

CITY OF LANCASTER, SOUTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared by:

FINANCE DEPARTMENT

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



CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS

June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal		viii – xii
Certificate of Achievement for Excellence in Financial Reporting		xiii
Listing of Principal Officials		xiv
Organizational Chart		xv
<u>FINANCIAL SECTION</u>		
Independent Auditor’s Report		1-3
Management’s Discussion and Analysis		4-13
Basic Financial Statements:		
<i>Government-wide Statements:</i>		
Statement of Net Position	A	15
Statement of Activities	B	16
<i>Fund Financial Statements:</i>		
Balance Sheet – Governmental Funds	C	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	E	21
Statement of Fund Net Position – Proprietary Funds	F	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	G	23
Statement of Cash Flows - Proprietary Funds	H	24



CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS (CONTINUED)

June 30, 2014

	<u>Schedule</u>	<u>Page</u>
<u>FINANCIAL SECTION (CONTINUED)</u>		
Statement of Fiduciary Net Position – Fiduciary Funds	I	25
Notes to the Basic Financial Statements		26-55
REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION		
Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits – Defined Benefit Health Care Plan	1	57
COMBINING AND INDIVIDUAL FUND STATEMENT SECTION		
<i>General Fund:</i>		
Comparative Balance Sheets	2	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	3	60-65
<i>Hospitality Tax Fund:</i>		
Comparative Balance Sheets	4	66
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	5	67
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet – Nonmajor Governmental Funds	6	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Nonmajor Governmental Funds	7	69
<i>Southside Project:</i>		
Comparative Balance Sheets	8	70
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance	9	71
<i>Enterprise Funds:</i>		
Gross Revenue Fund:		
Comparative Balance Sheets	10	73
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	11	74-77



CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS (CONTINUED)

June 30, 2014

	<u>Schedule</u>	<u>Page</u>
<u>FINANCIAL SECTION (CONTINUED)</u>		
COMBINING AND INDIVIDUAL FUND STATEMENT SECTION (CONTINUED)		
<i>Enterprise Funds (continued):</i>		
Gross Revenue Fund (continued):		
Comparative Statement of Cash Flows	12	78
Solid Waste Fund:		
Comparative Balance Sheets	13	79
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	14	80-82
Comparative Statement of Cash Flows	15	83
Vehicle and General Maintenance Internal Service Fund:		
Comparative Balance Sheets	16	84
Schedule of Revenues and Expenditures – Financial Plan and Actual (Non-GAAP)	17	85
Comparative Statement of Cash Flows	18	86
<i>Fiduciary Fund Type - Agency Fund:</i>		
Comparative Statement of Fiduciary Net Position	19	88
Statement of Changes in Fiduciary Assets and Liabilities	20	89
OTHER FINANCIAL INFORMATION SECTION		
Schedule of Debt Coverage	21	91
Analysis of Victims' Services	22	92
Schedule of Victims' Fines, Assessments and Surcharges	23	93
STATISTICAL SECTION – UNAUDITED		
<u>Financial Trends Information</u>		
Net Position by Component, Last Ten Fiscal Years	24	95
Changes in Net Position, Last Ten Fiscal Years	25	96-97
Fund Balances, Governmental Funds – Last Ten Fiscal Years	26	98
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	27	99



CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS (CONTINUED)

June 30, 2014

	<u>Schedule</u>	<u>Page</u>
STATISTICAL SECTION – UNAUDITED (continued)		
<u>Revenue Capacity Information</u>		
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	28	100
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	29	101
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	30	102
Principal Property Taxpayers – Current and Thirteen Years Ago	31	103
Real Property Tax Levies and Collections	32	104
<u>Debt Capacity Information</u>		
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	33	105
Ratios of General Direct Debt Outstanding – Last Ten Fiscal Years	34	106
Direct and Overlapping Governmental Activities Debt	35	107
Legal Debt Margin Information – Last Ten Fiscal Years	36	108
Pledged Revenue Coverage – Last Ten Fiscal Years	37	109
<u>Demographic and Economic Information</u>		
Demographic and Economic Statistics – Last Ten Fiscal Years	38	110
Principal Employers – Current and Ten Years Ago	39	111
<u>Schedule of Operating Information</u>		
Full-Time Equivalent (FTE) City Government Employees by Function/Program - Last Ten Fiscal Years	40	112
Operating Indicators by Function – Last Ten Fiscal Years	41	113
Capital Asset Statistics by Function – Last Ten Fiscal Years	42	114
<u>COMPLIANCE SECTION</u>		
Independent Auditors' Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		116-117



CITY OF LANCASTER, SOUTH CAROLINA

INTRODUCTORY SECTION





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

December 9, 2014

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, 2014.

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, 2014, 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, 2014, 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-charted in 1898 and as the City of Lancaster in 1967.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Administrator in the spring of each year. The City Administrator and Finance Director use these requests as the beginning point in the development of a proposed budget. The City Administrator then presents this proposed budget to City Council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30th, 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 continues to decrease from recession highs and was 6.6% as of June 2014. This is a decrease of 4.2% from the 10.8% June 2013 unemployment rate. 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 all types of 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 its 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 \$1,070,160. During the year, the City funded its annual required contribution (ARC) of \$48,368 and as of the fiscal year ended June 30, 2014 has contributed over 100% of its annual OPEB costs resulting in a corresponding asset recorded in the financial statements of \$227,838. The City uses an 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 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, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

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

Helen P. Sowell, City Administrator

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

James A. Absher, Jr., Finance Director



Government Finance Officers Association

**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, 2013

Executive Director/CEO

CITY OF LANCASTER, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

JUNE 30, 2014

Mayor and City Council

Mayor Joe M. Shaw, Mayor
Kenneth Hood, Councilman, District 1
Gonzie Mackey, Councilman, District 2
Jackie Harris, 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, Director
Building and Zoning

Chuck Small, Chief
Fire Department

N.D. (Mac) McDonald, Director
Wastewater Systems

Lisa Driggers, Director
Human Resources

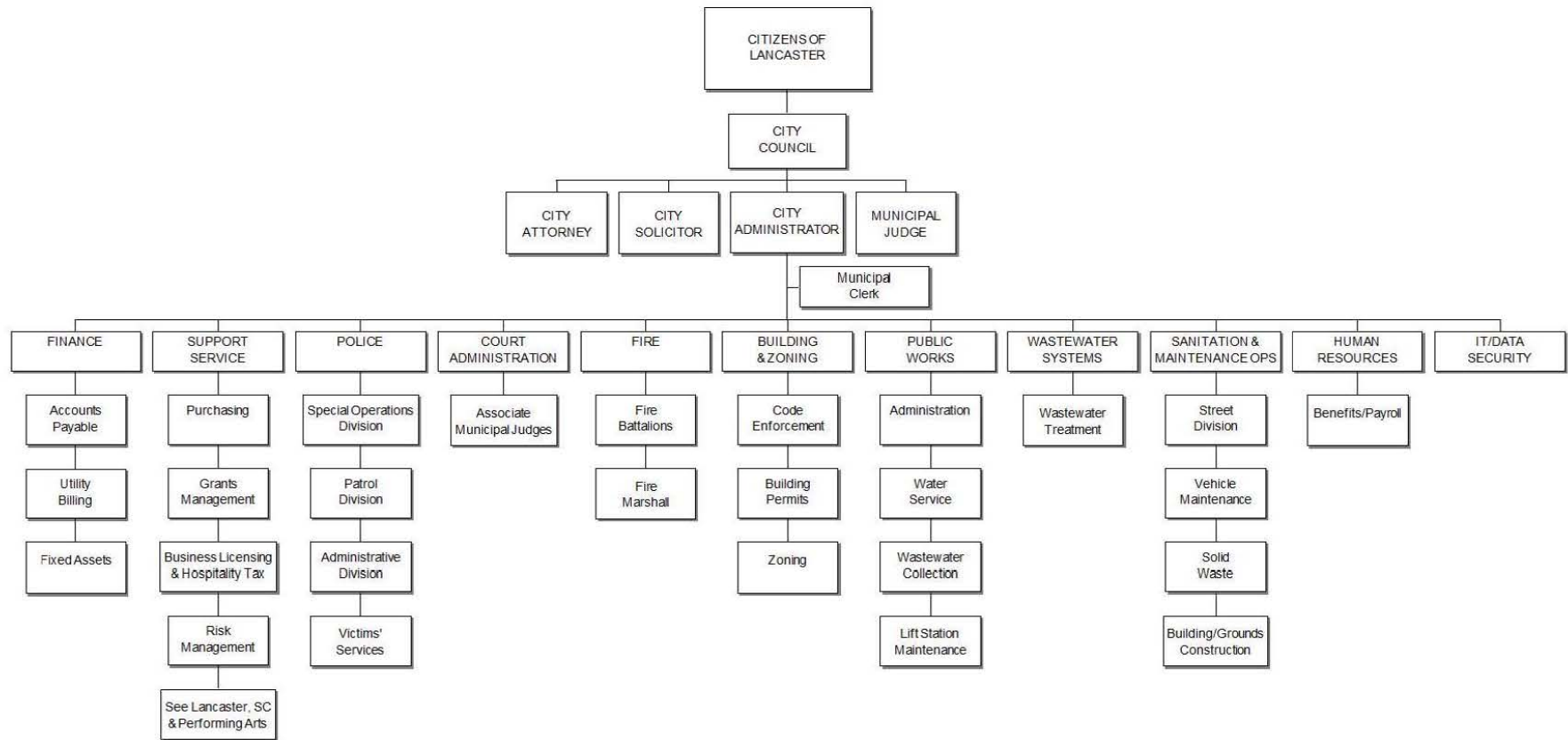
Cammie Heath, Administrator
Municipal Court

Jerry Crocket, Director
Public Works

Marty Cauthen, Director
Sanitation and Maintenance Operations



City of Lancaster Organizational Chart



CITY OF LANCASTER, SOUTH CAROLINA

FINANCIAL SECTION





Blair. Bohlé & Whitsitt PLLC
Certified Public Accountants

10815 Sikes Place
Suite 100
Charlotte, NC
28277

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Lancaster, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the Schedules of Funding Progress and Employer Contributions on page 57 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Lancaster. 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statement section, and the other financial information section, are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of the City of Lancaster'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 the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lancaster's internal control over financial reporting and compliance.

Blair, Bohle & Whitsitt, PC

Charlotte, North Carolina

December 9, 2014



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, 2014. 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 \$45,918,510 (net position).
- The government's total net position increased by \$1,347,203, primarily due to investment in capital assets for both governmental and business-type activities.
- For business-type activities, revenue was in excess of expense by \$654,098 compared to \$214,399 at June 30, 2013.
- As of the close of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$8,195,810, with a change of (\$283,948) in fund balance primarily due to a \$345,805 decrease in the General Fund fund balance. Approximately 7.6% of this total amount, or \$618,834, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,275,397 or 49.7% of total General Fund expenditures (\$10,618,789) for the fiscal year.
- The City of Lancaster's total debt decreased by \$1,024,561 during the current fiscal year.

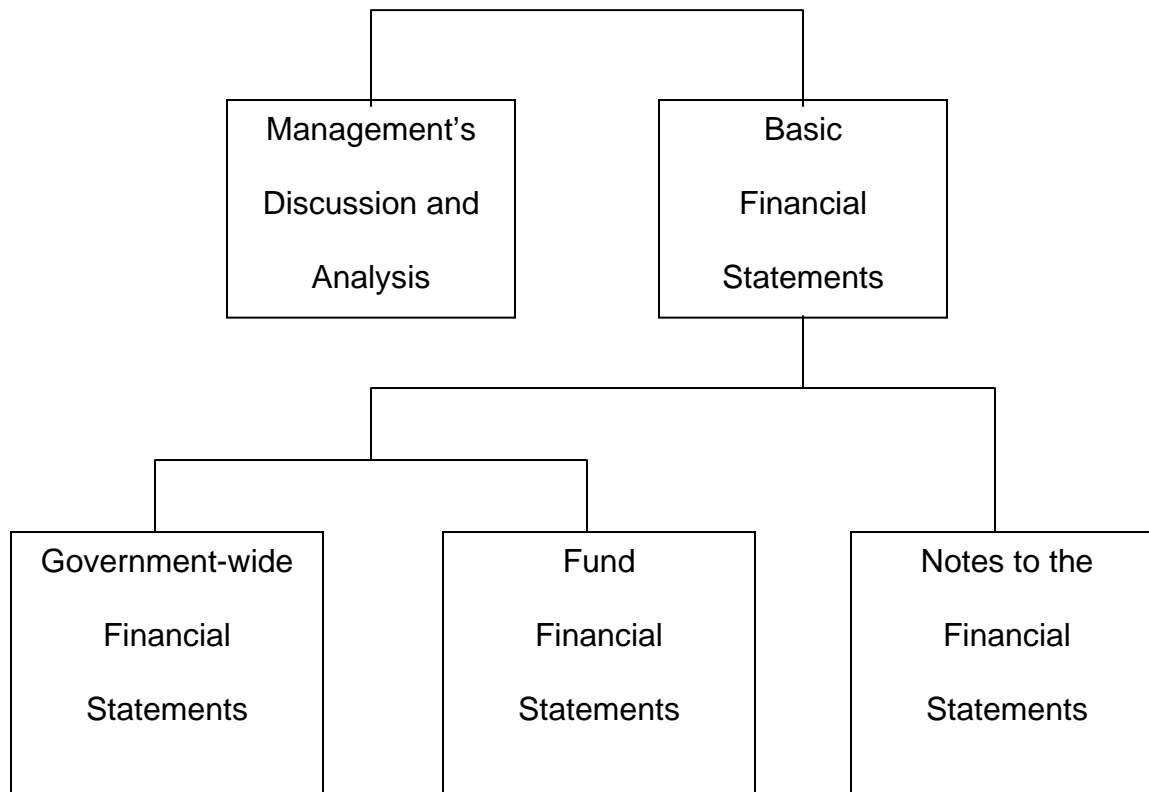
Overview of the Financial Statements

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 the 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 the statements. After the notes, **supplementary 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 position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position 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 the 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 Position 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 two different kinds of proprietary funds. *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 Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Lancaster. The City uses an internal service fund to account for one activity – its vehicle and general maintenance operations. The City’s internal service fund was eliminated in the fiscal year 2014-2015 budget process. The 2014-2015 annual budget includes all operating expenditures of the vehicle maintenance shop in the City’s general fund. All parts and outside repair services will be paid for by individual departments within the governmental or enterprise funds in which the vehicles are assigned.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Lancaster has one fiduciary fund, which is an agency fund.

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 - 55 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 56 - 114 of this report.

Government-Wide Financial Analysis

The City of Lancaster’s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 11,941,510	\$ 12,243,459	\$ 3,781,514	\$ 4,504,748	\$ 15,723,024	\$ 16,748,207
Capital assets	13,981,246	13,417,682	26,899,191	26,435,247	40,880,437	39,852,929
Total assets	25,922,756	25,661,141	30,680,705	30,939,995	56,603,461	56,601,136
Long-term liabilities outstanding	406,513	524,015	7,361,422	8,355,720	7,767,935	8,879,735
Other liabilities	1,379,316	1,693,304	1,537,700	1,456,790	2,917,016	3,150,094
Total liabilities	1,785,829	2,217,319	8,899,122	9,812,510	10,684,951	12,029,829
Net position:						
Net investment in capital assets	13,866,088	14,182,421	18,477,800	17,150,724	32,343,888	31,333,145
Restricted	586,639	453,362	1,845,139	1,916,813	2,431,778	2,370,175
Unrestricted	9,684,200	8,808,039	1,458,644	2,059,948	11,142,844	10,867,987
Total net position	\$ 24,136,927	\$ 23,443,822	\$ 21,781,583	\$ 21,127,485	\$ 45,918,510	\$ 44,571,307



As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Lancaster exceeded liabilities by \$45,918,510 as of June 30, 2014. The City's net position increased by \$1,347,203 for the fiscal year ended June 30, 2014. However, the increase in net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 net 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 position, \$2,431,778, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,142,844 is unrestricted.

Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- In the General Fund, expenditures exceeded revenues by \$345,805. The City budgeted the use of fund balance to purchase capital assets for cash in the fiscal year 2013-2014 annual budget.
- In the major Hospitality Fund, revenues exceeded expenditures by \$61,209 – which when added to the \$648 revenues over expenditures in the Southside Fund – resulted in excess revenues over expenditures for the other governmental funds amounting to \$61,857. Revenues exceeded expenditures due to better than estimated collections in hospitality tax revenue for the year.
- In the Gross Revenue Fund, revenue exceeded expense by \$840,902. Several large capital projects were completed or started in the fiscal year which resulted in net position being shifted from unrestricted to invested in capital assets classification.
- In the Solid Waste Fund, expense exceeded revenue by \$186,804. This resulted in the loss of unrestricted net assets.



City of Lancaster Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 656,113	\$ 646,137	\$ 8,065,347	\$ 7,682,268	\$ 8,721,460	\$ 8,328,405
Operating grants and contributions	105,401	612,195	-	-	105,401	612,195
Capital grants and contributions	12,100	-	228,949	-	241,049	-
General revenues:						
Property taxes	5,691,746	5,575,802	-	-	5,691,746	5,575,802
Other taxes	4,394,622	4,266,046	-	-	4,394,622	4,266,046
Other	440,536	439,445	534,009	153,256	974,545	592,701
Total revenues	11,300,518	11,539,625	8,828,305	7,835,524	20,128,823	19,375,149
Expenses:						
General government	4,329,293	4,205,647	-	-	4,329,293	4,205,647
Public safety	4,938,363	4,582,568	-	-	4,938,363	4,582,568
Public Works	881,275	747,106	-	-	881,275	747,106
Planning	209,902	161,030	-	-	209,902	161,030
Parks and Playgrounds	114,672	112,629	-	-	114,672	112,629
Community Service	121,369	91,784	-	-	121,369	91,784
Interest and fees	12,539	26,598	-	-	12,539	26,598
Water and sewer	-	-	6,194,613	5,686,101	6,194,613	5,686,101
Solid Waste	-	-	1,979,594	1,935,024	1,979,594	1,935,024
Total expenses	10,607,413	9,927,362	8,174,207	7,621,125	18,781,620	17,548,487
Increase in net position	693,105	1,612,263	654,098	214,399	1,347,203	1,826,662
Net position, July 1, previously reported	23,443,822	21,831,559	21,127,485	20,946,718	44,571,307	42,778,277
Restatement	-	-	-	(33,632)	-	(33,632)
Net position, July 1, as restated	23,443,822	21,831,559	21,127,485	20,913,086	44,571,307	42,744,645
Net position, June 30	\$24,136,927	\$23,443,822	\$21,781,583	\$21,127,485	\$45,918,510	\$44,571,307

Governmental Activities. Governmental activities increased the City's net position by \$693,105 thereby accounting for 51.4% of the total growth in the net position of the City of Lancaster. In the General Fund, capital outlay expenditures totaled \$1,364,468 for the fiscal year ending June 30, 2014 and increased net position for governmental activities.

Business-Type Activities: Business-type activities increased the City of Lancaster's net position by \$654,098 accounting for 48.6% of the total growth in the government's net position. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$840,902 of the increase in business-type activity net position. This was attributable to operating revenue exceeding operating expenses by \$772,077.
- The Solid Waste Fund decreased overall change in business-type activity net position by \$186,804. This decrease in net position is the result of operating expenses exceeding operating revenue by \$193,720. The City incurred several large repair bills to equipment in this fiscal year that were unexpected which significantly increased operating expenses for 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, fund balance available for appropriation 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 chief operating fund of the City of Lancaster. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,275,397 while total fund balance was \$7,679,975. 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 49.7% of total General Fund expenditures, while total fund balance represents 72.3% of that same amount.

At June 30, 2014, the governmental funds of City of Lancaster reported a combined fund balance of \$8,195,810 a 3.3% decrease over last year (\$8,479,758).

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 1314 budget amendments.

Ord No	Eff Date	Budget Impact	Comment - Primary Reasons for Change
O13-09	12-10-13	\$485,922	To fund several capital projects/expenditures approved after passing of original budget.
O14-02	3-25-14	\$501,810	To fund capital purchases approved after passing of original budget and move personnel funding due to reorganization of departments.
O14-06	8-26-14	\$52,045	To fund compensated absences accrued; unexpected repair costs in Solid Waste Fund

In addition to the budget ordinances above, the operating budgets for the City's operating funds were amended several times throughout the year with the authority given to the City Administrator by City Council. These amendments were within funds and did not increase the overall budget of any fund.

Some of the significant differences in the General Fund between budgeted amounts and actual amounts for FY 1314 were as follows:

- Actual revenue for privilege licenses exceeded budgeted amounts by \$413,382 due to better than anticipated collections.
- Local options sales tax collections exceeded budgeted amounts by \$45,588 due to better retail sales conditions than expected in the City.



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 position of the Gross Revenue Fund at the end of the fiscal year amounted to \$1,080,566, and those for the Solid Waste Fund amounted to \$378,079. The total growth in net position for both funds was \$840,902 and (\$186,804) 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, 2014, totals \$40,880,437 (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 \$1,390,074 including construction in progress additions of \$515,843; building additions of \$340,554; and increases to equipment/infrastructure of \$521,577.
- Capital asset additions for business-type activities amounted to \$2,100,085 including \$456,151 for construction in progress additions and \$1,643,934 for infrastructure/equipment additions.

City of Lancaster’s Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,208,603	\$ 3,196,503	\$ 364,554	\$ 364,554	\$ 3,573,157	\$ 3,561,057
Buildings, systems and improvements	4,854,133	4,527,091	24,097,239	24,098,433	28,951,372	28,625,524
Machinery and equipment	1,170,786	1,027,834	1,884,517	1,875,530	3,055,303	2,903,364
Infrastructure	4,231,881	4,479,303	-	-	4,231,881	4,479,303
Construction in progress	515,843	186,951	552,881	96,730	1,068,724	283,681
Total	\$ 13,981,246	\$ 13,417,682	\$ 26,899,191	\$ 26,435,247	\$ 40,880,437	\$ 39,852,929

Additional information on the City’s capital assets can be found in note II-A-3 of the Basic Financial Statements.



Long-term Debt. As of June 30, 2014, the City of Lancaster had no bonded debt outstanding. The remainder of the City's debt represents bonds secured solely by 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Capital lease obligations	115,158	126,585	2,084,212	2,102,155	2,199,370	2,228,740
Revolving loans	-	-	6,337,178	7,182,369	6,337,178	7,182,369
Total	\$ 115,158	\$ 276,585	\$ 8,421,390	\$ 9,284,524	\$ 8,536,548	\$ 9,561,109

During the past fiscal year, the City's total debt decreased by \$1,024,561 (10.7%).

The City maintains a Standard and Poor's rating of AA- as of the printing of this report on its general obligation bonds. Additional information regarding the City of Lancaster's long-term debt can be found in note II-B-4 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 2013 put the city's population at 9,086 (some 11.3% of Lancaster County's estimated population of 80,458). 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)

<u>Employer</u>	<u>Description</u>	<u># of Employees</u>
Red Ventures	Call Center	1600
Lancaster County School District	County school system	1569
Lancaster County	County government	840
Springs Memorial Hospital	Hospital	700
Cardinal Health	Healthcare	695
Wal-Mart	Retail goods	671
Continental Tire	Tire manufacturing	430
Duracell	Batteries manufacturing	425
Inspirational Industries	Ministry	310
USC-Lancaster	Education	305

Lancaster County's unemployment rate at June 2014 was 6.6%, down by 4.2 percentage points from the June 2013 rate of 10.8%. This compares to statewide rates of 5.3% for June 2014 versus 8.1% for June 2013.



The following chart reflects the City of Lancaster retail businesses and sales from 2005 through 2013. (Source: SC Department of Revenue Annual Sales Reports)

Year	Number of Businesses	Retail Sales	% Incr/Decr
2005	332	\$383,094,891	13.82%
2006	324	\$424,883,100	10.91%
2007	324	\$378,478,120	(10.91%)
2008	294	\$392,376,037	3.67%
2009	321	\$370,836,792	(5.49%)
2010	417	\$405,078,218	9.20%
2011	467	\$410,870,492	1.41%
2012	467	\$398,551,627	(3.00%)
2013	467	\$384,935,753	(3.42%)

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Given the improving economic conditions, a property tax increase of 5.0 mills was approved for FY 1314. In addition, operating expense was scrutinized but in ways that intended to avoid reducing levels of service. During the year, the City began construction on a new E911 Computer Aided Dispatch System (\$845,000) and replacing the roof on Fire Station #2 (\$330,000).

Business – Type Activities: Water and sewer rates for FY 1314 saw an increase in the minimum amount charged by the City for water and sewer service in the amount of \$2.00 per month for water and \$2.00 per month for sewer to help build city reserves in the gross revenue fund to assist with future capital project expenses. The City also completed a sewer infrastructure project for the new Air/Rail Industrial Park being built just outside the City limits to support a new business moving into the park bringing in much needed jobs.

There were no rate increases in the City's solid waste rates for FY 1314. Due to the fund balance in this fund, the City did not make any large capital purchases for FY 1314.

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/financialreports.aspx>.



CITY OF LANCASTER, SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,226,345	\$ 1,058,017	\$ 8,284,362
Accounts receivable			
Taxes, net	265,256	-	265,256
Grants	27,995	-	27,995
Internal balances	594,337	(594,337)	-
Mortgages	941,314	-	941,314
Water and Sewer	-	566,624	566,624
Garbage and Trash	-	97,153	97,153
Roll-off containers	-	14,230	14,230
Intergovernmental	396,192	-	396,192
Other	349,884	326,758	676,642
Inventory	5,811	240,072	245,883
Cash and cash equivalents - committed assets	1,448,308	-	1,448,308
Cash and cash equivalents - restricted assets	458,230	2,072,997	2,531,227
Net OPEB asset	227,838	-	227,838
Total current assets	11,941,510	3,781,514	15,723,024
Non-current assets:			
Capital assets:			
Nondepreciable	3,724,446	917,435	4,641,881
Depreciable, net of accumulated depreciation	10,256,800	25,981,756	36,238,556
Total non-current assets	13,981,246	26,899,191	40,880,437
Total assets	\$ 25,922,756	\$ 30,680,705	\$ 56,603,461
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,298,823	\$ 66,544	\$ 1,365,367
Customer deposits	-	227,857	227,857
Prepaid Performing Arts revenue	22,222	-	22,222
Current portion of long-term liabilities	58,271	1,090,523	1,148,794
Total current liabilities	1,379,316	1,384,924	2,764,240
Long-term liabilities:			
Due in more than one year	406,513	7,514,198	7,920,711
Total liabilities	1,785,829	8,899,122	10,684,951
Net position			
Net investment in capital assets	13,866,088	18,477,800	32,343,888
Restricted for:			
Drug fund	97,188	-	97,188
Tourism	458,230	-	458,230
Southside Housing	31,221	-	31,221
Debt service	-	1,845,139	1,845,139
Unrestricted	9,684,200	1,458,644	11,142,844
Total net position	\$ 24,136,927	\$ 21,781,583	\$ 45,918,510

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General administration	\$ 4,329,293	\$ 265,841	\$ 105,401	\$ 12,100	\$ (3,945,951)	\$ -	\$ (3,945,951)
Public safety	4,938,363	328,653	-	-	(4,609,710)	-	(4,609,710)
Public works	881,275	-	-	-	(881,275)	-	(881,275)
Code enforcement	209,902	61,619	-	-	(148,283)	-	(148,283)
Parks and playgrounds	114,672	-	-	-	(114,672)	-	(114,672)
Community service	121,369	-	-	-	(121,369)	-	(121,369)
Interest and fees	12,539	-	-	-	(12,539)	-	(12,539)
Total governmental activities	<u>10,607,413</u>	<u>656,113</u>	<u>105,401</u>	<u>12,100</u>	<u>(9,833,799)</u>	<u>-</u>	<u>(9,833,799)</u>
Business-type activities:							
Water and Sewer	6,194,613	6,284,753	-	228,949	-	319,089	319,089
Solid waste	1,979,594	1,780,594	-	-	-	(199,000)	(199,000)
Total business-type activities	<u>8,174,207</u>	<u>8,065,347</u>	<u>-</u>	<u>228,949</u>	<u>-</u>	<u>120,089</u>	<u>120,089</u>
Total primary government	<u>\$ 18,781,620</u>	<u>\$ 8,721,460</u>	<u>\$ 105,401</u>	<u>\$ 241,049</u>	<u>(9,833,799)</u>	<u>120,089</u>	<u>(9,713,710)</u>
General revenues:							
Ad valorem taxes					5,691,746	-	5,691,746
Other taxes, licenses, and fees:							
Property tax					387,246	-	387,246
Sales tax					1,270,638	-	1,270,638
Business licenses					1,916,492	-	1,916,492
Franchise fees					820,246	-	820,246
Unrestricted intergovernmental					303,333	-	303,333
Unrestricted investment earnings					12,579	4,007	16,586
Miscellaneous					120,636	519,887	640,523
Gain on sale of capital assets					3,988	10,115	14,103
Total general revenues					<u>10,526,904</u>	<u>534,009</u>	<u>11,060,913</u>
Change in net position					693,105	654,098	1,347,203
Net position - beginning					23,443,822	21,127,485	44,571,307
Net position - ending					<u>\$ 24,136,927</u>	<u>\$ 21,781,583</u>	<u>\$ 45,918,510</u>



CITY OF LANCASTER, SOUTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 7,216,089	\$ 350	\$ 9,907	\$ 7,226,346
Receivables:				
Taxes, net	265,256	-	-	265,256
Grants	25,000	-	-	25,000
Intergovernmental	396,192	-	-	396,192
Mortgages	920,000	-	21,314	941,314
Taxes - other	279,972	64,787	-	344,759
Other	-	8,120	-	8,120
Due from other funds	496,434	-	-	496,434
Committed assets	1,351,120	-	-	1,351,120
Restricted assets	97,188	458,230	-	555,418
Inventory	5,811	-	-	5,811
Advances to other funds	122,044	-	-	122,044
Total assets	<u>\$ 11,175,106</u>	<u>\$ 531,487</u>	<u>\$ 31,221</u>	<u>\$ 11,737,814</u>
Liabilities				
Accounts payable and accrued expenses	\$ 1,298,525	\$ 297	\$ -	\$ 1,298,822
Compensated absences payable	58,058	213	-	58,271
Due to other funds	-	24,141	-	24,141
Prepaid Performing Arts revenue	-	22,222	-	22,222
Total liabilities	<u>1,356,583</u>	<u>46,873</u>	<u>-</u>	<u>1,403,456</u>
Deferred inflows of resources				
Tax rollback	971,575	-	-	971,575
Property taxes	189,952	-	-	189,952
Vehicle tax	45,004	-	-	45,004
Lot clearing fees	11,272	-	-	11,272
Installment sale	920,000	-	-	920,000
Deferred grant income	745	-	-	745
Total deferred inflows of resources	<u>2,138,548</u>	<u>-</u>	<u>-</u>	<u>2,138,548</u>
Fund balances				
Nonspendable:				
Inventory	5,811	-	-	5,811
Restricted:				
Drug fund	97,188	-	-	97,188
Hospitality tax	-	484,614	-	484,614
Southside Housing	-	-	31,221	31,221
Committed:				
Downtown development	622,944	-	-	622,944
Police department communications	67,842	-	-	67,842
Noncurrent portion of interfund loans	122,044	-	-	122,044
Assigned:				
Main street project	5,000	-	-	5,000
Subsequent year's expenditures	1,483,749	-	-	1,483,749
Unassigned	5,275,397	-	-	5,275,397
Total fund balances	<u>7,679,975</u>	<u>484,614</u>	<u>31,221</u>	<u>8,195,810</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,175,106</u>	<u>\$ 531,487</u>	<u>\$ 31,221</u>	<u>\$ 11,737,814</u>



CITY OF LANCASTER, SOUTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

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

Total fund balance, governmental funds		\$	8,195,810
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			
Gross capital assets at historical cost	\$	24,350,913	
Accumulated depreciation		<u>(10,369,667)</u>	13,981,246
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.			227,838
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			2,138,548
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.			
Capitalized leases		115,158	
Compensated absences payable		<u>291,355</u>	(406,513)
Rounding			<u>(2)</u>
Net position of governmental activities		\$	<u><u>24,136,927</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	<u>General</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 5,587,266	\$ 745,050	\$ -	\$ 6,332,316
Fines, fees, licenses and permits	3,754,106	-	-	3,754,106
Intergovernmental	441,967	-	-	441,967
Charges for services	135,367	129,040	-	264,407
Grants	139,217	2,995	-	142,212
Interest	11,722	210	648	12,580
Other	98,792	38,269	-	137,061
Total revenues	<u>10,168,437</u>	<u>915,564</u>	<u>648</u>	<u>11,084,649</u>
Expenditures				
Current:				
General administration	3,293,169	736,305	-	4,029,474
Public safety	4,626,113	-	-	4,626,113
Public works	737,370	-	-	737,370
Code enforcement	204,198	-	-	204,198
Parks and playgrounds	98,892	-	-	98,892
Community service	120,610	-	-	120,610
Capital outlay	1,364,468	13,505	-	1,377,973
Debt service:				
Principal	161,428	-	-	161,428
Interest and fees	12,539	-	-	12,539
Total expenditures	<u>10,618,787</u>	<u>749,810</u>	<u>-</u>	<u>11,368,597</u>
Excess of revenues over (under) expenditures	<u>(450,350)</u>	<u>165,754</u>	<u>648</u>	<u>(283,948)</u>
Other financing sources (uses)				
Transfers out	-	(104,545)	-	(104,545)
Transfers in	104,545	-	-	104,545
Total other financing sources (uses)	<u>104,545</u>	<u>(104,545)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(345,805)	61,209	648	(283,948)
Fund balance - beginning	<u>8,025,780</u>	<u>423,405</u>	<u>30,573</u>	<u>8,479,758</u>
Fund balance - ending	<u>\$ 7,679,975</u>	<u>\$ 484,614</u>	<u>\$ 31,221</u>	<u>\$ 8,195,810</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, 2014

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

Net change in fund balances - total governmental funds \$ (283,948)

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 outlays exceeded depreciation expense in the current period.

Capital outlay expenditures which were capitalized	\$ 1,377,973	
Depreciation expense for governmental assets	<u>(826,511)</u>	551,462

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

Donated assets	12,100	
Lot clearing fees	1,433	
Tax rollback	251,538	
Property taxes	(3,914)	
Vehicle taxes	3,962	
Deferred grant income	<u>745</u>	265,864

Collections on installment sales are recognized as revenue in the government fund financial statements. However, this transaction has no effect on the statement of activities. (50,000)

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		161,428
--------------------------------------	--	---------

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.

Compensated absences	(43,926)	
Net increase in OPEB asset	<u>92,223</u>	48,297

Rounding		<u>2</u>
----------	--	----------

Change in net position of governmental activities		<u><u>\$ 693,105</u></u>
---	--	--------------------------

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 5,541,000	\$ 5,563,010	\$ 5,587,266	\$ 24,256
Fines, fees, licenses and permits	3,187,000	3,227,500	3,754,106	526,606
Intergovernmental	380,000	380,000	441,967	61,967
Charges for services	131,500	131,500	135,367	3,867
Grants	88,714	126,814	139,217	12,403
Interest	10,000	10,000	11,722	1,722
Other	68,000	81,025	98,792	17,767
Total revenues	<u>9,406,214</u>	<u>9,519,849</u>	<u>10,168,437</u>	<u>648,588</u>
Expenditures				
Current:				
General administration	3,493,121	3,569,727	3,293,169	276,558
Public safety	4,825,947	5,039,363	4,626,113	413,250
Public works	671,192	757,862	737,370	20,492
Code enforcement	189,863	204,387	204,198	189
Parks and playgrounds	105,500	106,614	98,892	7,722
Community service	106,312	136,330	120,610	15,720
Capital outlay	2,757,000	1,997,570	1,364,468	633,102
Debt service:				
Principal	161,430	161,430	161,428	2
Interest and fees	14,575	14,575	12,539	2,036
Total expenditures	<u>12,324,940</u>	<u>11,987,858</u>	<u>10,618,787</u>	<u>1,369,071</u>
Excess (deficiency) of revenues over expenditures	<u>(2,918,726)</u>	<u>(2,468,009)</u>	<u>(450,350)</u>	<u>2,017,659</u>
Other financing sources				
Proceeds from capital lease	2,050,000	-	-	-
Transfers in	-	-	104,545	104,545
Transfers out	165,315	165,315	-	(165,315)
Fund balance appropriated	703,411	2,302,694	-	(2,302,694)
Total other financing sources	<u>2,918,726</u>	<u>2,468,009</u>	<u>104,545</u>	<u>(2,363,464)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(345,805)</u>	<u>\$ (345,805)</u>
Fund balance - beginning			<u>8,025,780</u>	
Fund balance - ending			<u>\$ 7,679,975</u>	

See notes to financial statements.



STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS
 June 30, 2014

	Major Enterprise Funds			Internal Service Fund
	Gross Revenue	Solid Waste	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 608,210	\$ 449,807	\$ 1,058,017	\$ -
Receivables:				
Water and sewer	566,624	-	566,624	-
Garbage and trash	-	97,153	97,153	-
Roll-off containers	-	14,230	14,230	-
Other	262,837	63,921	326,758	-
Due from other funds	-	705	705	21,321
Inventory	240,072	-	240,072	-
Total current assets	1,677,743	625,816	2,303,559	21,321
Noncurrent assets				
Restricted assets:				
Customer deposits	227,857	-	227,857	-
Bond depreciation account	408,010	-	408,010	-
Bond contingency account	408,010	-	408,010	-
Bond debt service and reserve account	1,029,120	-	1,029,120	-
Total restricted assets	<u>2,072,997</u>	<u>-</u>	<u>2,072,997</u>	<u>-</u>
Capital assets (net, where applicable, of accumulated depreciation)	25,028,593	1,870,598	26,899,191	-
Total noncurrent assets	<u>27,101,590</u>	<u>1,870,598</u>	<u>28,972,188</u>	<u>-</u>
Total assets	<u>28,779,333</u>	<u>2,496,414</u>	<u>31,275,747</u>	<u>21,321</u>
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	57,842	7,959	65,801	743
Compensated absences payable	18,581	8,544	27,125	3,430
Current portion of long-term debt	814,479	-	814,479	-
Capital leases payable - current	199,670	45,819	245,489	-
Customer deposits	227,857	-	227,857	-
Due to Internal Service Fund	6,177	5,985	12,162	-
Due to General Fund	420,965	60,486	481,451	-
Due to Solid Waste Fund	705	-	705	-
Total current liabilities	<u>1,746,276</u>	<u>128,793</u>	<u>1,875,069</u>	<u>4,173</u>
Long-term liabilities				
Advances from other funds	-	122,044	122,044	-
Compensated absences payable	92,909	42,719	135,628	17,148
Revenue bonds and notes payable	5,522,699	-	5,522,699	-
Capital leases payable - long-term	1,656,242	182,481	1,838,723	-
Total long-term liabilities	<u>7,271,850</u>	<u>347,244</u>	<u>7,619,094</u>	<u>17,148</u>
Total liabilities	<u>9,018,126</u>	<u>476,037</u>	<u>9,494,163</u>	<u>21,321</u>
Net position				
Net investment in capital assets	16,835,502	1,642,298	18,477,800	-
Restricted for debt payments	1,845,139	-	1,845,139	-
Unrestricted	1,080,566	378,079	1,458,645	-
Total net position	<u>\$ 19,761,207</u>	<u>\$ 2,020,377</u>	<u>\$ 21,781,584</u>	<u>\$ -</u>

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 Year ended June 30, 2014

	Major Enterprise Funds			Internal Service Fund
	Gross Revenue	Solid Waste	Total	
Operating revenues				
Water and sewer charges	\$ 6,037,536	\$ -	\$ 6,037,536	\$ -
Water penalties	225,585	-	225,585	-
Tap fees	21,632	-	21,632	-
Garbage fees	-	1,091,490	1,091,490	-
Roll-off containers	-	95,120	95,120	-
Vehicle maintenance revenue	-	-	-	301,551
General maintenance revenue	-	-	-	-
Transfer station	-	571,143	571,143	-
Other	498,519	24,231	522,750	-
Total operating revenues	6,783,272	1,781,984	8,565,256	301,551
Operating expenses				
Public works administration	410,189	-	410,189	-
Residential garbage	-	713,047	713,047	-
Commercial garbage	-	318,377	318,377	-
Recycling	-	44,203	44,203	-
Transfer station	-	420,970	420,970	-
Water service	1,173,249	-	1,173,249	-
Utility billing	157,898	-	157,898	-
Wastewater treatment	1,176,567	-	1,176,567	-
Wastewater collection	1,223,870	-	1,223,870	-
General expense	549,312	192,599	741,911	-
Information technology	-	15,862	15,862	-
Vehicle maintenance	-	-	-	303,485
General maintenance	-	-	-	(1,934)
Depreciation and amortization	1,320,110	270,646	1,590,756	-
Total operating expenses	6,011,195	1,975,704	7,986,899	301,551
Operating income	772,077	(193,720)	578,357	-
Nonoperating revenue (expense)				
Interest income	3,152	855	4,007	-
Interest expense	(183,418)	(3,888)	(187,306)	-
Insurance proceeds	13,711	6,265	19,976	-
Gain on sale of fixed assets	6,431	3,684	10,115	-
Total other income (expense)	(160,124)	6,916	(153,208)	-
Income before capital contributions	611,953	(186,804)	425,149	-
Capital grant income	228,949	-	228,949	-
Change in net position	\$ 840,902	\$ (186,804)	\$ 654,098	\$ -

See notes to financial statements.



STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended June 30, 2014

	MAJOR ENTERPRISE FUNDS			Internal Service Fund
	Gross Revenue	Solid Waste	Total	
Operating activities				
Cash received from customers	\$ 6,477,869	\$ 1,793,203	\$ 8,271,072	\$ 301,551
Cash paid to employees	(1,443,696)	(696,751)	(2,140,447)	(225,583)
Cash paid to suppliers	(3,414,949)	(1,005,783)	(4,420,732)	(75,087)
Net cash provided by operating activities	<u>1,619,224</u>	<u>90,669</u>	<u>1,709,893</u>	<u>881</u>
Noncapital financing activities				
Due from other funds	-	(5,331)	(5,331)	(83,096)
Due to other funds	20,452	(299,966)	(279,514)	81,782
Customer deposits	6,221	-	6,221	-
Net cash provided by (used in) noncapital financing activities	<u>26,673</u>	<u>(305,297)</u>	<u>(278,624)</u>	<u>(1,314)</u>
Capital and related financing activities				
Proceeds from capital grants	228,949	-	228,949	-
Insurance proceeds	13,711	6,265	19,976	-
Proceeds from sale of capital assets	6,431	3,684	10,115	-
Acquisition of capital assets	(1,663,484)	(162,916)	(1,826,400)	-
Principal paid on capital leases	(246,243)	-	(246,243)	-
Principal paid on bond and note maturities	(845,190)	-	(845,190)	-
Interest and bond fees	(183,418)	(3,888)	(187,306)	-
Net cash used in capital and related financing activities	<u>(2,689,244)</u>	<u>(156,855)</u>	<u>(2,846,099)</u>	<u>-</u>
Investing activities				
Interest on investments	3,152	855	4,007	-
Net cash provided by investing activities	<u>3,152</u>	<u>855</u>	<u>4,007</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(1,040,195)</u>	<u>(370,628)</u>	<u>(1,410,823)</u>	<u>(433)</u>
Cash and cash equivalents/investments				
Beginning of year	<u>3,721,402</u>	<u>820,435</u>	<u>4,541,837</u>	<u>-</u>
End of year	<u>\$ 2,681,207</u>	<u>\$ 449,807</u>	<u>\$ 3,131,014</u>	<u>\$ (433)</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 772,077	\$ (193,720)	\$ 578,357	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,320,110	270,646	1,590,756	-
Change in assets and liabilities				
Accounts receivable	(305,403)	9,464	(295,939)	-
Inventory	(105,926)	-	(105,926)	-
Accounts payable and accrued expenses	(59,025)	1,432	(57,593)	(40)
Compensated absences	(2,609)	2,847	238	921
Total adjustments	<u>847,147</u>	<u>284,389</u>	<u>1,131,536</u>	<u>881</u>
Net cash provided by operating activities	<u>\$ 1,619,224</u>	<u>\$ 90,669</u>	<u>\$ 1,709,893</u>	<u>\$ 881</u>
Reconciliation to statement of net assets				
Unrestricted cash and cash equivalents	\$ 608,210	\$ 449,807	\$ 1,058,017	\$ -
Restricted cash and cash equivalents	2,072,997	-	2,072,997	-
	<u>\$ 2,681,207</u>	<u>\$ 449,807</u>	<u>\$ 3,131,014</u>	<u>\$ -</u>
Noncash capital activity:				
Purchase of fixed assets with capital lease	\$ -	\$ 228,300	\$ 228,300	

See notes to financial statements.



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
Assets	
Cash and temporary investments	\$ 18,382
Total assets	<u>\$ 18,382</u>
Liabilities	
Due to firemen's association	\$ 18,382
Total liabilities	<u>\$ 18,382</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

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 position 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, 2014

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 primary revenues are a 2% hospitality tax imposed by the City on prepared food and ticket sales from the City's Performing Arts Series. The primary expenditures are for event promotion and execution as well as expenditures for the Performing Arts Series performance contracts.

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's system. The City's water and sewer infrastructure extends beyond its corporate limits.

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 nonmajor enterprise fund:

Vehicle and General Maintenance Internal Service Fund – The Vehicle and General Maintenance Internal Service Fund is used to account for the accumulation and allocation of costs associated with the City's cost to repair and maintain vehicles and other general maintenance expenses.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

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

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.

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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

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

Measurement Focus, Basis of Accounting (continued)

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.

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 position 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.

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 Revenue, 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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

C. Budgets (continued)

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 principles 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.

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, Deferred Outflows/Inflows of Resources, 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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

2. Property Taxes Receivable (continued)

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.

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, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

5. Inventory

Inventories held by the General 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 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 position restricted for this purpose was \$1,845,139 at June 30, 2014, 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, 2014, \$458,230 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, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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. The fund financial statements of the General Fund have 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. The City did not have any items that met this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has five items that meet the criterion for this category – lot clearing fees, vehicle taxes, real property taxes, tax rollback and an installment sale.

10. 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 position. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Long-Term Obligations (continued)

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.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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.

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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

Fund Balances (continued)

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:

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.

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, 2014 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:



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

Fund Balances (continued)

Committed Fund Balance (continued)

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.

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 2014-2015 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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

Fund Balances (continued)

Unassigned fund balance (continued)

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

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

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

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

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

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



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

Fund Balances (continued)

Unassigned fund balance (continued)

4. Eliminate unfunded liabilities related to the City's Other Post-Employment Benefits (OPEB). Any surplus may be transferred to reduce the unfunded liability in the Other Post-Employment Benefits Trust Fund or any other fund initiated by the City to provide post-employment benefits.

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

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

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

12. Reclassifications

For comparability, the 2013 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2014.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

13. 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 \$3,093,448 and the bank balance was \$3,130,468. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,380,468 was covered by collateral held by the pledging financial institutions in the City's name.

At June 30, 2014, 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	\$ 1,029,120	N/A	Unrated
State Treasurer's Investment Pool	8,159,711	N/A	Unrated
Total Investments	<u>\$ 9,188,831</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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

II. Detail Notes on All Funds

A. Assets

1. Deposits and Investments (continued)

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	\$	8,284,362
Fiduciary funds		18,382
Restricted and designated assets		<u>3,979,535</u>
Total	\$	<u>12,282,279</u>

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2014, the City's receivable balances (unrestricted and restricted accounts receivable and taxes receivable in the accompanying statement) were as follows:

	Government - wide Financial Statements						
	Fund Financial Statements						Adjustments to Full-Accrual
	General Fund	Hospitality Tax Fund	Gross Revenue Fund	Solid Waste Fund	Nonmajor Funds	Total	
Receivables:							
Taxes	\$ 320,127	\$ -	\$ -	\$ -	\$ -	\$ 320,127	\$ -
Intergovernmental	396,192	-	-	-	-	396,192	-
Grants	25,000	-	-	-	-	25,000	-
Mortgages	920,000	-	-	-	155,177	1,075,177	-
Water and sewer	-	-	566,624	-	-	566,624	-
Garbage and trash	-	-	-	97,153	-	97,153	-
Roll-off containers	-	-	-	17,066	-	17,066	-
Other	429,117	72,907	262,837	63,921	-	828,782	-
Gross receivables	2,090,436	72,907	829,461	178,140	155,177	3,326,121	-
Less: allowance for uncollectibles	204,016	-	-	2,836	133,863	340,715	-
Net total receivables	\$ 1,886,420	\$ 72,907	\$ 829,461	\$ 175,304	\$ 21,314	\$ 2,985,406	\$ -



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

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, 2014 was as follows:

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

General administration	\$ 379,764
Public safety	291,122
Public works	138,378
Code Enforcement	1,466
Parks and playgrounds	<u>15,780</u>
Total depreciation expense	<u><u>\$ 826,510</u></u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,196,503	\$ 12,100	\$ -	\$ -	\$ 3,208,603
Construction in progress	186,951	515,843	-	(186,951)	515,843
Total capital assets not being depreciated	<u>3,383,454</u>	<u>527,943</u>	<u>-</u>	<u>(186,951)</u>	<u>3,724,446</u>
Capital assets being depreciated:					
Buildings and improvements	6,673,942	340,554	-	186,951	7,201,447
Machinery and Equipment	6,196,992	487,126	14,945	-	6,669,173
Infrastructure	6,721,397	34,451	-	-	6,755,848
Total capital assets being depreciated	<u>19,592,331</u>	<u>862,131</u>	<u>14,945</u>	<u>186,951</u>	<u>20,626,468</u>
Less accumulated depreciation for:					
Buildings and improvements	2,146,851	200,463	-	-	2,347,314
Machinery and Equipment	5,169,158	344,174	14,945	-	5,498,387
Infrastructure	2,242,094	281,873	-	-	2,523,967
Total accumulated depreciation	<u>9,558,103</u>	<u>\$ 826,510</u>	<u>\$ 14,945</u>	<u>\$ -</u>	<u>10,369,668</u>
Total capital assets being depreciated, net	<u>10,034,228</u>				<u>10,256,800</u>
Governmental activity capital assets, net	<u><u>\$ 13,417,682</u></u>				<u><u>\$ 13,981,246</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

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, 2014 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	96,730	456,151	-	-	552,881
Total capital assets not being depreciated	461,284	456,151	-	-	917,435
Capital assets being depreciated:					
Buildings	1,731,066	-	-	-	1,731,066
Equipment	5,127,858	267,785	37,639	-	5,358,004
Water and Sewer System	39,508,612	939,549	-	-	40,448,161
Total capital assets being depreciated	46,367,536	1,207,334	37,639	-	47,537,231
Less accumulated depreciation for:					
Building and building improvements	867,828	50,031	-	-	917,859
Equipment	4,044,931	334,712	37,639	-	4,342,004
Water and Sewer System	17,230,842	935,368	-	-	18,166,210
Total accumulated depreciation	22,143,601	\$ 1,320,111	\$ 37,639	\$ -	23,426,073
Total capital assets being depreciated, net	24,223,935				24,111,158
Gross Revenue capital assets, net	24,685,219				25,028,593
<i>Solid Waste</i>					
Capital assets being depreciated:					
Buildings	126,528	\$ -	\$ -	\$ -	126,528
Equipment	3,421,599	391,215	8,800	-	3,804,014
Infrastructure	1,272,052	-	-	-	1,272,052
Total capital assets being depreciated	4,820,179	391,215	8,800	-	5,202,594
Less accumulated depreciation for:					
Buildings	126,528	-	-	-	126,528
Equipment	2,721,932	222,366	(8,800)	-	2,935,498
Infrastructure	221,690	48,280	-	-	269,970
Total accumulated depreciation	3,070,150	\$ 270,646	\$ (8,800)	\$ -	3,331,996
Total capital assets being depreciated, net	1,750,029				1,870,598
Solid Waste capital assets, net	1,750,029				1,870,598
Business-type activities capital assets, net	\$ 26,435,248				\$ 26,899,191



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

II. Detail Notes on All Funds (continued)

A. Assets (continued)

3. Capital Assets (continued)

Construction commitments

The government has active construction projects in the General and Gross Revenue Funds as of June 30, 2014. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
DHEC Water Tank	\$ 44,074	\$ 53,926
Airport Pump Station	21,530	12,470
Erwin Farms Pump Station	378,055	105,049
Air/Rail Industrial Park	1,007,324	10,433
Security System	32,943	8,236
EPA Compliance Programs	430,497	480,503
Computer Aided Dispatch System	366,305	88,985
Total	<u>\$ 2,280,728</u>	<u>\$ 759,602</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2014, were as follows:

	Governmental-wide Financial Statements						
	Fund Financial Statements						
	General Fund	Hospitality Tax Fund	Other Governmental Funds	Gross Revenue Fund	Solid Waste	Internal Service Fund	Total
Payables:							
Accounts and vouchers	\$ 1,101,220	\$ 297	\$ -	\$ 16,782	\$ -	\$ 743	\$ 1,119,042
Accrued payroll and related liabilities	98,494	-	-	8,616	1,791	-	108,901
Accrued interest payable	1,369	-	-	29,129	2,268	-	32,766
Other	97,442	-	-	3,315	3,900	-	104,657
Total accounts payable and accrued liabilities	<u>\$ 1,298,525</u>	<u>\$ 297</u>	<u>\$ -</u>	<u>\$ 57,842</u>	<u>\$ 7,959</u>	<u>\$ 743</u>	<u>\$ 1,365,366</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

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 Fund and Solid Waste Fund as of the date of their inception.

At June 30, 2014, the City leased buildings, infrastructure, vehicles, and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 180,505	\$ 66,937	\$ 113,568
Infrastructure	2,943,975	545,862	2,398,113
Vehicles	228,300	16,307	211,993
Total	<u>\$ 3,352,780</u>	<u>\$ 629,106</u>	<u>\$ 2,723,674</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, 2014 were as follows:

Fiscal Year Ending June 30	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 12,390	\$ 4,431	\$ 245,489	\$ 75,736
2016	13,406	3,920	263,703	65,654
2017	14,479	3,367	281,716	56,018
2018	15,611	2,770	300,694	45,663
2019	16,805	2,126	308,150	34,552
2020-2022	42,467	2,175	684,460	34,978
	<u>\$ 115,158</u>	<u>\$ 18,789</u>	<u>\$ 2,084,212</u>	<u>\$ 312,601</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

3. State Revolving Loans

The City's state revolving loans at June 30, 2014 are comprised of the following:

<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.	\$ 784,410
<u>2000 State Revolving Loan</u> - 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.	587,256
<u>2003 State Revolving Loan</u> - 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.	531,518
<u>2007 State Revolving Loan</u> - 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.	<u>4,431,994</u>
Total State Revolving Loans	6,337,178
Less amount representing current portion	<u>814,479</u>
Long-term portion	<u>\$ 5,522,699</u>



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

3. State Revolving Loans (continued)

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

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ 814,479	\$ 81,754
2016	829,134	67,096
2017	437,447	55,560
2018	443,472	49,535
2019	449,595	43,413
2020 - 2024	2,093,357	127,250
2025 - 2028	1,269,694	25,541
	<u>\$ 6,337,178</u>	<u>\$ 450,149</u>

4. Long-term Obligation Activity

The following is a summary of changes in the City's long-term obligations as of June 30, 2014:

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Current Portion of Long-term Liabilities
Governmental Activities:					
Capitalized leases	\$ 126,585	\$ -	\$ 11,427	\$ 115,158	\$ 12,390
General Obligation Bonds	150,000	-	150,000	-	-
Compensated absences	296,915	130,061	77,350	349,626	58,271
Total governmental activities	<u>\$ 573,500</u>	<u>\$ 130,061</u>	<u>\$ 238,777</u>	<u>\$ 464,784</u>	<u>\$ 70,661</u>
Business-type Activities:					
Capitalized leases	\$ 2,102,155	\$ 228,300	\$ 246,243	\$ 2,084,212	\$ 245,489
Refunding bond and State Revolving loans	7,182,369	-	845,191	6,337,178	814,479
Compensated absences	182,172	34,231	33,072	183,331	30,555
Total business-type activities	<u>\$ 9,466,696</u>	<u>\$ 262,531</u>	<u>\$ 1,124,506</u>	<u>\$ 8,604,721</u>	<u>\$ 1,090,523</u>

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

The total interest incurred for the year ended June 30, 2014 was \$189,800. Of this amount, \$0 was capitalized as a component of the cost of capital assets constructed during the year.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

5. 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, 2014 was \$32,841,560. The computation of legal debt limits is as follows:

General obligation debt limitation (\$32,841,560 x 8%)	\$2,627,325
General obligation debt at June 30, 2014	<u>115,158</u>
Excess of debt limit over general obligation debt	<u>\$2,512,167</u>

6. Employee Retirement Systems

The City participates in two state-run, cost sharing, multiple-employer defined benefit pension plans administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (SC PEBA): the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). Both the SCRS and the PORS offer retirement and disability benefits, group life insurance benefits and survivor benefits. 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 South Carolina Public Employee Benefit Authority (SC PEBA) Website at www.retirement.sc.gov or a copy may be obtained by submitting a request to the SC PEBA, 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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
 June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

6. Employee Retirement Systems

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.

For the fiscal year ended June 30, 2014, plan members were required to contribute 7.50% of their annual covered salary for the SCRS and 7.84% for the PORS. Actuarial determined employer contribution rates for the plans, expressed as percentages of covered compensation, for the fiscal year ended June 30, 2014, were 10.45% for SCRS and 12.44% 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, 2014</u>	<u>Fiscal Year Ending June 30, 2013</u>	<u>Fiscal Year Ending June 30, 2012</u>
<u>SCRS</u>				
Employee contributions	7.50%	\$297,323	\$255,747	\$234,174
Employer contributions	10.45%	\$415,210	\$383,020	\$338,112
<u>PORS</u>				
Employee contributions	7.84%	\$201,730	\$165,029	\$160,413
Employer contributions	12.44%	\$320,924	\$281,184	\$280,427



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. 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, 2013, the measurement date for the plan year 2014, there were 182 covered participants; 29 members are retirees and dependents receiving benefits and 153 are active participants.

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.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

Funding Policy (continued)

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.

Annual OPEB Cost and Funded Status and Funding Progress

For 2014, the City's annual OPEB cost (expense) of \$48,368 for the Plan is as follows:

Annual required contribution	\$ 48,368
Annual OPEB cost	48,368
Contributions made	<u>140,591</u>
Decrease in net OPEB obligation	<u><u>\$ (92,223)</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 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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)
6/30/2013	96,609	151%	(135,615)
6/30/2014	48,368	291%	(227,838)

Contributions included \$40,000 paid by the City to the Plan to pre-fund benefits and \$40,236 and \$60,355, respectively, made by the City to pay for covered participants' explicit and implicit subsidized benefits for the year ended June 30, 2014.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

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

The funded status of the Plan as of July 1, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,070,160
Actuarial value of Plan assets	<u>470,452</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 599,708</u>
Funded ratio (actuarial value of Plan assets / AAL)	44%
Covered payroll (active plan members)	\$ 5,485,377
UAAL as a percentage of covered payroll	11%

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, 2013 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 8.5 percent initially, graded to a rate of 5 percent over 5 years; and an inflation rate assumption of 2.75 percent.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. 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, 2014, was 29 years.

8. Deferred Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

	Deferred Inflows
Lot Clearing Fees (General Fund)	\$ 11,272
Vehicle Tax (General Fund)	45,004
Real Property Tax (General Fund)	189,952
Tax Rollback (General Fund)	971,575
Deferred grant income	745
Installment sale (General Fund)	920,000
Total	<u>\$ 2,138,548</u>

9. 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, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. 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.

10. Interfund Balances and Activity

a. Due From/To Other Funds

The compositions of interfund balances as of June 30, 2014 are as follows:

	Payable Fund					Total
	General Fund	Gross Revenue Fund	Solid Waste Fund	Internal Service Fund	Hospitality Fund	
Receivable Fund						
General Fund	\$ -	\$ 420,965	\$ 182,530	\$ -	\$ 24,141	\$ 627,636
Solid Waste Fund	-	705	-	-	-	705
Internal Service Fund	9,158	6,178	5,985	-	-	21,321
	<u>\$ 9,158</u>	<u>\$ 427,848</u>	<u>\$ 188,515</u>	<u>\$ -</u>	<u>\$ 24,141</u>	<u>\$ 649,662</u>

The interfund balances, except for \$180,444 due from the Solid Waste Fund to the General Fund, were used primarily for operating purposes. These amounts are expected to be liquidated through normal operating activities of the individual funds.

On October 13, 2009, the General Fund loaned the Solid Waste Fund \$465,000 as a partial funding for expansion of the solid waste transfer station. The loan carries an interest rate of 1% and is to be repaid in annual installments of \$60,770 representing interest and principal on the loan beginning April 1, 2011 and ending April 1, 2017. As of June 30, 2014, the outstanding balance on this loan was \$180,444. Principal payments on the loan are expected to total \$58,984 in 2015, \$59,573 in 2016, and \$61,887 in 2017.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2014

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

11. 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.

During 2014, the City entered into an Order of Consent with the Environmental Protection Agency (EPA) wherein the EPA levied a fine of \$70,800 against the City for discharges of untreated wastewater containing pollutants to navigable waters by the Catawba River Wastewater Treatment Plant at locations not authorized by a National Pollutant Discharge Elimination System (NPDES) permit in the current year and prior years. The unauthorized discharges were caused by blockages and other maintenance issues related to the wastewater treatment system. Even though the fine was levied subsequent to June 30, 2013, the conditions leading to the fine occurred prior to the current year end and, accordingly, the fine was recorded in the books of the City for the year ended June 30, 2013.

In addition to fine as discussed in the previous paragraph, the City entered into an Order of Consent with the EPA to correct the problems that gave rise to the fine. Under the Order, the City will develop and submit to the EPA various assessments of the wastewater collection and transmission system, plans for repairs and improvements to the wastewater collection and transmission system, and plans for monitoring the wastewater collection and transmission system. The City estimates that the project will take up to seven years to complete. Management believes a reasonable estimate of the costs to meet the requirements of the Order of Consent will be between \$12 million and \$15 million. Although substantial, the City believes it has sufficient liquidity and borrowing capacity to handle the requirements of the Order of Consent without creating an adverse effect on the City's financial position.



CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements
June 30, 2014

II. Detail Notes on All Funds (continued)

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, 2014 was \$576,515.

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 \$592,903 for the year ended June 30, 2014.

D. Pending Implementation of GASB Statements

The GASB has issued the following statement:

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, 2014, through December 9, 2014, 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, 2014
(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%
2013	July 1, 2011	429,646	1,641,103	1,211,457	26%	5,424,724	22%
2014	July 1, 2013	470,452	1,070,160	599,708	44%	5,485,377	11%

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%
2013	96,609	145,533	151%
2014	48,368	140,591	291%



COMBINING AND INDIVIDUAL FUND STATEMENT SECTION



GOVERNMENTAL FUNDS



General Fund
Comparative Balance Sheets

June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 7,216,089	\$ 7,436,711
Receivables:		
Taxes, net	265,256	278,736
Grants	25,000	66,731
Intergovernmental	396,192	384,773
Mortgages	920,000	970,000
Taxes - other	279,972	260,987
Due from other funds	496,434	761,223
Committed assets	1,351,120	985,094
Restricted assets	97,188	287,882
Inventory	5,811	5,639
Advances to other funds	122,044	180,444
Total assets	<u>\$ 11,175,106</u>	<u>\$ 11,618,220</u>
Liabilities		
Accounts payable and accrued expenses	\$ 1,298,525	\$ 1,608,418
Compensated absences payable	58,058	49,238
Total liabilities	<u>1,356,583</u>	<u>1,657,656</u>
Deferred inflows of resources		
Tax rollback	971,575	720,037
Property taxes	189,952	193,866
Vehicle tax	45,004	41,042
Lot clearing fees	11,272	9,839
Installment sale	920,000	970,000
Deferred grant income	745	-
Total deferred inflows of resources	<u>2,138,548</u>	<u>1,934,784</u>
Fund balances		
Nonspendable:		
Inventory	5,811	5,639
Restricted:		
Debt payments	-	194,544
Drug fund	97,188	93,339
Committed:		
Downtown development	622,944	493,773
Police department communications	67,842	67,842
Noncurrent portion of interfund loans	122,044	180,444
Assigned:		
Main street project	5,000	5,000
Subsequent year's expenditures	1,483,749	703,411
Unassigned	5,275,397	6,281,788
Total fund balances	<u>7,679,975</u>	<u>8,025,780</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,175,106</u>	<u>\$ 11,618,220</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	\$ 3,300,000	\$ 3,281,304	\$ (18,696)	\$ 3,260,499
Vehicle taxes	213,010	241,768	28,758	218,926
Motor carrier taxes	50,000	55,710	5,710	52,754
Homestead	192,000	192,903	903	185,805
Delinquent taxes	140,000	125,873	(14,127)	217,760
Tax penalties	25,000	27,686	2,686	38,884
Local option sales tax	1,643,000	1,662,022	19,022	1,483,786
Total taxes	<u>5,563,010</u>	<u>5,587,266</u>	<u>24,256</u>	<u>5,458,414</u>
Fines, fees, licenses, and permits:				
Victim's services	20,000	24,929	4,929	20,770
Court fines	325,000	303,724	(21,276)	292,122
Duke power fees	600,000	659,927	59,927	631,078
Certification fees	2,000	3,110	1,110	3,035
Franchise fees	135,000	160,320	25,320	115,687
Privilege licenses	1,500,000	1,913,382	413,382	1,919,284
Building permits	30,000	61,619	31,619	48,269
Payments in lieu of taxes	615,500	627,095	11,595	599,126
Total fines, fees, licenses, and permits	<u>3,227,500</u>	<u>3,754,106</u>	<u>526,606</u>	<u>3,629,371</u>
Intergovernmental revenues:				
State shared revenue	150,000	185,007	35,007	183,949
Merchants inventory	70,000	71,687	1,687	71,687
Accommodations tax	25,000	46,639	21,639	37,412
Exemption	135,000	138,634	3,634	137,029
Total intergovernmental	<u>380,000</u>	<u>441,967</u>	<u>61,967</u>	<u>430,077</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues (continued):				
Charges for services:				
Lot clearing	\$ 6,500	\$ 8,770	\$ 2,270	\$ 9,005
Fire protection contracts	60,000	58,658	(1,342)	63,758
School guards	65,000	67,939	2,939	65,826
See Lancaster	-	-	-	(410)
Total charges for services	<u>131,500</u>	<u>135,367</u>	<u>3,867</u>	<u>138,179</u>
Grants	<u>126,814</u>	<u>139,217</u>	<u>12,403</u>	<u>660,195</u>
Interest	<u>10,000</u>	<u>11,722</u>	<u>1,722</u>	<u>23,350</u>
Other revenues:				
Insurance proceeds	23,025	21,463	(1,562)	9,647
Sale of assets	10,000	3,988	(6,012)	3,506
Police revenues	25,000	36,777	11,777	38,360
Miscellaneous	10,000	25,854	15,854	28,619
Cemetery fees	10,000	8,525	(1,475)	7,575
Planning and zoning	<u>3,000</u>	<u>2,185</u>	<u>(815)</u>	<u>1,975</u>
Total other	<u>81,025</u>	<u>98,792</u>	<u>17,767</u>	<u>89,682</u>
Total revenues	<u>9,519,849</u>	<u>10,168,437</u>	<u>648,588</u>	<u>10,429,268</u>
Expenditures:				
General administration:				
Mayor and council:				
Personnel services	77,033	76,924	109	74,699
Operating expenses	<u>52,780</u>	<u>33,202</u>	<u>19,578</u>	<u>29,701</u>
Total mayor and council	<u>129,813</u>	<u>110,126</u>	<u>19,687</u>	<u>104,400</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
City administrator:				
Personnel services	\$ 272,743	\$ 241,890	\$ 30,853	\$ 203,483
Operating expenses	29,517	25,200	4,317	16,031
Total city administrator	<u>302,260</u>	<u>267,090</u>	<u>35,170</u>	<u>219,514</u>
Building and grounds maintenance:				
Personnel services	165,178	164,357	821	86,967
Operating expenses	31,100	30,068	1,032	22,521
Total building and grounds maintenance	<u>196,278</u>	<u>194,425</u>	<u>1,853</u>	<u>109,488</u>
Human resources:				
Personnel services	160,744	158,349	2,395	111,963
Operating expenses	71,625	52,421	19,204	43,832
Total human resources	<u>232,369</u>	<u>210,770</u>	<u>21,599</u>	<u>155,795</u>
Finance:				
Personnel services	234,841	234,743	98	245,043
Operating expenses	31,275	21,325	9,950	32,738
Total finance	<u>266,116</u>	<u>256,068</u>	<u>10,048</u>	<u>277,781</u>
Information technology:				
Personnel services	93,245	93,071	174	62,600
Operating expenses	245,980	229,962	16,018	193,585
Total information technology	<u>339,225</u>	<u>323,033</u>	<u>16,192</u>	<u>256,185</u>
Legal services:				
Personnel services	25,280	25,256	24	9,283
Operating expenses	20,675	20,469	206	30,384
Total legal services	<u>45,955</u>	<u>45,725</u>	<u>230</u>	<u>39,667</u>
General expense:				
Personnel services	721,070	669,903	51,167	600,474
Operating expenses	1,092,285	982,385	109,900	878,533
Total general expense	<u>1,813,355</u>	<u>1,652,288</u>	<u>161,067</u>	<u>1,479,007</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
General administration (continued):				
Administrative services:				
Personnel services	\$ 197,106	\$ 196,535	\$ 571	\$ 189,928
Operating expenses	47,250	37,109	10,141	37,236
Total administrative services	244,356	233,644	10,712	227,164
Total general administration	3,569,727	3,293,169	276,558	2,869,001
Public safety:				
Police:				
Personnel services	2,360,843	2,209,702	151,141	2,008,488
Operating expenses	615,534	493,185	122,349	499,657
Capital outlay	15,000	8,397	6,603	-
Total police	2,991,377	2,711,284	280,093	2,508,145
Victims' services:				
Personnel services	23,511	23,488	23	22,345
Operating expenses	4,190	3,996	194	3,890
Total victims' services	27,701	27,484	217	26,235
Law enforcement block grant:				
Capital outlay	49,814	3,129	46,685	10,811
Judiciary:				
Personnel services	235,617	231,362	4,255	224,899
Operating expenses	210,800	200,632	10,168	184,962
Total judiciary	446,417	431,994	14,423	409,861
Fire:				
Personnel services	1,289,984	1,253,937	36,047	1,190,126
Operating expenses	234,070	198,285	35,785	174,219
Total fire	1,524,054	1,452,222	71,832	1,364,345
Total public safety	5,039,363	4,626,113	413,250	4,319,397



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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
Public works:				
Street division:				
Personnel services	\$ 294,572	\$ 293,114	\$ 1,458	\$ 229,419
Operating expenses	463,290	444,256	19,034	418,686
Total street division	<u>757,862</u>	<u>737,370</u>	<u>20,492</u>	<u>648,105</u>
Total public works	<u>757,862</u>	<u>737,370</u>	<u>20,492</u>	<u>648,105</u>
Code enforcement:				
Personnel services	134,702	134,628	74	100,974
Operating expenses	69,685	69,570	115	62,113
Total code enforcement	<u>204,387</u>	<u>204,198</u>	<u>189</u>	<u>163,087</u>
Parks and playgrounds:				
Operating expenses	<u>106,614</u>	<u>98,892</u>	<u>7,722</u>	<u>97,778</u>
Community service:				
Other community services:				
Operating expenses	5,500	5,500	-	5,500
Total other community services	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
See Lancaster:				
Personnel services	54,080	44,212	9,868	42,766
Operating expenses	76,750	70,898	5,852	44,774
Total See Lancaster	<u>130,830</u>	<u>115,110</u>	<u>15,720</u>	<u>87,540</u>
Total community service	<u>136,330</u>	<u>120,610</u>	<u>15,720</u>	<u>93,040</u>
Debt service:				
Principal	161,430	161,428	2	150,516
Interest and fees	14,575	12,539	2,036	19,735
Total debt service	<u>176,005</u>	<u>173,967</u>	<u>2,038</u>	<u>170,251</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
Capital improvements:				
Capital outlay	\$ 1,997,570	\$ 1,364,468	\$ 633,102	\$ 1,384,711
Total expenditures	11,987,858	10,618,787	1,369,071	9,745,370
Excess of revenues over (under) expenditures	(2,468,009)	(450,350)	2,017,659	683,898
Other financing sources (uses):				
Fund balance appropriated	2,302,694	-	(2,302,694)	-
Transfer from Hospitality Tax Fund	-	104,545	104,545	-
Transfer to Hospitality Tax Fund	165,315	-	(165,315)	(402,955)
Total other financing sources	2,468,009	104,545	(2,363,464)	(402,955)
Excess of revenues and other sources over (under) expenditures	\$ -	(345,805)	\$ (345,805)	280,943
Beginning of year, July 1		8,025,780		7,744,837
End of year, June 30		\$ 7,679,975		\$ 8,025,780



CITY OF LANCASTER, SOUTH CAROLINAHospitality Tax Fund
Comparative Balance Sheets*June 30, 2014 and 2013*

	2014	2013
Assets		
Cash and cash equivalents	\$ 350	\$ -
Taxes - other	64,787	65,473
Other	8,120	30,209
Restricted assets	458,230	422,789
Total assets	<u>\$ 531,487</u>	<u>\$ 518,471</u>
Liabilities and fund balances		
Accounts payable and accrued expenses	\$ 297	\$ 1,006
Compensated absences payable	213	248
Due to other funds	24,141	59,418
Prepaid Performing Arts revenue	22,222	34,394
Total liabilities	<u>46,873</u>	<u>95,066</u>
Fund balances:		
Restricted	484,614	423,405
Total fund balances	<u>484,614</u>	<u>423,405</u>
 Total liabilities and fund balances	 <u>\$ 531,487</u>	 <u>\$ 518,471</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014			Variance Positive (Negative)	2013
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes	\$ 710,000	\$ 710,000	\$ 745,050	\$ 35,050	\$ 737,587
Charges for services	150,000	150,000	129,040	(20,960)	149,288
Interest	1,000	1,000	210	(790)	292
Grants	-	-	2,995	2,995	-
Miscellaneous	15,000	15,000	38,269	23,269	34,291
Total revenues	<u>876,000</u>	<u>876,000</u>	<u>915,564</u>	<u>39,564</u>	<u>921,458</u>
Expenditures					
Current:					
General administration	852,455	867,256	736,305	130,951	998,448
Capital outlay	-	-	13,505	(13,505)	714,550
Interest expense	-	-	-	-	6,863
Total expenditures	<u>852,455</u>	<u>867,256</u>	<u>749,810</u>	<u>117,446</u>	<u>1,719,861</u>
Excess of revenues over (under) expenditures	<u>23,545</u>	<u>8,744</u>	<u>165,754</u>	<u>157,010</u>	<u>(798,403)</u>
Other financing sources					
Fund balance appropriated	81,000	95,801	-	(95,801)	-
Transfers in	-	-	-	-	402,955
Transfers out	(104,545)	(104,545)	(104,545)	-	-
Total other financing sources	<u>(23,545)</u>	<u>(8,744)</u>	<u>(104,545)</u>	<u>(95,801)</u>	<u>402,955</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	61,209	<u>\$ 61,209</u>	(395,448)
Beginning of year, July 1			423,405		818,853
End of year, June 30			<u>\$ 484,614</u>		<u>\$ 423,405</u>



CITY OF LANCASTER, SOUTH CAROLINACombining Balance Sheet
Nonmajor Governmental Funds*June 30, 2014*

	Southside Project	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	\$ 9,907	\$ 9,907
Receivables:		
Mortgages	21,314	21,314
Total assets	<u>\$ 31,221</u>	<u>\$ 31,221</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund balances		
Restricted:		
Southside Housing	31,221	31,221
Total fund balances	<u>31,221</u>	<u>31,221</u>
Total liabilities and fund balances	<u>\$ 31,221</u>	<u>\$ 31,221</u>



CITY OF LANCASTER, SOUTH CAROLINA

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

For the Fiscal Year Ended June 30, 2014

	Southside Project	Total Nonmajor Governmental Funds
Revenues		
Interest	\$ 648	\$ 648
Total revenues	<u>648</u>	<u>648</u>
Expenditures		
Current:		
General administration	-	-
Total expenditures	<u>-</u>	<u>-</u>
Net change in fund balances	648	648
Fund balance - beginning	<u>30,573</u>	<u>30,573</u>
Fund balance - ending	<u><u>\$ 31,221</u></u>	<u><u>\$ 31,221</u></u>



CITY OF LANCASTER, SOUTH CAROLINASouthside Project
Comparative Balance Sheets*June 30, 2014 and 2013*

	2014	2013
Assets		
Cash and cash equivalents	\$ 9,907	\$ 6,571
Mortgages	21,314	24,002
Total assets	<u>\$ 31,221</u>	<u>\$ 30,573</u>
Liabilities and fund balances		
Fund balances:		
Restricted	31,221	30,573
Total fund balances	<u>31,221</u>	<u>30,573</u>
Total liabilities and fund balances	<u>\$ 31,221</u>	<u>\$ 30,573</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, 2014 and 2013

	2014	2013
Revenues		
Interest	\$ 648	\$ 782
Total revenues	<u>648</u>	<u>782</u>
Expenditures		
Current:		
General administration	-	1
Total expenditures	<u>-</u>	<u>1</u>
Net change in fund balances	648	781
Beginning of year, July 1	<u>30,573</u>	<u>29,792</u>
End of year, June 30	<u><u>\$ 31,221</u></u>	<u><u>\$ 30,573</u></u>



ENTERPRISE FUNDS



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund Comparative Balance Sheets

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 608,210	\$ 1,582,953
Receivables:		
Water and sewer	566,624	516,963
Other	262,837	7,095
Inventory	240,072	134,146
Total current assets	<u>1,677,743</u>	<u>2,241,157</u>
Restricted assets		
Customer deposits	227,857	221,636
Bond depreciation account	408,010	407,344
Bond contingency account	408,010	407,344
Bond debt service and reserve account	1,029,120	1,102,125
Total restricted assets	<u>2,072,997</u>	<u>2,138,449</u>
Capital assets (net, where applicable, of accumulated depreciation)	25,028,593	24,685,219
Total noncurrent assets	<u>27,101,590</u>	<u>26,823,668</u>
Total assets	<u>28,779,333</u>	<u>29,064,825</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	57,842	116,867
Compensated absences payable	18,581	19,017
Current portion of long-term debt	814,479	846,434
Capital leases payable - current	199,670	234,179
Customer deposits	227,857	221,636
Due to General Fund	420,965	370,072
Due to Internal Service Fund	6,177	18,265
Due to Solid Waste Fund	705	19,058
Total current liabilities	<u>1,746,276</u>	<u>1,845,528</u>
Noncurrent liabilities		
Compensated absences payable	92,909	95,082
Revenue bonds and notes payable	5,522,699	6,335,934
Capital leases payable - long-term	1,656,242	1,867,976
Total noncurrent liabilities	<u>7,271,850</u>	<u>8,298,992</u>
Total liabilities	<u>9,018,126</u>	<u>10,144,520</u>
Net position		
Net investment in capital assets	16,835,502	15,400,696
Restricted for debt payments	1,845,139	1,916,813
Net assets unrestricted	1,080,566	1,602,796
Total net position	<u>\$ 19,761,207</u>	<u>\$ 18,920,305</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, 2014**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)*

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Water and sewer charges	\$ 5,575,000	\$ 6,037,536	\$ 462,536	\$ 5,660,517
Water penalties	210,000	225,585	15,585	209,379
Tap fees	17,000	21,632	4,632	66,271
Interest income	5,000	3,152	(1,848)	5,296
Other	430,980	498,519	67,539	71,657
Total revenues	<u>6,237,980</u>	<u>6,786,424</u>	<u>548,444</u>	<u>6,013,120</u>
Expenditures				
Public works administration:				
Salaries and employee benefits	219,259	218,934	325	206,214
Clothing	800	646	154	794
Vehicle maintenance	4,325	4,312	13	2,730
Communications	118,025	108,072	9,953	102,598
Utilities	56,600	56,367	233	50,220
Repairs and maintenance	-	-	-	6,113
Special contracts	3,560	3,560	-	14,898
Materials and supplies	11,400	11,384	16	7,395
Miscellaneous	7,015	6,914	101	6,407
Total public works administration	<u>420,984</u>	<u>410,189</u>	<u>10,795</u>	<u>397,369</u>
Water service:				
Salaries and employee benefits	363,619	293,730	69,889	384,157
Clothing	4,495	3,851	644	5,234
Vehicle maintenance	80,055	80,052	3	123,945
Communications	4,400	4,143	257	3,647
Repairs and maintenance	120,210	2,300	117,910	3,296
Special contracts	85,000	82,696	2,304	147,288
Materials and supplies	142,900	122,273	20,627	160,695
Miscellaneous	586,645	584,204	2,441	565,592
Total water service	<u>1,387,324</u>	<u>1,173,249</u>	<u>214,075</u>	<u>1,393,854</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
Utility billing:				
Salaries and employee benefits	\$ 113,770	\$ 98,497	\$ 15,273	\$ 102,855
Communications	7,500	5,457	2,043	5,019
Repairs and maintenance	9,500	-	9,500	1,627
Special contracts	56,000	48,564	7,436	55,506
Materials and supplies	5,700	4,806	894	3,678
Miscellaneous	3,000	574	2,426	311
Total utility billing	<u>195,470</u>	<u>157,898</u>	<u>37,572</u>	<u>168,996</u>
Wastewater treatment:				
Salaries and employee benefits	299,869	296,067	3,802	271,946
Clothing	4,150	3,148	1,002	3,802
Vehicle maintenance	25,625	25,624	1	22,939
Communications	10,700	9,107	1,593	8,649
Utilities	234,700	234,649	51	223,239
Repairs and maintenance	140,000	110,281	29,719	77,812
Special contracts	26,500	192,758	(166,258)	65,457
Materials and supplies	55,550	55,547	3	32,509
Miscellaneous	258,435	249,386	9,049	254,966
Total wastewater treatment	<u>1,055,529</u>	<u>1,176,567</u>	<u>(121,038)</u>	<u>961,319</u>
Wastewater collection:				
Salaries and employee benefits	529,312	533,859	(4,547)	379,357
Clothing	6,080	5,593	487	6,670
Vehicle maintenance	112,900	112,871	29	110,786
Communications	1,910	1,906	4	661
Repairs and maintenance	497,400	3,480	493,920	7,085
Special contracts	40,775	40,769	6	87,460
EPA Compliance	922,300	430,930	491,370	-
Materials and supplies	104,200	86,609	17,591	62,295
Miscellaneous	8,690	7,853	837	5,873
Total wastewater collection	<u>2,223,567</u>	<u>1,223,870</u>	<u>999,697</u>	<u>660,187</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, 2014**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)*

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
General:				
Communications	\$ 20,000	\$ 19,605	\$ 395	\$ 17,518
Insurance	234,485	193,618	40,867	179,365
Repairs and maintenance	22,210	22,209	1	10,431
Special contracts	56,140	51,001	5,139	51,995
Miscellaneous	542,040	262,878	279,162	355,648
Total general	<u>874,875</u>	<u>549,311</u>	<u>325,564</u>	<u>614,957</u>
Debt service:				
Principal payments	1,094,375	1,091,433	2,942	1,114,006
Interest	191,377	183,418	7,959	205,777
Total debt service	<u>1,285,752</u>	<u>1,274,851</u>	<u>10,901</u>	<u>1,319,783</u>
Capital outlay	<u>1,345,130</u>	<u>1,663,483</u>	<u>(318,353)</u>	<u>847,238</u>
Total expenditures	<u>8,788,631</u>	<u>7,629,418</u>	<u>1,159,213</u>	<u>6,363,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,550,651)</u>	<u>(842,994)</u>	<u>1,707,657</u>	<u>(350,583)</u>
Other financing sources (uses)				
Fund balance appropriated	2,200,651	-	(2,200,651)	-
Capital grant income	350,000	228,949	(121,051)	-
Total other financing sources (uses)	<u>2,550,651</u>	<u>228,949</u>	<u>(2,321,702)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (614,045)</u>	<u>\$ (614,045)</u>	<u>\$ (350,583)</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014	2013
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Revenues and other sources over (under) expenditures	\$ (614,045)	\$ (350,583)
Payment of debt principal	1,091,433	1,114,006
Insurance proceeds and other	20,142	31,252
Depreciation	(1,320,110)	(1,283,642)
Capital outlay	1,663,483	847,238
	<u>\$ 840,903</u>	<u>\$ 358,271</u>
Change in net position per full accrual basis - Exhibit G		



CITY OF LANCASTER, SOUTH CAROLINA

Gross Revenue Fund Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities		
Cash received from customers	\$ 6,477,869	\$ 6,166,544
Cash paid to employees	(1,443,696)	(1,350,233)
Cash paid to suppliers	(3,414,949)	(2,851,379)
Net cash provided by operating activities	<u>1,619,224</u>	<u>1,964,932</u>
Noncapital financing activities		
Due to other funds	20,452	74,919
Customer deposits	6,221	(392)
Net cash used in noncapital activities	<u>26,673</u>	<u>74,527</u>
Capital and related financing activities		
Proceeds from capital grants	228,949	-
Insurance proceeds	13,711	19,192
Proceeds from sale of capital assets	6,431	19,671
Acquisition of capital assets	(1,663,484)	(847,238)
Principal paid on capital leases	(246,243)	(267,419)
Principal paid on bond and note maturities	(845,190)	(846,590)
Interest and bond fees	(183,418)	(205,777)
Net cash used in capital and related financing activities	<u>(2,689,244)</u>	<u>(2,128,161)</u>
Investing activities		
Interest on investments	3,152	5,296
Net cash provided by investing activities	<u>3,152</u>	<u>5,296</u>
Net decrease in cash and cash equivalents/investments	(1,040,195)	(83,406)
Cash and cash equivalents/investments		
Beginning of year	<u>3,721,402</u>	<u>3,804,808</u>
End of year	<u>\$ 2,681,207</u>	<u>\$ 3,721,402</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 772,077	\$ 527,500
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,320,110	1,283,642
Change in assets and liabilities		
Accounts receivable	(305,403)	158,720
Inventory	(105,926)	(53,720)
Accounts payable and accrued expenses	(59,025)	54,494
Compensated absences	(2,609)	(5,704)
Total adjustments	<u>847,147</u>	<u>1,437,432</u>
Net cash provided by operating activities	<u>\$ 1,619,224</u>	<u>\$ 1,964,932</u>



CITY OF LANCASTER, SOUTH CAROLINA

Solid Waste Fund Comparative Balance Sheets

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 449,807	\$ 820,435
Receivables:		
Garbage and trash	97,153	93,430
Roll-off containers	14,230	6,749
Other	63,921	86,344
Due from other funds	705	19,058
Total current assets	<u>625,816</u>	<u>1,026,016</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>1,870,598</u>	<u>1,750,028</u>
Total noncurrent assets	<u>1,870,598</u>	<u>1,750,028</u>
Total assets	<u>2,496,414</u>	<u>2,776,044</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	7,959	6,529
Compensated absences payable	8,544	8,069
Capital leases payable - current	45,819	-
Due to Internal Service Fund	5,985	30,238
Due to General Fund	60,486	303,237
Total current liabilities	<u>128,793</u>	<u>348,073</u>
Noncurrent liabilities		
Advances from other funds	122,044	180,444
Compensated absences payable	42,719	40,347
Capital leases payable - long-term	182,481	-
Total noncurrent liabilities	<u>347,244</u>	<u>220,791</u>
Total liabilities	<u>476,037</u>	<u>568,864</u>
Net position		
Net investment in capital assets	1,642,298	1,750,028
Net assets unrestricted	378,079	457,152
Total net position	<u>\$ 2,020,377</u>	<u>\$ 2,207,180</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, 2014**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)*

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Garbage fees	\$ 1,160,000	\$ 1,091,490	\$ (68,510)	\$ 1,081,408
Roll-off containers	81,700	95,120	13,420	66,666
Recycling sales	15,000	22,841	7,841	8,985
Transfer station	569,035	571,143	2,108	589,043
Interest	2,500	855	(1,645)	2,020
Other	15,500	1,392	(14,108)	4,969
Total revenues	<u>1,843,735</u>	<u>1,782,841</u>	<u>(60,894)</u>	<u>1,753,091</u>
Expenditures				
General:				
Insurance	114,750	114,738	12	107,470
Repairs and maintenance	90,000	-	90,000	11,488
Special contracts	13,000	10,537	2,463	5,110
Miscellaneous	69,250	67,324	1,926	65,906
Total general	<u>287,000</u>	<u>192,599</u>	<u>94,401</u>	<u>189,974</u>
Information technology	<u>15,890</u>	<u>15,862</u>	<u>28</u>	<u>19,299</u>
Residential garbage:				
Salaries and employee benefits	495,734	484,304	11,430	512,389
Clothing	7,200	5,271	1,929	5,682
Communications	6,080	6,077	3	3,157
Vehicle maintenance	157,965	157,962	3	153,701
Repairs and maintenance	-	-	-	3,579
Special contracts	1,500	1,468	32	532
Materials and supplies	30,300	26,846	3,454	22,189
Utilities	25,630	24,826	804	20,953
Miscellaneous	6,845	6,293	552	4,418
Total residential garbage	<u>731,254</u>	<u>713,047</u>	<u>18,207</u>	<u>726,600</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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
Recycling:				
Vehicle maintenance	30,000	18,259	11,741	46,538
Communications	1,000	394	606	835
Special contracts	-	-	-	-
Materials and supplies	40,000	24,027	15,973	39,106
Miscellaneous	6,000	1,523	4,477	2,637
Total recycling	<u>77,000</u>	<u>44,203</u>	<u>32,797</u>	<u>89,116</u>
Commerical garbage:				
Salaries and employee benefits	88,157	88,455	(298)	82,448
Clothing	1,200	515	685	764
Vehicle maintenance	101,680	97,876	3,804	72,858
Repairs and maintenance	500	-	500	-
Special contracts	102,675	110,677	(8,002)	103,502
Materials and supplies	21,750	20,830	920	11,346
Miscellaneous	1,100	24	1,076	-
Total commercial garbage	<u>317,062</u>	<u>318,377</u>	<u>(1,315)</u>	<u>270,918</u>
Transfer station:				
Salaries and employee benefits	127,486	126,839	647	119,945
Clothing	1,800	1,717	83	2,002
Vehicle maintenance	277,620	277,615	5	247,161
Communications	1,000	740	260	1,838
Repairs and maintenance	5,950	5,906	44	501
Special contracts	5,760	4,392	1,368	14,088
Materials and supplies	3,000	2,969	31	1,293
Miscellaneous	850	792	58	503
Total transfer station	<u>423,466</u>	<u>420,970</u>	<u>2,496</u>	<u>387,331</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, 2014**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)*

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures (continued):				
Debt service:				
Principal	\$ 96,200	\$ -	\$ 96,200	\$ 73,650
Interest	2,800	3,888	(1,088)	3,755
Total debt service	99,000	3,888	95,112	77,405
Capital outlay	403,300	391,216	12,084	217,479
Total expenditures	2,353,972	2,100,162	253,810	1,978,122
Excess (deficiency) of revenues over (under) expenditures	(510,237)	(317,321)	192,916	(225,031)
Other financing sources (uses)				
Fund balance appropriated	281,937	-	(281,937)	-
Proceeds from capital lease	228,300	228,300	-	-
Total other financing uses	510,237	228,300	(281,937)	-
Revenues and other sources over (under) expenditures	\$ -	\$ (89,021)	\$ (89,021)	\$ (225,031)
			2014	2013
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources over expenditures			\$ (89,021)	\$ (225,031)
Payment of debt principal			-	73,650
Insurance proceeds and other			9,948	38,062
Proceeds from capital lease			(228,300)	-
Depreciation			(270,646)	(248,032)
Capital outlay			391,216	217,479
Change in net position per full accrual basis - Exhibit G			\$ (186,803)	\$ (143,872)



Solid Waste Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Operating activities		
Cash received from customers	\$ 1,793,203	\$ 1,725,995
Cash paid to employees	(696,751)	(708,688)
Cash paid to suppliers	(1,005,783)	(966,334)
Net cash provided by operating activities	<u>90,669</u>	<u>50,973</u>
Noncapital financing activities		
Due from other funds	(5,331)	(7,085)
Due to other funds	(299,966)	146,725
Net cash provided by noncapital activities	<u>(305,297)</u>	<u>139,640</u>
Capital and related financing activities		
Insurance proceeds	6,265	9,462
Proceeds from sale of capital assets	3,684	28,600
Acquisition of capital assets	(162,916)	(217,479)
Principal paid on capital leases	-	(73,650)
Interest and bond fees	(3,888)	(3,755)
Net cash used in capital and related financing activities	<u>(156,855)</u>	<u>(256,822)</u>
Investing activities		
Interest on investments	855	2,020
Net cash provided by investing activities	<u>855</u>	<u>2,020</u>
Net decrease in cash and cash equivalents/investments	(370,628)	(64,189)
Cash and cash equivalents/investments		
Beginning of year	820,435	884,624
End of year	<u>\$ 449,807</u>	<u>\$ 820,435</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (193,720)	\$ (180,199)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	270,646	248,032
Change in assets and liabilities		
Accounts receivable	9,464	(25,076)
Accounts payable and accrued expenses	1,432	2,122
Compensated absences	2,847	6,094
Total adjustments	<u>284,389</u>	<u>231,172</u>
Net cash provided by operating activities	<u>\$ 90,669</u>	<u>\$ 50,973</u>



CITY OF LANCASTER, SOUTH CAROLINA

Vehicle and General Maintenance Internal Service Fund Comparative Balance Sheets

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash	\$ -	\$ 433
Due from other funds	21,321	101,789
Total current assets	<u>21,321</u>	<u>102,222</u>
Total assets	<u>21,321</u>	<u>102,222</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	743	783
Compensated absences payable	3,430	3,276
Due to General Fund	-	81,782
Total current liabilities	<u>4,173</u>	<u>85,841</u>
Noncurrent liabilities		
Compensated absences payable	17,148	16,381
Total noncurrent liabilities	<u>17,148</u>	<u>16,381</u>
Total liabilities	<u>21,321</u>	<u>102,222</u>
Net position		
Net assets unrestricted	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>



CITY OF LANCASTER, SOUTH CAROLINA

Vehicle and General Maintenance Internal Service Fund Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues				
Vehicle maintenance revenue	\$ 331,035	\$ 301,551	\$ (29,484)	\$ 294,301
General repair and maintenance revenue	-	-	-	88,352
Total revenues	<u>331,035</u>	<u>301,551</u>	<u>(29,484)</u>	<u>382,653</u>
Expenditures				
Vehicle maintenance:				
Salaries and employee benefits	228,970	228,438	532	221,899
Clothing	2,220	3,708	(1,488)	4,184
Vehicle maintenance	16,770	13,213	3,557	10,867
Communications	4,430	4,425	5	2,589
Repairs and maintenance	8,000	5,145	2,855	1,455
Special contracts	1,850	1,217	633	2,430
Materials and supplies	30,000	11,283	18,717	13,355
Utilities	10,725	10,191	534	9,883
Miscellaneous	3,700	1,880	1,820	1,011
Insurance	24,370	23,985	385	26,628
Total vehicle maintenance	<u>331,035</u>	<u>303,485</u>	<u>27,550</u>	<u>294,301</u>
General repairs and maintenance				
Salaries and employee benefits	-	(1,934)	1,934	67,784
Clothing	-	-	-	828
Vehicle maintenance	-	-	-	2,609
Materials and supplies	-	-	-	1,557
Miscellaneous	-	-	-	125
Insurance	-	-	-	15,449
Total general repairs and maintenance	<u>-</u>	<u>(1,934)</u>	<u>1,934</u>	<u>88,352</u>
Total expenditures	<u>331,035</u>	<u>301,551</u>	<u>29,484</u>	<u>382,653</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CITY OF LANCASTER, SOUTH CAROLINA

Schedule 18

Vehicle and General Maintenance Internal Service Fund
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities		
Cash received from other funds	\$ 301,551	\$ 382,653
Cash paid to employees	(225,583)	(270,026)
Cash paid to suppliers	<u>(75,087)</u>	<u>(92,187)</u>
Net cash provided by operating activities	<u>881</u>	<u>20,440</u>
Noncapital financing activities		
Due from other funds	(83,096)	(101,789)
Due to other funds	<u>81,782</u>	<u>81,782</u>
Net cash used in noncapital activities	<u>(1,314)</u>	<u>(20,007)</u>
Net increase in cash and cash equivalents/investments	(433)	433
Cash and cash equivalents/investments		
Beginning of year	<u>433</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ 433</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ -	\$ -
Change in assets and liabilities		
Accounts payable and accrued expenses	(40)	783
Compensated absences	<u>921</u>	<u>19,657</u>
Total adjustments	<u>881</u>	<u>20,440</u>
Net cash provided by operating activities	<u>\$ 881</u>	<u>\$ 20,440</u>



FIDUCIARY FUND



CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

Comparative Statement of Fiduciary Net Position
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and temporary investments	\$ 18,382	\$ 16,698
Total assets	<u>\$ 18,382</u>	<u>\$ 16,698</u>
Liabilities		
Due to firemen's association	\$ 18,382	\$ 16,698
Total liabilities	<u>\$ 18,382</u>	<u>\$ 16,698</u>



CITY OF LANCASTER, SOUTH CAROLINA

Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

For the Fiscal Year Ended June 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Firemen's Fund				
Assets				
Cash and temporary investments	\$ 16,698	\$ 17,458	\$ 15,774	\$ 18,382
Total assets	<u>\$ 16,698</u>	<u>\$ 17,458</u>	<u>\$ 15,774</u>	<u>\$ 18,382</u>
Liabilities				
Due to firemen's association	\$ 16,698	\$ 17,458	\$ 15,774	\$ 18,382
Total liabilities	<u>\$ 16,698</u>	<u>\$ 17,458</u>	<u>\$ 15,774</u>	<u>\$ 18,382</u>



OTHER FINANCIAL INFORMATION SECTION



CITY OF LANCASTER, SOUTH CAROLINASchedule of Debt Coverage
Gross Revenue Fund*For the Fiscal Year Ended June 30, 2014*

Operating revenues	<u>\$ 6,783,272</u>
Operating expenses (including depreciation)	5,434,680
Contract with Lancaster Water and Sewer District	<u>576,515</u>
Total operating expenses	<u>6,011,195</u>
Nonoperating revenues (expenses):	
Interest income	3,152
Interest expense and bond fees	(183,418)
Insurance proceeds	13,711
Gain on sale of fixed assets	<u>6,431</u>
Total nonoperating expense	<u>(160,124)</u>
Net income	<u>611,953</u>
Add:	
Depreciation allowance	1,320,110
Interest and fees on bonds	<u>183,418</u>
Total additions	<u>1,503,528</u>
Net earnings	<u>\$ 2,115,481</u>
Debt service requirements	<u>\$ 943,079</u>
Debt coverage ratio	<u>2.24</u>

(1.2 debt coverage required by the 2003 State Revolving Loan)



CITY OF LANCASTER, SOUTH CAROLINA

Analysis of Victims' Services
For the Fiscal Year Ended June 30, 2014

Funds available for the year ended June 30, 2013	<u>\$ -</u>
Victims' percentage of assessments	<u>24,929</u>
Total revenues	24,929
Actual expenditures	<u>(27,484)</u>
Grant and assessment receipts under expenditures	<u>(2,555)</u>
Funds available for the year ended June 30, 2014	<u><u>\$ (2,555)</u></u>



CITY OF LANCASTER, SOUTH CAROLINA

Schedule of Victims' Fines, Assessments and Fees Collected

For the Fiscal Year Ended June 30, 2014

	Retained By City				Remitted to State		Total Collected
	Victim Assessment	Victim Surcharge	Fines Collected	Other Revenue	Assessment	Other Fees	
July-13	\$ 1,140	\$ 531	\$ 9,418	\$ 224	\$ 9,081	\$ 2,904	\$ 23,298
August-13	1,048	747	8,553	282	8,348	2,785	21,763
September-13	1,307	541	10,524	282	10,349	2,552	25,555
October-13	1,106	789	9,201	328	8,801	2,717	22,942
November-13	880	626	6,808	306	7,004	2,166	17,790
December-13	1,024	596	8,498	448	8,148	2,371	21,085
January-14	1,172	758	9,576	360	9,326	2,670	23,862
February-14	1,093	711	8,429	237	8,700	2,408	21,578
March-14	2,030	1,103	16,488	498	16,158	4,177	40,454
April-14	1,104	457	6,325	107	8,789	3,725	20,507
May-14	1,926	1,144	15,608	557	15,331	4,834	39,400
June-14	1,410	1,386	12,596	343	11,225	3,711	30,671
	<u>\$ 15,240</u>	<u>\$ 9,389</u>	<u>\$ 122,024</u>	<u>\$ 3,972</u>	<u>\$ 121,260</u>	<u>\$ 37,020</u>	<u>\$ 308,905</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.

	Pages
Financial Trends Information These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	95 - 99
Revenue Capacity Information These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	100 - 104
Debt Capacity Information These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	105 - 109
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	110 - 111
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	112 - 114



CITY OF LANCASTER, SOUTH CAROLINA

Net Position by Component,
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 8,290,654	\$ 9,783,893	\$ 10,127,959	\$ 10,189,630	\$ 10,183,930	\$ 10,506,563	\$ 12,068,363	\$ 11,656,059	\$ 14,182,421	\$ 13,866,088
Restricted for drug fund	-	-	-	-	-	-	-	-	-	97,188
Restricted for tourism	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497	1,308,988	422,789	458,230
Restricted for debt service	181,197	184,256	187,659	191,129	193,522	-	-	-	-	-
Restricted for Southside project	-	-	-	-	-	-	44,357	29,792	30,573	31,221
Restricted for victims' services	-	-	-	-	-	11,558	-	-	-	-
Unrestricted	5,189,683	5,470,942	6,343,575	6,961,829	7,074,358	7,895,843	7,688,851	8,836,720	8,808,039	9,684,200
Total governmental activities net position	<u>\$ 14,366,735</u>	<u>\$ 16,534,724</u>	<u>\$ 17,480,775</u>	<u>\$ 18,321,860</u>	<u>\$ 18,596,331</u>	<u>\$ 19,512,444</u>	<u>\$ 21,080,068</u>	<u>\$ 21,831,559</u>	<u>\$ 23,443,822</u>	<u>\$ 24,136,927</u>
Business-type activities										
Net investment in capital assets	\$ 7,912,706	\$ 8,121,010	\$ 10,637,771	\$ 11,652,353	\$ 11,507,618	\$ 12,867,301	\$ 15,231,207	\$ 16,437,282	\$ 17,150,724	\$ 18,477,800
Restricted for debt service	1,413,093	1,522,996	1,923,007	2,008,618	2,017,930	2,057,211	2,081,342	1,818,267	1,916,813	1,845,139
Restricted for CDBG	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,241,612	4,036,351	2,754,263	2,801,339	3,889,012	3,870,984	2,927,098	2,691,169	2,059,948	1,458,644
Total business-type activities net position	<u>\$ 12,567,411</u>	<u>\$ 13,680,357</u>	<u>\$ 15,315,041</u>	<u>\$ 16,462,310</u>	<u>\$ 17,414,560</u>	<u>\$ 18,795,496</u>	<u>\$ 20,239,647</u>	<u>\$ 20,946,718</u>	<u>\$ 21,127,485</u>	<u>\$ 21,781,583</u>
Primary government										
Net investment in capital assets	\$ 16,203,360	\$ 17,904,903	\$ 20,765,730	\$ 21,841,983	\$ 21,691,548	\$ 23,373,864	\$ 27,299,570	\$ 28,093,341	\$ 31,333,145	\$ 32,343,888
Restricted for tourism	705,201	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497	1,308,988	422,789	458,230
Restricted for Southside project	-	-	-	-	-	-	44,357	29,792	30,573	31,221
Restricted for debt service	1,594,290	1,707,252	2,110,666	2,199,747	2,211,452	2,057,211	2,081,342	1,818,267	1,916,813	1,845,139
Restricted for victims' services	-	-	-	-	-	11,558	-	-	-	-
Unrestricted	8,431,295	9,507,293	9,097,838	9,763,168	10,963,370	11,772,827	10,615,949	11,527,889	10,867,987	11,142,844
Total primary government net position	<u>\$ 26,934,146</u>	<u>\$ 30,215,081</u>	<u>\$ 32,795,816</u>	<u>\$ 34,784,170</u>	<u>\$ 36,010,891</u>	<u>\$ 38,313,940</u>	<u>\$ 41,319,715</u>	<u>\$ 42,778,277</u>	<u>\$ 44,571,307</u>	<u>\$ 45,821,322</u>

1 The unrestricted net position for business-type activities for the year ended June 30, 2013 includes a \$33,632 prior period restatement due to the implementation of GASB 65. Prior years net positions reported in this schedule do not reflect the implementation of GASB 65 requirements.



CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General administration	\$ 2,483,485	\$ 2,871,033	\$ 3,965,591	\$ 3,532,169	\$ 3,828,191	\$ 3,653,829	\$ 3,693,014	\$ 3,933,606	\$ 4,205,647	\$ 4,329,293
Public safety	4,262,256	4,518,843	4,344,021	4,644,590	4,591,769	4,482,373	4,848,268	4,587,600	4,582,568	4,938,363
Public works	853,950	826,893	874,349	925,599	899,345	864,617	909,897	945,278	747,106	881,275
Code enforcement	236,330	223,674	235,403	234,941	240,646	187,303	196,393	205,859	161,030	209,902
Parks and playgrounds	96,954	96,954	101,470	101,470	101,470	102,767	134,555	117,349	112,629	114,672
Community service	80,444	109,071	68,313	42,629	51,557	401,993	539,769	125,733	91,784	121,369
Interest and fees	67,873	60,601	101,629	75,436	66,723	52,630	37,216	27,458	26,598	12,539
Total governmental activities expense	8,081,292	8,707,069	9,690,776	9,556,834	9,779,701	9,745,512	10,359,112	9,942,883	9,927,362	10,607,413
Business-type activities										
Water and sewer	4,642,388	4,702,789	4,847,371	5,039,653	5,755,799	5,363,105	5,445,120	5,810,577	5,686,101	6,194,613
Solid waste	869,309	1,012,012	1,081,289	1,221,561	1,150,412	1,323,073	1,468,507	1,609,897	1,935,024	1,979,594
Total business-type activities expense	5,511,697	5,714,801	5,928,660	6,261,214	6,906,211	6,686,178	6,913,627	7,420,474	7,621,125	8,174,207
Total primary government expenses	\$ 13,592,989	\$ 14,421,870	\$ 15,619,436	\$ 15,818,048	\$ 16,685,912	\$ 16,431,690	\$ 17,272,739	\$ 17,363,357	\$ 17,548,487	\$ 18,781,620
Program revenues										
Governmental activities										
Charges for service:										
General administration	\$ 136,711	\$ 113,309	\$ 91,486	\$ 110,279	\$ 90,645	\$ 114,932	\$ 135,530	\$ 279,244	\$ 285,386	\$ 265,841
Public safety	515,992	567,776	500,795	492,520	417,344	412,569	401,010	394,443	312,892	328,653
Public works	-	-	-	-	-	-	-	-	-	-
Code enforcement	40,956	60,510	49,505	58,813	35,245	71,498	41,421	68,965	48,269	61,619
Parks and playgrounds	-	-	-	-	-	-	-	-	-	-
Community service	-	-	-	-	-	117,665	211,994	27,102	(410)	-
Interest and fees	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	101,150	1,315,171	568,572	364,464	292,626	596,489	1,657,897	172,877	612,195	105,401
Capital grants and contributions	-	-	-	-	9,795	-	-	-	-	12,100
Total governmental activities program revenues	794,809	2,056,766	1,210,358	1,026,076	845,655	1,313,153	2,447,852	942,631	1,258,332	773,614
Business-type activities										
Water and sewer	5,283,028	5,292,750	5,637,329	5,335,291	6,313,111	5,787,000	5,635,995	5,596,440	5,936,167	6,284,753
Solid waste	1,022,655	1,162,975	1,138,386	1,132,010	1,117,258	1,141,793	1,553,612	1,678,737	1,746,101	1,780,594
Operating grants and contributions	-	180,044	502,805	609,084	32,801	-	-	-	-	-
Capital grants and contributions	161,879	-	-	-	-	731,674	1,135,749	391,470	-	228,949
Total business-type activities program revenues	6,467,562	6,635,769	7,278,520	7,076,385	7,463,170	7,660,467	8,325,356	7,666,647	7,682,268	8,294,296
Total primary government program revenues	\$ 7,262,371	\$ 8,692,535	\$ 8,488,878	\$ 8,102,461	\$ 8,308,825	\$ 8,973,620	\$ 10,773,208	\$ 8,609,278	\$ 8,940,600	\$ 9,067,910



CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (7,286,483)	\$ (6,650,303)	\$ (8,480,418)	\$ (8,530,758)	\$ (8,934,046)	\$ (8,432,359)	\$ (7,911,260)	\$ (9,000,252)	\$ (8,669,030)	\$ (9,833,799)
Business-type activities	955,865	920,968	1,349,860	815,171	556,959	974,289	1,411,729	246,173	61,143	120,089
Total primary government net expense	<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>	<u>(8,607,887)</u>	<u>(9,713,710)</u>
General revenues and other changes in net position										
Governmental activities										
Ad valorem taxes	4,446,987	4,628,579	4,852,881	4,843,596	4,754,054	4,897,937	5,064,683	5,410,709	5,575,802	5,691,746
Other taxes and licenses	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	375,588	387,246
Sales tax								1,233,425	1,221,374	1,270,638
Business licenses								1,547,204	1,922,319	1,916,492
Franchise fees								802,316	746,765	820,246
Unrestricted intergovernmental	344,288	372,110	366,282	387,057	374,003	325,019	278,732	253,818	293,048	303,333
Unrestricted investment earnings	69,671	171,880	263,169	216,594	73,893	33,068	27,032	21,070	24,424	12,579
Miscellaneous	76,144	79,478	105,041	65,258	108,890	82,119	146,150	69,134	118,467	120,636
Donations	-	-	-	-	-	50,290	-	-	-	-
Gain on sale of capital assets	-	-	27,655	400	11,409	-	6,494	54,636	3,506	3,988
Total governmental activities	<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>	<u>10,281,293</u>	<u>10,526,904</u>
Business-type activities										
Unrestricted investment earnings	60,003	186,112	258,609	184,807	43,672	19,337	13,586	8,843	7,316	4,007
Miscellaneous	8,312	4,266	4,218	147,200	349,017	387,310	11,805	384,317	105,280	519,887
Gain on sale of capital assets	2,512	1,600	21,997	92	2,602	-	7,032	67,738	40,660	10,115
Total business-type activities	<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>	<u>153,256</u>	<u>534,009</u>
Change in net position										
Governmental activities	990,022	2,167,989	946,051	841,085	274,471	916,113	1,567,624	751,491	1,612,263	693,105
Business-type activities	1,026,692	1,112,946	1,634,684	1,147,270	952,250	1,380,936	1,444,152	707,071	214,399	654,098
Total primary government	<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>	<u>\$ 1,826,662</u>	<u>\$ 1,347,203</u>



CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ 11,780	\$ 12,533	\$ 6,548	\$ 5,055	\$ 2,999	\$ 59,040	\$ 6,276	\$ 4,092	\$ 5,639	\$ 5,811
Restricted	313,083	1,289,985	471,497	349,528	332,079	313,239	278,215	285,092	287,883	97,188
Committed	143,376	190,413	246,019	312,059	390,289	497,591	621,127	1,332,732	742,059	812,830
Assigned	599,600	524,600	476,400	52,600	105,000	587,770	1,082,368	374,600	708,411	1,488,749
Unassigned	3,807,330	4,539,825	4,858,137	5,857,957	6,090,558	6,268,709	5,536,433	5,748,321	6,281,788	5,275,397
Total General Fund	<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>	<u>\$ 8,025,780</u>	<u>\$ 7,679,975</u>
All Other Governmental Funds										
Restricted	\$ 974,949	\$ 878,638	\$ 1,067,378	\$ 1,251,110	\$ 1,365,465	\$ 1,223,616	\$ 1,298,661	\$ 848,645	\$ 453,978	\$ 515,835
Total all other governmental funds	<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>	<u>\$ 453,978</u>	<u>\$ 515,835</u>



CITY OF LANCASTER, SOUTH CAROLINA

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 5,549,200	\$ 5,680,491	\$ 5,966,935	\$ 5,995,316	\$ 6,132,422	\$ 6,127,349	\$ 5,894,256	\$ 5,871,363	\$ 6,196,001	\$ 6,332,316
Fines, fees, licenses and permits	2,680,491	2,968,236	3,032,912	3,164,720	2,966,263	3,174,474	3,287,007	3,537,736	3,629,371	3,754,106
Intergovernmental	421,431	446,129	487,705	520,489	510,197	465,672	420,298	388,927	430,077	441,967
Charges for services	119,682	129,113	88,216	110,163	90,760	233,296	339,284	306,143	287,467	264,407
Grants	115,511	429,228	568,572	364,464	292,626	596,489	631,897	172,877	660,195	142,212
Interest	69,671	171,874	263,170	216,594	73,894	33,068	27,031	21,069	24,424	12,580
Other	85,459	104,940	75,527	65,659	127,872	132,409	152,644	94,021	123,973	137,061
Total revenues	9,041,445	9,930,011	10,483,037	10,437,405	10,194,034	10,762,757	10,752,417	10,392,136	11,351,508	11,084,649
Expenditures										
General administration	2,307,898	2,738,928	3,409,733	3,120,908	3,323,973	3,356,589	3,581,263	3,661,123	3,867,450	4,029,476
Public safety	3,940,762	4,207,366	4,031,147	4,370,796	4,278,912	4,213,301	4,652,427	4,352,009	4,319,397	4,626,113
Public works	804,792	790,905	800,594	855,822	837,673	815,736	839,537	862,836	648,105	737,370
Code enforcement	233,950	222,623	234,977	232,238	237,909	183,814	191,894	201,546	163,087	204,198
Parks and playgrounds	93,195	93,195	97,778	97,778	97,778	97,858	124,245	106,473	97,778	98,892
Community service	80,444	109,071	68,313	42,629	50,050	399,636	539,976	125,597	93,040	120,610
Capital outlay	217,699	1,011,144	1,699,778	599,768	597,616	637,134	582,563	1,140,041	2,099,261	1,377,973
Debt service:										
Principal	214,576	189,763	349,103	339,700	272,279	315,524	330,212	144,651	150,516	161,428
Interest and fees	67,873	60,601	101,629	75,436	66,723	52,630	37,216	27,458	26,598	12,539
Total expenditures	7,961,189	9,423,596	10,793,052	9,735,075	9,762,913	10,072,222	10,879,333	10,621,734	11,465,232	11,368,599
Excess of revenues over (under) expenditures	1,080,256	506,415	(310,015)	702,330	431,121	690,535	(126,916)	(229,598)	(113,724)	(283,950)
Other financing sources (uses)										
Transfers in	148,000	283,126	39,178	-	-	229,087	176,246	-	402,955	104,545
Transfers out	(148,000)	(283,126)	(39,178)	-	-	(229,087)	(176,246)	-	(402,955)	(104,545)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ 1,080,256	\$ 506,415	\$ (310,015)	\$ 702,330	\$ 431,121	\$ 690,535	\$ (126,916)	\$ (229,598)	\$ (113,724)	\$ (283,950)
Debt service as a percentage of noncapital expenditures	3.65%	2.98%	4.96%	4.54%	3.70%	3.90%	3.57%	1.82%	1.89%	1.74%



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>
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
2013	3,260,499	1,919,284	737,587	5,917,370
2014	3,281,304	1,913,382	745,050	5,939,736
Change 2005-2014	\$ 415,172	\$ 510,019	\$ 124,344	\$ 1,049,535

* Note: The reduction in property tax revenue for FY2010/2011 was the result of a reclassification of certain industrial property by Lancaster County to the fee-in-lieu category for the 2010 tax year.



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		
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
2013	25,877,230	487,758,917	6,994,080	108,889,862	32,871,310	596,648,779	5.51%	149.7
2014	25,794,570	454,694,441	7,046,990	68,963,049	32,841,560	523,867,494	6.27%	154.7

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 & Overlapping</u>
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
2013	149.70	85.10	3.80	187.00	425.60
2014	154.70	87.11	3.95	188.00	433.76

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 Thirteen Years Ago

Taxpayer	Tax Year 2013			Tax Year 2001 (1)		
	Taxable Assessed Value	Rank	% of Total City Assessed Value	Taxable Assessed Value	Rank	% of Total City Assessed Value
Lancaster Hospital Corp	\$ 4,433,500	1	13.50%	\$ 3,647,080	1	13.25%
The Gillette Company	3,758,547	2	11.44%	1,922,267	2	6.99%
Springland Associates, LLC	1,311,140	3	3.99%	1,811,250	3	6.58%
Duke Energy Corp	825,550	4	2.51%	800,300	4	2.91%
Cole WM Lancaster SC, LLC	809,060	5	2.46%			
Lancaster Telephone Company	652,660	6	1.99%	678,300	6	2.46%
Springmaid Federal Credit Union	557,285	7	1.70%			
Jim Loen 2008, LLC	443,626	8	1.35%			
Kanawha Insurance Company	439,170	9	1.34%	679,250	5	2.47%
HD Development of Maryland Inc.	390,290	10	1.19%			
Springland Inc.				337,366	8	1.23%
Founders Federal Credit Union				290,620	9	1.06%
Safeco Title Insurance Co Trust				458,860	7	1.67%
Pardue St Limited				286,580	10	1.04%
Total	\$ 13,620,828		41.47%	\$ 10,911,873		39.66%

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 2004 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
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%	230,890	3,213,480	100.00%
2006	3,351,538	17,252	3,368,790	3,122,112	92.68%	246,678	3,368,790	100.00%
2007	3,297,417	27,178	3,324,595	3,030,884	91.17%	293,711	3,324,595	100.00%
2008	3,382,932	28,306	3,411,238	3,085,104	90.44%	326,134	3,411,238	100.00%
2009	3,566,312	235	3,566,547	3,203,068	89.81%	359,115	3,562,183	100.00%
2010	3,615,080	248,873	3,863,953	3,606,238	93.33%	136,822	3,743,060	100.00%
2011	3,689,696	265,703	3,955,399	3,762,301	95.12%	28,598	3,790,899	100.00%
2012	3,841,463	316,994	4,158,456	3,941,594	94.79%	199,490	4,141,084	99.58%
2013	3,903,659	172,505	4,076,164	3,945,413	96.79%		3,945,413	96.79%

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		
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
2013	150,000	126,585	-	2,102,155	7,182,369	9,561,109	1,103
2014	-	115,158	-	2,084,212	6,337,178	8,536,548	941

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 Direct Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Capitalized Leases</u>	<u>Total General Direct Debt</u>	<u>Percentage of Estimated Actual Taxable Value</u>	<u>Debt Per Capita</u>
2005	\$ 1,080,000	\$ 208,793	\$ 1,288,793	0.28%	\$ 152
2006	985,000	1,193,489	2,178,489	0.47%	259
2007	885,000	944,385	1,829,385	0.34%	218
2008	780,000	709,685	1,489,685	0.27%	153
2009	670,000	547,407	1,217,407	0.22%	122
2010	550,000	351,882	901,882	0.16%	89
2011	425,000	146,752	571,752	0.10%	67
2012	290,000	137,101	427,101	0.07%	49
2013	150,000	126,585	276,585	0.05%	31
2014	-	115,158	115,158	0.02%	13

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, 2014

<u>Governmental Unit</u>	<u>Net Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to the City</u>	<u>Amount Applicable to the City</u>
Direct:			
City of Lancaster	\$ 115,158	100%	\$ 115,158
Overlapping:			
Lancaster County	42,820,927	100%	42,820,927
Lancaster School District	<u>90,193,667</u>	100%	<u>90,193,667</u>
	<u>133,014,594</u>		<u>133,014,594</u>
Total direct and overlapping debt	<u>\$ 133,129,752</u>		<u>\$ 133,129,752</u>



CITY OF LANCASTER, SOUTH CAROLINA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit (8% of assessed value)	\$ 2,216,335	\$ 2,364,082	\$ 2,653,094	\$ 2,682,268	\$ 2,630,174	\$ 2,706,705	\$ 2,780,349	\$ 2,614,522	\$ 2,554,134	\$ 2,627,325
Total net debt applicable to limit	1,080,000	985,000	885,000	780,000	670,000	550,000	425,000	290,000	150,000	115,158
Legal debt margin	<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>	<u>\$ 2,404,134</u>	<u>\$ 2,512,167</u>
Total net debt applicable to the limit as a percentage of the debt limit	48.73%	41.67%	33.36%	29.08%	25.47%	20.32%	15.29%	11.09%	5.87%	4.38%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 32,841,560
Debt limit (8% of assessed value)	2,627,325
Debt applicable to limit	<u>(115,158)</u>
Legal debt margin without referendum	<u>\$ 2,512,167</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		
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	1,178,977		2.16
2013	6,044,372	4,196,683	1,847,689	958,695		1.93
2014	6,806,566	4,691,085	2,115,481	943,079		2.24

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>
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%
2013	8,813	79,303	2,049,128	25,839	10.8%
2014	9,068	80,458	1,681,492	20,899	6.6%

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>2014</u>			<u>2005 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment (2)</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Red Ventures	1,600	1	5.05%			
Lancaster County School District	1,569	2	4.95%	1,414	2	5.09%
Lancaster County (2)	840	3	2.65%	700	5	2.52%
Springs Memorial Hospital	700	4	2.21%	800	3	2.88%
Cardinal Health	695	5	2.19%	700	4	2.52%
Wal-Mart	671	6	2.12%	300	8	1.08%
Continental Tire	430	7	1.36%			
Duracell	425	8	1.34%	601	6	2.16%
Inspiration Industries	310	9	0.98%			
USC-L	305	10	0.96%			
Springs Industries				1,500	1	5.40%
Humana				400	7	1.44%
Founders Federal Credit Union				268	9	0.96%
US Textiles Corporation				300	10	1.08%
Total	7,545		23.81%	6,983		25.14%
Total County Labor Force (3)	31,670			27,774		

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

- 1) Some information estimated due to unavailability of data.
- 2) Total employees includes part-time poll workers as employees.
- 3) Information is only available on county-wide level. Employer information is not kept at city level.



CITY OF LANCASTER, SOUTH CAROLINA

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

Function/Program	FTE Employees as of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Administration										
City Administrator	3.0	4.0	3.0	3.0	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	3.0	3.0
Human Resources	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Legal	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Services	3.0	4.0	4.0	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	3.0	3.0	1.0	1.0	1.0
Events Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Performing Arts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Public Safety										
Police	48.5	48.5	48.5	46.5	46.5	48.5	48.5	48.5	53.5	53.5
Victims' Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5
Court Administration	5.5	5.5	5.5	6.5	6.5	6.5	6.5	7.0	7.0	7.0
Fire	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Public Works										
Street Division	14.0	11.0	8.0	7.0	7.0	7.0	6.0	6.0	6.0	8.0
Vehicle Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Construction Crew	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Code Enforcement										
Building, Planning & Zoning	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	4.0
Utilities										
Public Works Administration	3.0	3.0	3.0	3.0	3.0	3.0	5.0	6.0	5.0	4.0
Water Service	11.0	11.0	10.0	10.0	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	3.0	3.0
Wastewater Treatment	7.0	7.0	7.0	7.0	7.0	7.0	6.0	7.0	6.0	6.0
Wastewater Collection	12.0	12.0	11.0	11.0	13.0	13.0	13.0	12.0	14.0	14.0
Solid Waste										
Residential	7.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	12.0	11.0
Commercial	2.0	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	4.0	4.0	4.0	4.0	4.0
Total FTE Employees	<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>	<u>181.0</u>	<u>183.0</u>

Source: City Human Resources Department

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



CITY OF LANCASTER, SOUTH CAROLINA

Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Administration										
Human Resources										
Employment applications processed(1)	251	165	331	343	387	537	274	215	471	361
Workers Compensation cases(1)	38	30	22	29	10	24	62	49	52	87
Public Safety										
Police Department										
Arrest warrants served(1)(2)	1,271	1,350	994	964	1,144	1,109	562	1,070	942	1,069
Traffic cases(1)(2)	2,280	3,129	3,584	3,774	3,266	2,630	2,975	2,775	2,280	2,261
Fraudulent check warrants served(1)(2)	368	323	71	29	68	1,109	15	7	28	16
Fire Department										
Fire responses(1)	147	200	182	212	196	167	197	164	68	86
Medical responses(1)	549	500	622	734	608	497	471	471	335	361
Other responses(1)	550	511	539	442	418	415	430	429	77	132
Judiciary										
Criminal Docket total cases filed(2)	733	670	622	786	1,891	2,137	1,962	1,146	1,269	1,214
Traffic Docket total cases filed(2)	2,071	2,982	3,854	3,572	2,874	3,034	3,061	2,523	1,993	1,517
DUI Docket total cases filed(2)	56	49	38	65	151	112	102	95	99	83
Code Enforcement										
Building, Planning & Zoning										
Number of projects(2)	772	711	627	648	518	474	488	537	475	543
Number of inspections(2)	4,469	5,663	4,875	3,716	4,416	4,355	4,726	4,228	5,742	6,840
Utilities										
Utility Billing										
Number of utility customers(2)	5,872	5,859	6,027	5,749	5,876	5,921	5,846	5,805	5,750	5,795
Wastewater Treatment										
Number of gallons treated (in millions)	963.360	871.569	942.261	800.928	849.913	932.267	952.185	847.548	791.737	852.432
Solid Waste										
Transfer Station										
Tons of household garbage disposed of(2)	9,019	9,253	9,335	12,926	20,862	21,578	21,425	23,830	24,800	26,201

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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	12	12	12	12	12	14	14	14	14	15

Sources: Various city departments



COMPLIANCE SECTION





Independent Auditors' 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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Lancaster, South Carolina's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lancaster, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Lancaster, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lancaster, South Carolina's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lancaster, South Carolina's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blair, Bohle & Whitsitt, PC

Charlotte, North Carolina
December 9, 2014

