	177.00	394.23
2005	147.00	76.50	3.50	182.00	409.00
2006	150.00	86.50	3.50	182.00	422.00
2007	137.00	71.50	3.00	157.50	369.00
2008	140.00	75.90	3.10	167.00	386.00
2009	143.50	82.20	3.30	172.00	401.00
2010	143.50	80.90	3.30	172.00	399.70
2011	143.50	83.60	3.40	175.25	405.75
2012	143.50	83.00	3.60	183.50	413.60

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 Eleven Years Ago

Taxpayer	Tax Year 2011			Tax Year 2001 (1)		
	Taxable Assessed Value	Rank	% of Total City Assessed Value	Taxable Assessed Value	Rank	% of Total City Assessed Value
The Gillette Company	\$ 4,890,945	1	13.42%	\$ 1,922,267	2	6.99%
Lancaster Hospital Corp	4,122,420	2	11.31%	3,647,080	1	13.25%
Springland Associates, LLC	2,160,940	3	5.93%	1,811,250	3	6.58%
Lancer Center LLC	890,560	4	2.44%			
Springmaid Federal Credit Union	750,680	5	2.06%			
Kanawha Insurance Company	748,879	6	2.06%	679,250	5	2.47%
Duke Energy Corp	602,200	7	1.65%	800,300	4	2.91%
Lancaster Telephone Company	565,140	8	1.55%	678,300	6	2.46%
HD Development of Maryland Inc.	421,190	9	1.16%			
Springland Inc.	305,130	10	84.00%	337,366	8	1.23%
Founders Federal Credit Union				290,620	9	1.06%
Safeco Title Insurance Co Trust				458,860	7	1.67%
Pardue St Limited				286,580	10	1.04%
<b>Total</b>	<b>\$ 15,458,084</b>		<b>42.43%</b>	<b>\$ 10,911,873</b>		<b>39.66%</b>

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

Note (1): The Lancaster County Treasurer's Office nor the Auditor's Office could provide information for Tax Year 2002 to the City. Therefore, Tax Year 2001 has been used for comparison purposes.



## CITY OF LANCASTER, SOUTH CAROLINA

Real Property Tax Levies and Collections  
Last Ten Years

Levy Year (1)	Original Levy	Adjustments	Total Adjusted Levy	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Adjusted Levy Percentage		Amount	Adjusted Levy Percentage
2002	\$ 3,152,167	\$ (517)	\$ 3,151,650	\$ 2,952,346	93.68%	\$ 199,280	\$ 3,151,626	100.00%
2003	2,891,475	1,367	2,892,842	2,708,976	93.64%	183,860	2,892,836	100.00%
2004	3,096,331	(222,490)	2,873,841	2,866,132	99.73%	7,664	2,873,796	100.00%
2005	3,205,955	7,525	3,213,480	2,982,590	92.81%	230,165	3,212,755	99.98%
2006	3,351,538	17,252	3,368,790	3,122,112	92.68%	245,965	3,368,077	99.98%
2007	3,297,417	27,178	3,324,595	3,030,884	91.17%	293,424	3,324,308	99.99%
2008	3,382,932	28,306	3,411,238	3,085,104	90.44%	321,476	3,406,580	99.86%
2009	3,566,312	235	3,566,547	3,203,068	89.81%	345,417	3,548,485	99.49%
2010	3,615,080	248,873	3,863,953	3,606,238	93.33%	120,923	3,727,161	96.46%
2011	3,689,696	265,703	3,955,399	3,762,301	95.12%			

Source: Lancaster County Auditor and Treasurer



## CITY OF LANCASTER, SOUTH CAROLINA

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds (8% Limit)	Capital Leases	Utility Revenue Bonds	Capital Leases	State Revolving Fund		
2003	\$ 1,255,000	\$ 452,738	\$ 1,535,718	\$ 701,607	\$ 6,556,927	\$ 10,501,990	\$ 1,243
2004	1,170,000	333,370	1,395,359	458,276	6,605,656	9,962,661	1,182
2005	1,080,000	208,793	1,248,974	299,377	6,213,469	9,050,613	1,069
2006	985,000	1,193,489	1,097,589	3,171,834	5,817,063	12,264,975	1,460
2007	885,000	944,385	935,000	2,993,753	5,394,507	11,152,645	1,332
2008	780,000	709,685	765,000	2,814,747	10,072,425	15,141,857	1,559
2009	670,000	547,407	585,000	3,400,166	10,369,139	15,571,712	1,560
2010	550,000	351,882	400,000	3,093,533	9,632,477	14,027,892	1,381
2011	425,000	146,752	205,000	2,767,349	8,847,667	12,391,768	1,453
2012	290,000	137,101	-	2,443,222	8,028,959	10,899,282	1,278

## Notes:

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



## CITY OF LANCASTER, SOUTH CAROLINA

### Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value</u>	<u>Debt Per Capita</u>
2003	\$ 1,255,000	0.28%	\$ 149
2004	1,170,000	0.26%	139
2005	1,080,000	0.24%	128
2006	985,000	0.21%	117
2007	885,000	0.16%	106
2008	780,000	0.14%	80
2009	670,000	0.12%	67
2010	550,000	0.10%	54
2011	425,000	0.08%	50
2012	290,000	5.00%	34

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, 2012

<u>Governmental Unit</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City</u>	<u>Amount Applicable to the City</u>
Direct:			
City of Lancaster	\$ 290,000	100%	\$ 290,000
Overlapping:			
Lancaster County	17,525,000	100%	17,525,000
Lancaster School District	<u>17,805,000</u>	100%	<u>17,805,000</u>
	<u>35,330,000</u>		<u>35,330,000</u>
 Total direct and overlapping debt	 <u><u>\$ 35,620,000</u></u>		 <u><u>\$ 35,620,000</u></u>



## CITY OF LANCASTER, SOUTH CAROLINA

Legal Debt Margin Information  
Last Nine Fiscal Years

	Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit (8% of assessed value)	\$ 2,073,870	\$ 2,216,335	\$ 2,364,082	\$ 2,653,094	\$ 2,682,268	\$ 2,630,174	\$ 2,706,705	\$ 2,780,349	\$ 2,614,522
Total net debt applicable to limit	1,170,000	1,080,000	985,000	885,000	780,000	670,000	550,000	425,000	290,000
Legal debt margin	<u>\$ 903,870</u>	<u>\$ 1,136,335</u>	<u>\$ 1,379,082</u>	<u>\$ 1,768,094</u>	<u>\$ 1,902,268</u>	<u>\$ 1,960,174</u>	<u>\$ 2,156,705</u>	<u>\$ 2,355,349</u>	<u>\$ 2,324,522</u>
Total net debt applicable to the limit as a percentage of the debt limit	56.42%	48.73%	41.67%	33.36%	29.08%	25.47%	20.32%	15.29%	11.09%

## Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 32,681,525
Debt limit (8% of assessed value)	2,614,522
Debt applicable to limit (GO bonds)	<u>(290,000)</u>
Legal debt margin without referendum	<u>\$ 2,324,522</u>

## Notes:

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



## CITY OF LANCASTER, SOUTH CAROLINA

### Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Combined Utility System Revenue Bonds					Coverage
	Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
2003	\$ 4,687,326	\$ 3,200,575	\$ 1,486,751	\$ 796,899	1.87	
2004	5,032,282	3,295,487	1,736,795	831,207	2.09	
2005	5,493,784	3,323,594	2,170,190	846,734	2.56	
2006	5,462,801	3,539,637	1,923,164	851,096	2.26	
2007	6,341,711	3,561,894	2,779,817	851,096	3.27	
2008	6,117,852	3,750,568	2,367,284	938,451	2.52	
2009	6,386,670	4,326,277	2,060,393	1,201,505	1.71	
2010	6,544,305	3,828,930	2,715,375	1,191,286	2.28	
2011	6,793,898	3,956,834	2,837,064	1,197,787	2.37	
2012	6,404,032	4,335,654	2,068,378	958,696	2.16	

Notes:

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



## CITY OF LANCASTER, SOUTH CAROLINA

Demographic and Economic Statistics\*  
Last Ten Fiscal Years

<u>Fiscal Year</u>	As of December 31 prior to fiscal year ending date				
	<u>City Population</u>	<u>County Population</u>	<u>Total County Personal Income (in thousands)</u>	<u>County Per Capita Income</u>	<u>County Unemployment Rate</u>
2003	8,448	62,220	\$ 1,323,233	\$ 21,267	12.9%
2004	8,432	62,520	1,328,000	21,269	11.0%
2005	8,467	63,135	1,401,000	22,191	8.2%
2006	8,399	63,113	1,486,000	23,545	9.6%
2007	8,374	71,723	1,542,045	21,500	8.8%
2008	9,715	73,393	1,620,517	22,080	10.1%
2009	9,981	75,913	1,580,281	20,817	19.1%
2010	10,160	77,767	1,822,945	23,441	16.3%
2011	8,526	76,652	1,450,946	18,929	15.3%
2012	8,667	77,908	1,504,248	19,308	13.4%

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

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



## CITY OF LANCASTER, SOUTH CAROLINA

Principal Employers  
Current and Ten Years Ago

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment (1)</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Lancaster County School District	1,600	1	5.19%	1,374	2	4.95%
Red Ventures	1,250	2	4.06%			
Lancaster County (2)	743	3	2.41%	426	7	1.53%
Wal-Mart	700	4	2.27%			
Springs Memorial Hospital	700	5	2.27%	800	3	2.88%
Cardinal Health	680	6	2.21%	700	4	2.52%
Continental Tire	400	7	1.30%			
Duracell	395	8	1.28%	601	5	2.16%
Inspiration Industries	310	9	1.01%			
Founders Federal Credit Union	300	10	0.97%			
Springs Industries				1,400	1	5.04%
Humana				560	6	2.02%
Berkshire Weaving				145	8	0.52%
Joslyn Clark Controls				145	9	0.52%
Virtual Image Technologies				125	10	0.45%
<b>Total</b>	<b>7,078</b>		<b>22.97%</b>	<b>6,276</b>		<b>22.60%</b>
Total County Labor Force (2)	30,819			27,776		

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

1) Information is only available on county-wide level. Employer information is not kept at city level.

2) Total employees includes part-time poll workers as employees.



## CITY OF LANCASTER, SOUTH CAROLINA

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

Function/Program	FTE Employees as of June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Administration</b>									
City Administrator	3.0	3.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Building and Grounds Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Human Resources	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Legal	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Support Services	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
See Lancaster SC	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0	1.0
Events Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Performing Arts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
<b>Public Safety</b>									
Police	49.5	48.5	48.5	48.5	46.5	46.5	48.5	48.5	48.5
Victims' Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Court Administration	5.5	5.5	5.5	5.5	6.5	6.5	6.5	6.5	7.0
Fire	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
<b>Public Works</b>									
Street Division	14.0	14.0	11.0	8.0	7.0	7.0	7.0	6.0	6.0
Vehicle Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Code Enforcement</b>									
Building, Planning & Zoning	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
<b>Utilities</b>									
Public Works Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	5.0	6.0
Water Service	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0
Utility Billing	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Wastewater Treatment	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0	7.0
Wastewater Collection	11.0	12.0	12.0	11.0	11.0	13.0	13.0	13.0	12.0
<b>Solid Waste</b>									
Residential	7.0	7.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0
Commercial	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Transfer Station	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0
<b>Total FTE Employees</b>	<u>166.0</u>	<u>166.0</u>	<u>167.0</u>	<u>162.0</u>	<u>162.0</u>	<u>164.0</u>	<u>170.0</u>	<u>170.0</u>	<u>171.5</u>

Source: City Human Resources Department

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



## CITY OF LANCASTER, SOUTH CAROLINA

Operating Indicators by Function  
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Administration										
Human Resources										
Employment applications processed(1)	402	285	251	165	331	343	387	537	274	215
Workers Compensation cases(1)	81	39	38	30	22	29	10	24	62	49
Public Safety										
Police Department										
Arrest warrants served(1)(2)	n/a	n/a	1,271	1,350	994	964	1,144	1,109	562	1,070
Traffic cases(1)(2)	n/a	n/a	2,280	3,129	3,584	3,774	3,266	2,630	2,975	2,775
Fraudulent check warrants served(1)(2)	n/a	n/a	368	323	71	29	68	1,109	15	7
Fire Department										
Fire responses(1)	159	185	147	200	182	212	196	167	197	164
Medical responses(1)	959	1,041	549	500	622	734	608	497	471	471
Other responses(1)	102	164	550	511	539	442	418	415	430	429
Judiciary										
Criminal Docket total cases filed(2)	2,031	676	733	670	622	786	1,891	2,137	1,962	1,146
Traffic Docket total cases filed(2)	3,214	1,771	2,071	2,982	3,854	3,572	2,874	3,034	3,061	2,523
DUI Docket total cases filed(2)	57	37	56	49	38	65	151	112	102	95
Code Enforcement										
Building, Planning & Zoning										
Number of projects(2)	n/a	730	772	711	627	648	518	474	488	563
Number of inspections(2)	n/a	3,698	4,469	5,663	4,875	3,716	4,416	4,355	4,726	3,989
Utilities										
Utility Billing										
Number of utility customers(2)	5,843	5,870	5,872	5,859	6,027	5,749	5,876	5,921	5,846	5,805
Wastewater Treatment										
Number of gallons treated (in millions)	1,068.985	864.630	963.360	871.569	942.261	800.928	849.913	932.267	952.185	847.548
Solid Waste										
Transfer Station										
Tons of household garbage disposed of(2)	9,197	9,051	9,019	9,253	9,335	12,926	20,862	21,578	21,425	23,830

Sources: Various city departments.

## Notes:

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

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



## CITY OF LANCASTER, SOUTH CAROLINA

### Capital Asset Statistics by Function Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Miles of paved roads maintained	15.96	15.96	15.96	15.96	15.96	15.96	15.96	15.96	15.96	15.96
Parks & Playgrounds										
Number of parks	11	11	12	12	12	12	12	14	14	14

Sources: Various city departments





## COMPLIANCE SECTION





Blair, Bohlé & Whitsitt<sup>PLLC</sup>  
Certified Public Accountants

10815 Sikes Place  
Suite 100  
Charlotte, NC  
28277

704-841-9800 Main  
704-841-9802 Fax  
[www.bbwp11c.com](http://www.bbwp11c.com)

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

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund, 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, 2012, which collectively comprise the City of Lancaster's basic financial statements and have issued our report thereon dated November 16, 2012. 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

Management of the City of Lancaster, South Carolina, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in this report, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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

- **Procurement procedures are not being followed consistently:** The City of Lancaster has procurement procedures as listed in the City's Purchasing Policy Manual that were adopted in July, 2004 and revised in October, 2007 and December, 2010. During our audit, we noted a number of instances where these policies were not being followed. Specifically, we noted three instances in our testwork where competitive bidding procedures were not followed as required by the Purchasing Policy Manual of the City and numerous instances where the preparation of purchase orders occurred when or after the purchased items were received.

The City agrees with the finding above. The City's Finance Director and Support Services Director has begun a joint review of the City's current purchasing policy in order to recommend updates to the existing policy that incorporates the electronic procurement process currently being used by the City of Lancaster in connection with its INCODE financial system. The Finance Department has begun taking a more active role in the procurement process to assist the Support Services Director in ensuring compliance with the City's current purchasing policy. In addition, the City will provide additional training to all Department Heads on the current policy and any future revisions to the City's purchasing policy to stress the importance of the policy to the City's internal control system and to promote a better understanding of the policy's requirements.

The City's response to the finding identified in our audit is described above.

#### Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Lancaster, South Carolina in a separate letter dated November 16, 2012.

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

*Blair, Bohle & Whitsitt, PC*

November 16, 2012

