

**CITY OF LANCASTER, SOUTH CAROLINA**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared by:

FINANCE DEPARTMENT

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



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**CITY OF LANCASTER, SOUTH CAROLINA**

**INTRODUCTORY SECTION**





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

October 23, 2015

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, 2015.

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, 2015, 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, 2015, 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 7.2% as of June 2015. This is a decrease of 0.4% from the 7.6% June 2014 unemployment rate. The City of Lancaster and Lancaster County 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. Beginning in the fiscal year ended June 30, 2015, the City has implemented Government Accounting Standards Board (GASB) Statement Nos. 68 and 71 for the fiscal year ending June 30, 2015 as they relate to the accounting and financial reporting for pensions. These statements require the City to record and include its proportionate share of the net pension liability of both the SCRS and PORS retirement plans in the City's financial statements. The net pension liability recorded for SCRS was \$7,523,519 and for PORS was \$4,152,757. The City also recorded pension expense for the current fiscal year of \$887,875.

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, 2015 has contributed over 100% of its annual OPEB costs resulting in a corresponding asset recorded in the financial statements of \$279,666. 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, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

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

Helen P. Sowell, Acting City Administrator

A handwritten signature in cursive script that reads "James A. Absher, Jr.".

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, 2014**

Executive Director/CEO



**CITY OF LANCASTER, SOUTH CAROLINA**

**LISTING OF PRINCIPAL OFFICIALS**

JUNE 30, 2015

**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, Acting City Administrator

**Department Heads**

Teresa G. Meeks, Director  
Support Services

James A. Absher, Jr., Director  
Finance

Harlean Carter, Chief  
Police Department

Louis Streeter, Director  
Building and Zoning

Chuck Small, Chief  
Fire Department

Donald Ledford, Interim Director  
Wastewater Systems

Lisa Driggers, Director  
Human Resources

Cammie Heath, Administrator  
Municipal Court

Jerry Crocket, Director  
Public Works

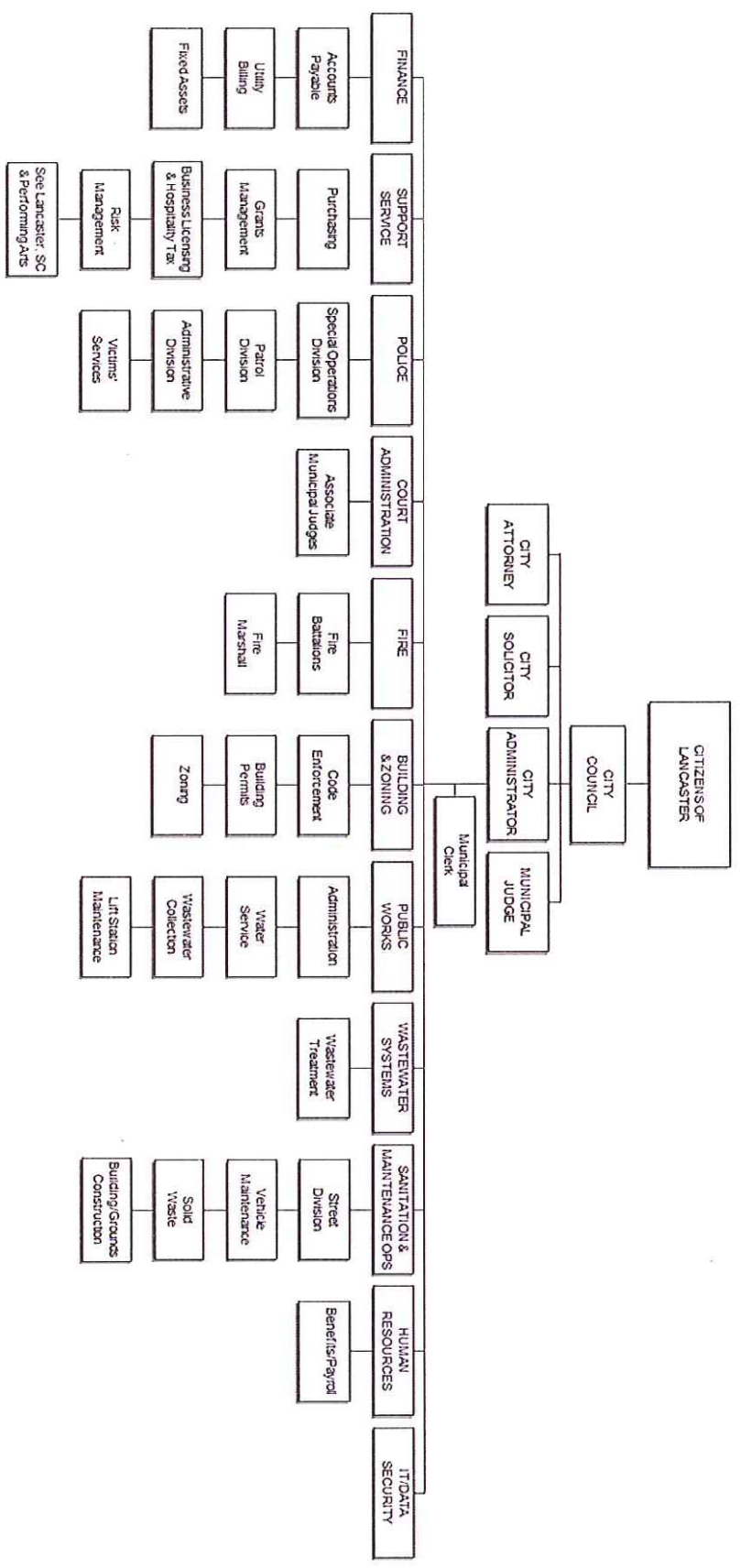
Marty Cauthen, Director

Sanitation and Maintenance Operations





# City of Lancaster Organizational Chart



**CITY OF LANCASTER, SOUTH CAROLINA**

FINANCIAL SECTION







**Blair. Bohlé & Whitsitt** PLLC  
Certified Public Accountants

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28277

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## 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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Hospitality Tax 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, the Schedules of Funding Progress and Employer Contributions on page 68, the South Carolina Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Contributions, on pages 69-70, and the South Carolina Police Officers Retirement System's Schedule of the Proportionate Share of Net Pension Liability and Contributions on pages 71-72 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 October 23, 2015 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

October 23, 2015



## 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, 2015. 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 and deferred outflows of resources of the City of Lancaster exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$34,250,964 (net position).
- The government's total net position decreased by \$88,355, primarily due to costs associated with the City's EPA Consent Order compliance.
- For business-type activities, revenue was in excess of expense by \$414,335 compared to \$654,098 at June 30, 2014.
- As of the close of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$7,426,454, with a change of (\$769,355) in fund balance primarily due to a \$906,548 decrease in the General Fund fund balance. Approximately 10.3% of this total amount, or \$764,307, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,709,112 or 41.0% of total General Fund expenditures (\$11,489,645) for the fiscal year.
- The City of Lancaster's total debt decreased by \$474,477 during the current fiscal year.

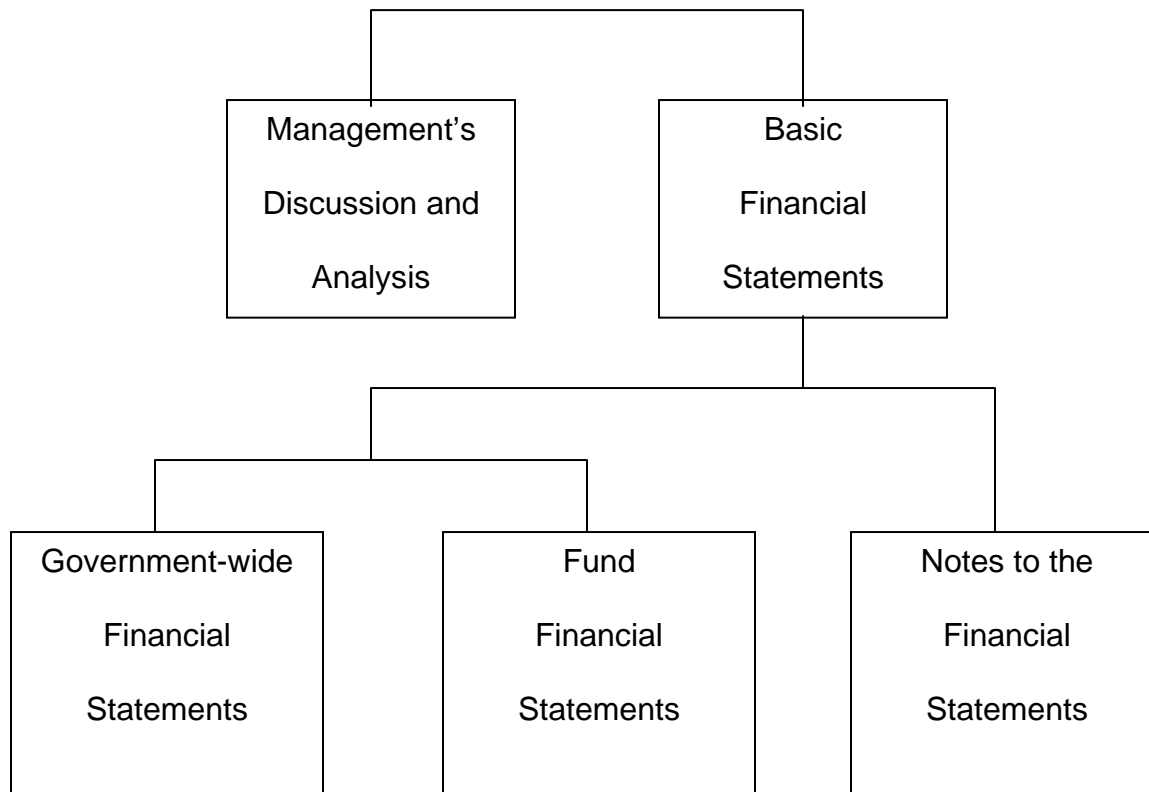
### Overview of the Financial Statements

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 I) 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 used an internal service fund to account for one activity – its vehicle maintenance operations during fiscal year 2013-2014. The City’s internal service fund was eliminated during 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 27 - 66 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 required supplementary information, financial and other statistical schedules, can be found on pages 67 - 129 of this report.

## Government-Wide Financial Analysis

### The City of Lancaster’s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 11,257,612	\$ 11,941,510	\$ 3,728,410	\$ 3,728,410	\$ 14,986,022	\$ 15,669,920
Capital assets	14,718,528	13,981,246	26,280,085	26,280,085	40,998,613	40,261,331
Total assets	25,976,140	25,922,756	30,008,495	30,008,495	55,984,635	55,931,251
Deferred outflows of resources	1,116,792	-	-	-	1,116,792	-
Long-term liabilities outstanding	12,562,480	406,513	6,397,319	7,361,422	18,959,799	7,767,935
Other liabilities	1,360,612	1,379,316	1,415,260	1,537,700	2,775,872	2,917,016
Total liabilities	13,923,092	1,785,829	7,812,579	8,899,122	21,735,671	10,684,951
Deferred inflows of resources	1,114,792	-	-	-	1,114,792	-
Net position:						
Net investment in capital assets	14,017,881	13,866,088	18,918,661	18,477,800	32,936,542	32,343,888
Restricted	709,279	586,639	1,847,080	1,845,139	2,556,359	2,431,778
Unrestricted	(2,672,112)	9,684,200	1,430,175	1,458,644	(1,241,937)	11,142,844
Total net position	\$ 12,055,048	\$ 24,136,927	\$ 22,195,916	\$ 21,781,583	\$ 34,250,964	\$ 45,918,510



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 \$34,250,964 as of June 30, 2015. The City's net position decreased by \$88,355 for the fiscal year ended June 30, 2015. The decrease in net position is the result of the City having to address costs associated with its compliance with an EPA order of consent. 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, \$2,556,359, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(1,241,937) is unrestricted. Also, the City of Lancaster implemented GASB Statement 68 and 71 this year. With the new reporting change, the City is allocated its proportionate share of the South Carolina Retirement System's and South Carolina Police Officers Retirement System's net pension assets, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$11,579,189. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Lancaster's management.

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

- In the General Fund, expenditures exceeded revenues by \$1,255,723. The City budgeted the use of fund balance to purchase capital assets for cash in the fiscal year 2014-2015 annual budget and to transfer funds to the City's Gross Revenue Fund to help offset EPA's order of consent costs.
- In the major Hospitality Fund, revenues exceeded expenditures by \$203,534 – which when added to the \$38,206 revenues over expenditures in the Southside Fund and E911 Fund – resulted in excess revenues over expenditures for the other governmental funds amounting to \$241,740. 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 \$47,384. 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. Also, funds were transferred from the City's General Fund to the Gross Revenue Fund to help offset equipment purchases and costs associated with the City's EPA Consent Order.
- In the Solid Waste Fund, revenue exceeded expense by \$366,951. The increase in net position was the result of better than expected transfer station revenue in combination with decreased fuel costs for the City's sanitation truck fleet.





## City of Lancaster Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 666,229	\$ 656,113	\$ 8,123,931	\$ 8,065,347	\$ 8,790,160	\$ 8,721,460
Operating grants and contributions	32,680	105,401	-	-	32,680	105,401
Capital grants and contributions	-	12,100	84,488	228,949	84,488	241,049
General revenues:						
Property taxes	5,699,301	5,691,746	-	-	5,699,301	5,691,746
Other taxes	4,562,739	4,394,622	-	-	4,562,739	4,394,622
Other	449,417	440,536	157,122	534,009	606,539	974,545
Total revenues	<u>11,410,366</u>	<u>11,300,518</u>	<u>8,365,541</u>	<u>8,828,305</u>	<u>19,775,907</u>	<u>20,128,823</u>
<b>Expenses:</b>						
General government	4,771,780	4,329,293	-	-	4,771,780	4,329,293
Public safety	4,973,382	4,938,363	-	-	4,973,382	4,938,363
Public Works	1,307,459	881,275	-	-	1,307,459	881,275
Planning	238,756	209,902	-	-	238,756	209,902
Parks and Playgrounds	129,114	114,672	-	-	129,114	114,672
Community Service	135,193	121,369	-	-	135,193	121,369
Interest and fees	4,123	12,539	-	-	4,123	12,539
Water and sewer	-	-	6,571,781	6,194,613	6,571,781	6,194,613
Solid Waste	-	-	1,732,674	1,979,594	1,732,674	1,979,594
Total expenses	<u>11,559,807</u>	<u>10,607,413</u>	<u>8,304,455</u>	<u>8,174,207</u>	<u>19,864,262</u>	<u>18,781,620</u>
Transfers	<u>(353,249)</u>	<u>-</u>	<u>353,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(502,690)</u>	<u>693,105</u>	<u>414,335</u>	<u>654,098</u>	<u>(88,355)</u>	<u>1,347,203</u>
Net position, July 1, as originally reported	24,136,927	23,443,822	21,781,581	21,127,483	45,918,508	44,571,305
Restatement	<u>(11,579,189)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,579,189)</u>	<u>-</u>
Net position, July 1, as restated	<u>12,557,738</u>	<u>23,443,822</u>	<u>21,781,581</u>	<u>21,127,483</u>	<u>34,339,319</u>	<u>44,571,305</u>
Net position, June 30	<u>\$ 12,055,048</u>	<u>\$ 24,136,927</u>	<u>\$ 22,195,916</u>	<u>\$ 21,781,581</u>	<u>\$ 34,250,964</u>	<u>\$ 45,918,508</u>

**Governmental Activities.** Governmental activities decreased the City's net position by \$502,690 thereby accounting for the decrease in overall net position of the City of Lancaster. A large portion (\$353,249) of this decrease in net position is attributable to the transfer from the General Fund to the City's Gross Revenue Fund to help offset EPA Consent Order costs.

**Business-Type Activities:** Business-type activities increased the City of Lancaster's net position by \$414,335. Key elements of this increase are as follows:

- The Gross Revenue Fund yielded \$47,384 of the increase in business-type activity net position. This was attributable to operating expenses exceeding operating revenues by \$258,089; transfers from other funds and capital contributions of \$437,737; and other income(expense) totaling (\$132,264).
- The Solid Waste Fund increased overall change in business-type activity net position by \$366,951. This increase in net position is the result of operating revenues exceeding operating expenses by \$332,427 and other income(expense) totaling \$34,524.



## 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 \$4,709,112 while total fund balance was \$6,773,427. 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 41.0% of total General Fund expenditures, while total fund balance represents 59.0% of that same amount.

At June 30, 2015, the governmental funds of City of Lancaster reported a combined fund balance of \$7,426,454 a 9.4% decrease over last year (\$8,195,807).

**Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on two 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 1415 budget amendments.

Ord No	Eff Date	Budget Impact	Comment - Primary Reasons for Change
O15-03	02-24-15	\$2,429,147	To fund several capital projects/expenditures and engineering design contracts approved after passing of original budget.
O15-09	9-8-15	\$106,275	To fund compensated absences accrued; leave payoff amounts; and 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 once 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 1415 were as follows:

- Actual revenue for property tax collections were below budgeted amounts by \$133,031 due to higher delinquency rates than anticipated.
- Actual revenue for privilege licenses exceeded budgeted amounts by \$215,836 due to better than anticipated collections.



**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 \$564,005, and those for the Solid Waste Fund amounted to \$866,170. The total growth in net position for both funds was \$47,384 and \$366,951 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, 2015, totals \$40,998,613 (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 \$1,678,481 including building additions of \$391,076; and increases to equipment of \$1,286,855. The large increase in equipment is attributable to the completion of the City’s computer aided dispatch and E911 telephony system upgrades during the fiscal year.
- Capital asset additions for business-type activities amounted to \$912,018 including \$452,769 for construction in progress additions and \$457,749 for infrastructure/equipment additions.

### City of Lancaster’s Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,209,153	\$ 3,208,603	\$ 366,054	\$ 364,554	\$ 3,575,207	\$ 3,573,157
Buildings, systems and improvements	5,025,911	4,854,133	23,878,462	24,097,239	28,904,373	28,951,372
Machinery and equipment	2,533,894	1,170,786	1,536,176	1,884,517	4,070,070	3,055,303
Infrastructure	3,949,570	4,231,881	-	-	3,949,570	4,231,881
Construction in progress	-	515,843	499,393	552,881	499,393	1,068,724
<b>Total</b>	<b>\$ 14,718,528</b>	<b>\$ 13,981,246</b>	<b>\$ 26,280,085</b>	<b>\$ 26,899,191</b>	<b>\$ 40,998,613</b>	<b>\$ 40,880,437</b>

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, 2015, 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	
	2015	2014	2015	2014	2015	2014
Capital lease obligations	\$ 700,647	\$ 115,158	\$ 1,838,723	\$ 2,084,212	\$ 2,539,370	\$ 2,199,370
Revolving loans	-	-	5,522,701	6,337,178	5,522,701	6,337,178
<b>Total</b>	<b>\$ 700,647</b>	<b>\$ 115,158</b>	<b>\$ 7,361,424</b>	<b>\$ 8,421,390</b>	<b>\$ 8,062,071</b>	<b>\$ 8,536,548</b>

During the past fiscal year, the City's total debt decreased by 474,477 (5.6%).

The City maintained a Standard and Poor's rating of AA- on its last outstanding general obligation bonds. The City of Lancaster currently has no outstanding general obligation bonds or rated publically held debt. 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 2015 put the city's population at 8,916 (some 10.7% of Lancaster County's estimated population of 83,097). 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)

<b><u>Employer</u></b>	<b><u>Description</u></b>	<b><u># of Employees</u></b>
Red Ventures	Call Center	1600
Lancaster County School District	County school system	1569
Lancaster County	County government	837
Cardinal Health	Healthcare	800
Springs Memorial Hospital	Hospital	700
Continental Tire	Tire manufacturing	430
Duracell	Batteries manufacturing	405
URS Nuclear	Healthcare	310
Wal-Mart Indian Land	Retail	365
Wal-Mart Lancaster	Retail	358

Lancaster County's unemployment rate at June 2015 was 7.2%, down by 0.4 percentage points from the June 2014 rate of 7.6%. This compares to statewide rates of 6.6% for June 2015 versus 6.3% for June 2014.



The following chart reflects the City of Lancaster retail businesses and sales from 2005 through 2014. (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%)
2014	469	\$423,737,672	10.08%

### Budget Highlights for the Fiscal Year Ending June 30, 2015

**Governmental Activities:** Given the improving economic conditions, a property tax increase of 2.2 mills was approved for FY 1415. In addition, operating expense was scrutinized but in ways that intended to avoid reducing levels of service. During the year, the City completed construction on a new E911 Computer Aided Dispatch System (\$934,646), purchase of a new fire engine (\$598,549) and replacing the roof on Fire Station #1 (\$364,702).

**Business – Type Activities:** Water and sewer rates for FY 1415 saw no increase in the rates charged to customers. The City completed two pump station projects (\$855,457) and continued to pay for assessment and engineering design costs related to the three sewer basins under an EPA Consent Order.

Residential and commercial roll-a-way container rates were increased by \$1.00 per month to assist in increasing the fund balance of the Solid Waste Fund. The City made capital equipment purchases totaling \$174,585 during the fiscal year. The City managed to increase fund balance through a combination of the rate increase, increased transfer station revenues and lower operational costs during the fiscal year.

### 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, 2015

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total Primary Government</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,394,705	\$ 1,212,332	\$ 7,607,037
Accounts receivable			
Taxes, net	303,575	-	303,575
Grants	25,000	-	25,000
Internal balances	253,770	(253,770)	-
Mortgages	888,030	-	888,030
Water and Sewer	-	508,563	508,563
Garbage and Trash	-	97,590	97,590
Roll-off containers	-	14,791	14,791
Intergovernmental	405,467	-	405,467
Other	367,239	128,462	495,701
Inventory	7,747	173,362	181,109
Cash and cash equivalents - committed assets	1,796,093	-	1,796,093
Cash and cash equivalents - restricted assets	536,320	1,847,080	2,383,400
Net OPEB asset	279,666	-	279,666
Total current assets	<u>11,257,612</u>	<u>3,728,410</u>	<u>14,986,022</u>
Non-current assets:			
Capital assets:			
Nondepreciable	3,209,153	865,447	4,074,600
Depreciable, net of accumulated depreciation	11,509,375	25,414,638	36,924,013
Total non-current assets	<u>14,718,528</u>	<u>26,280,085</u>	<u>40,998,613</u>
<b>Total assets</b>	<u>25,976,140</u>	<u>30,008,495</u>	<u>55,984,635</u>
<b>Deferred outflows of resources</b>			
Pension deferrals	<u>1,116,792</u>	<u>-</u>	<u>1,116,792</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,158,222	\$ 63,264	\$ 1,221,486
Customer deposits	-	233,411	233,411
Prepaid Performing Arts revenue	8,411	-	8,411
Current portion of long-term liabilities	193,979	1,118,585	1,312,564
Total current liabilities	<u>1,360,612</u>	<u>1,415,260</u>	<u>2,775,872</u>
Long-term liabilities:			
Due in more than one year	12,562,480	6,397,319	18,959,799
<b>Total liabilities</b>	<u>13,923,092</u>	<u>7,812,579</u>	<u>21,735,671</u>
<b>Deferred inflows of resources</b>			
Pension deferrals	<u>1,114,792</u>	<u>-</u>	<u>1,114,792</u>
<b>Net position</b>			
Net investment in capital assets	14,017,881	18,918,661	32,936,542
Restricted for:			
Drug fund	103,533	-	103,533
Tourism	536,320	-	536,320
Southside Housing	31,878	-	31,878
E911	37,548	-	37,548
Debt service	-	1,847,080	1,847,080
Unrestricted	(2,672,112)	1,430,175	(1,241,937)
<b>Total net position</b>	<u>\$ 12,055,048</u>	<u>\$ 22,195,916</u>	<u>\$ 34,250,964</u>

See notes to financial statements.



## CITY OF LANCASTER, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

Year ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General administration	\$ 4,771,780	\$ 293,689	\$ 32,680	\$ -	\$ (4,445,411)	\$ -	\$ (4,445,411)
Public safety	4,973,382	336,102	-	-	(4,637,280)	-	(4,637,280)
Public works	1,307,459	-	-	-	(1,307,459)	-	(1,307,459)
Code enforcement	238,756	36,438	-	-	(202,318)	-	(202,318)
Parks and playgrounds	129,114	-	-	-	(129,114)	-	(129,114)
Community service	135,193	-	-	-	(135,193)	-	(135,193)
Interest and fees	4,123	-	-	-	(4,123)	-	(4,123)
Total governmental activities	<u>11,559,807</u>	<u>666,229</u>	<u>32,680</u>	<u>-</u>	<u>(10,860,898)</u>	<u>-</u>	<u>(10,860,898)</u>
Business-type activities:							
Water and Sewer	6,571,781	6,069,645	-	84,488	-	(417,648)	(417,648)
Solid waste	1,732,674	2,054,286	-	-	-	321,612	321,612
Total business-type activities	<u>8,304,455</u>	<u>8,123,931</u>	<u>-</u>	<u>84,488</u>	<u>-</u>	<u>(96,036)</u>	<u>(96,036)</u>
<b>Total primary government</b>	<u>\$ 19,864,262</u>	<u>\$ 8,790,160</u>	<u>\$ 32,680</u>	<u>\$ 84,488</u>	<u>(10,860,898)</u>	<u>(96,036)</u>	<u>(10,956,934)</u>
General revenues:							
Ad valorem taxes					5,699,301	-	5,699,301
Other taxes, licenses, and fees:							
Property tax					397,799	-	397,799
Sales tax					1,329,261	-	1,329,261
Business licenses					2,000,306	-	2,000,306
Franchise fees					835,373	-	835,373
Unrestricted intergovernmental					310,153	-	310,153
Unrestricted investment earnings					14,205	3,981	18,186
Miscellaneous					120,006	109,575	229,581
Gain on sale of capital assets					5,053	43,566	48,619
Total general revenues not including transfers					<u>10,711,457</u>	<u>157,122</u>	<u>10,868,579</u>
Transfers					(353,249)	353,249	-
Total general revenues and transfers					<u>10,358,208</u>	<u>510,371</u>	<u>10,868,579</u>
Change in net position					(502,690)	414,335	(88,355)
Net position - beginning - previously reported					24,136,927	21,781,581	45,918,508
Restatement					(11,579,189)	-	(11,579,189)
Net position - beginning - as restated					<u>12,557,738</u>	<u>21,781,581</u>	<u>34,339,319</u>
Net position - ending					<u>\$ 12,055,048</u>	<u>\$ 22,195,916</u>	<u>\$ 34,250,964</u>





**CITY OF LANCASTER, SOUTH CAROLINA**

Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,343,543	\$ 350	\$ 50,812	\$ 6,394,705
Receivables:				
Taxes, net	303,575	-	-	303,575
Grants	25,000	-	-	25,000
Intergovernmental	405,467	-	-	405,467
Mortgages	870,000	-	18,030	888,030
Taxes - other	286,365	72,148	-	358,513
Other	-	1,302	7,424	8,726
Due from other funds	214,755	-	-	214,755
Committed assets	1,692,560	-	-	1,692,560
Restricted assets	103,533	536,320	-	639,853
Inventory	7,747	-	-	7,747
Advances to other funds	63,061	-	-	63,061
Total assets	<u>\$ 10,315,606</u>	<u>\$ 610,120</u>	<u>\$ 76,266</u>	<u>\$ 11,001,992</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,157,678	\$ 543	\$ -	\$ 1,158,221
Compensated absences payable	62,897	359	-	63,256
Due to other funds	-	17,206	6,840	24,046
Prepaid Performing Arts revenue	-	8,411	-	8,411
Total liabilities	<u>1,220,575</u>	<u>26,519</u>	<u>6,840</u>	<u>1,253,934</u>
<b>Deferred inflows of resources</b>				
Tax rollback	1,187,935	-	-	1,187,935
Property taxes	197,517	-	-	197,517
Vehicle tax	53,481	-	-	53,481
Lot clearing fees	12,671	-	-	12,671
Installment sale	870,000	-	-	870,000
Total deferred inflows of resources	<u>2,321,604</u>	<u>-</u>	<u>-</u>	<u>2,321,604</u>
<b>Fund balances</b>				
Nonspendable:				
Inventory	7,747	-	-	7,747
Restricted:				
Drug fund	103,533	-	-	103,533
Hospitality tax	-	583,601	-	583,601
Southside Housing	-	-	37,548	37,548
E911	-	-	31,878	31,878
Committed:				
Downtown development	760,710	-	-	760,710
Police department communications	67,842	-	-	67,842
Assigned:				
Main street project	5,000	-	-	5,000
Subsequent year's expenditures	1,119,483	-	-	1,119,483
Unassigned	4,709,112	-	-	4,709,112
Total fund balances	<u>6,773,427</u>	<u>583,601</u>	<u>69,426</u>	<u>7,426,454</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,315,606</u>	<u>\$ 610,120</u>	<u>\$ 76,266</u>	<u>\$ 11,001,992</u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2015

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

Total fund balance, governmental funds		\$ 7,426,454
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 25,888,300	
Accumulated depreciation	<u>(11,169,772)</u>	14,718,528
Net pension plan liabilities		(11,676,276)
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position		792,788
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.		279,666
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		2,321,604
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Capitalized leases	(700,647)	
Compensated absences payable	<u>(316,279)</u>	(1,016,926)
Pension related deferrals		(790,788)
Rounding		<u>(2)</u>
Net position of governmental activities		<u>\$ 12,055,048</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2015

	<u>General</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 5,663,858	\$ 797,921	\$ -	\$ 6,461,779
Fines, fees, licenses and permits	3,799,995	-	-	3,799,995
Intergovernmental	450,557	-	-	450,557
Charges for services	111,781	135,422	-	247,203
Grants	81,425	-	-	81,425
Interest	13,301	246	658	14,205
Other	113,005	20,681	45,088	178,774
Total revenues	<u>10,233,922</u>	<u>954,270</u>	<u>45,746</u>	<u>11,233,938</u>
<b>Expenditures</b>				
Current:				
General administration	3,658,933	750,738	-	4,409,671
Public safety	4,566,413	-	7,540	4,573,953
Public works	1,090,126	-	-	1,090,126
Code enforcement	232,029	-	-	232,029
Parks and playgrounds	111,645	-	-	111,645
Community service	135,505	-	-	135,505
Capital outlay	1,678,481	-	-	1,678,481
Debt service:				
Principal	12,390	-	-	12,390
Interest and fees	4,123	-	-	4,123
Total expenditures	<u>11,489,645</u>	<u>750,738</u>	<u>7,540</u>	<u>12,247,923</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(1,255,723)</u>	<u>203,532</u>	<u>38,206</u>	<u>(1,013,985)</u>
<b>Other financing sources (uses)</b>				
Proceeds from capital lease	597,879	-	-	597,879
Transfers out	(353,249)	(104,545)	-	(457,794)
Transfers in	104,545	-	-	104,545
Total other financing sources (uses)	<u>349,175</u>	<u>(104,545)</u>	<u>-</u>	<u>244,630</u>
<b>Net change in fund balances</b>	(906,548)	98,987	38,206	(769,355)
<b>Fund balance - beginning</b>	<u>7,679,975</u>	<u>484,614</u>	<u>31,220</u>	<u>8,195,809</u>
<b>Fund balance - ending</b>	<u>\$ 6,773,427</u>	<u>\$ 583,601</u>	<u>\$ 69,426</u>	<u>\$ 7,426,454</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, 2015

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

Net change in fund balances - total governmental funds \$ (769,355)

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	\$ 1,678,481	
Depreciation expense for governmental assets	<u>(934,574)</u>	743,907

Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities		792,788
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Lot clearing fees	1,399	
Tax rollback	216,360	
Property taxes	7,565	
Vehicle taxes	8,477	
Deferred grant income	<u>(745)</u>	233,056

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)
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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.

Proceeds from issuance of capital lease	(597,879)	
Principal payments on long-term debt	<u>12,390</u>	(585,489)

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	(24,923)	
Loss on disposal of fixed assets	(6,625)	
Pension expense	(887,875)	
Net increase in OPEB asset	<u>51,828</u>	(867,595)

Rounding		<u>(2)</u>
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Change in net position of governmental activities		<u>\$ (502,690)</u>
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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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 5,810,000	\$ 5,810,000	\$ 5,663,858	\$ (146,142)
Fines, fees, licenses and permits	3,448,000	3,529,470	3,799,995	270,525
Intergovernmental	418,900	418,900	450,557	31,657
Charges for services	138,000	138,000	111,781	(26,219)
Grants	144,784	146,784	81,425	(65,359)
Interest	10,000	10,000	13,301	3,301
Other	73,000	76,500	113,005	36,505
Total revenues	<u>10,042,684</u>	<u>10,129,654</u>	<u>10,233,922</u>	<u>104,268</u>
<b>Expenditures</b>				
Current:				
General administration	3,805,822	3,919,259	3,658,933	260,326
Public safety	4,911,190	4,985,860	4,566,413	419,447
Public works	1,112,634	1,152,664	1,090,126	62,538
Code enforcement	245,124	247,749	232,029	15,720
Parks and playgrounds	105,500	111,650	111,645	5
Community service	123,730	172,225	135,505	36,720
Capital outlay	1,860,898	1,864,898	1,678,481	186,417
Debt service:				
Principal	12,400	12,400	12,390	10
Interest and fees	4,450	4,450	4,123	327
Total expenditures	<u>12,181,748</u>	<u>12,471,155</u>	<u>11,489,645</u>	<u>981,510</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,139,064)</u>	<u>(2,341,501)</u>	<u>(1,255,723)</u>	<u>1,085,778</u>
<b>Other financing sources</b>				
Proceeds from capital lease	600,000	600,000	597,879	(2,121)
Transfers in	104,545	104,545	104,545	-
Transfers out	(49,230)	(567,230)	(353,249)	213,981
Fund balance appropriated	1,483,749	2,204,186	-	(2,204,186)
Total other financing sources	<u>2,139,064</u>	<u>2,341,501</u>	<u>349,175</u>	<u>(1,992,326)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(906,548)</u>	<u>\$ (906,548)</u>
<b>Fund balance - beginning</b>			<u>7,679,975</u>	
<b>Fund balance - ending</b>			<u>\$ 6,773,427</u>	

See notes to financial statements.



# CITY OF LANCASTER, SOUTH CAROLINA

## Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Hospitality Tax Fund Year ended June 30, 2015

	2015			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 710,000	\$ 728,830	\$ 797,921	\$ 69,091
Charges for services	150,000	150,000	135,422	(14,578)
Interest	1,000	300	246	(54)
Miscellaneous	15,000	15,000	20,683	5,683
Total revenues	<u>876,000</u>	<u>894,130</u>	<u>954,272</u>	<u>60,142</u>
<b>Expenditures</b>				
Current:				
General administration	852,455	860,820	750,738	110,082
Total expenditures	<u>852,455</u>	<u>860,820</u>	<u>750,738</u>	<u>110,082</u>
<b>Excess of revenues over (under) expenditures</b>	<u>23,545</u>	<u>33,310</u>	<u>203,534</u>	<u>170,224</u>
<b>Other financing sources</b>				
Fund balance appropriated	81,000	71,235	-	(71,235)
Transfers out	(104,545)	(104,545)	(104,545)	-
Total other financing sources	<u>(23,545)</u>	<u>(33,310)</u>	<u>(104,545)</u>	<u>(71,235)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	98,989	<u>\$ 98,989</u>
<b>Fund balance - beginning</b>			<u>484,612</u>	
<b>Fund balance - ending</b>			<u>\$ 583,601</u>	



STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUNDS  
 June 30, 2015

	Major Enterprise Funds		
	Gross Revenue	Solid Waste	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 183,769	\$ 795,152	\$ 978,921
Receivables:			
Water and sewer	508,563	-	508,563
Garbage and trash	-	97,590	97,590
Roll-off containers	-	14,791	14,791
Other	15,579	112,883	128,462
Due from other funds	-	30,688	30,688
Inventory	173,362	-	173,362
<b>Total current assets</b>	<b>881,273</b>	<b>1,051,104</b>	<b>1,932,377</b>
<b>Noncurrent assets</b>			
Restricted assets:			
Customer deposits	233,411	-	233,411
Bond depreciation account	408,956	-	408,956
Bond contingency account	408,956	-	408,956
Bond debt service and reserve account	1,029,168	-	1,029,168
Total restricted assets	2,080,491	-	2,080,491
Capital assets (net, where applicable, of accumulated depreciation)	24,576,448	1,703,637	26,280,085
<b>Total noncurrent assets</b>	<b>26,656,939</b>	<b>1,703,637</b>	<b>28,360,576</b>
<b>Total assets</b>	<b>27,538,212</b>	<b>2,754,741</b>	<b>30,292,953</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	55,419	7,845	63,264
Compensated absences payable	17,098	8,649	25,747
Current portion of long-term debt	829,134	-	829,134
Capital leases payable - current	216,046	47,658	263,704
Customer deposits	233,411	-	233,411
Due to General Fund	128,574	62,135	190,709
Due to Solid Waste Fund	30,688	-	30,688
<b>Total current liabilities</b>	<b>1,510,370</b>	<b>126,287</b>	<b>1,636,657</b>
<b>Long-term liabilities</b>			
Advances from other funds	-	63,061	63,061
Compensated absences payable	85,488	43,244	128,732
Revenue bonds and notes payable	4,693,567	-	4,693,567
Capital leases payable - long-term	1,440,197	134,823	1,575,020
<b>Total long-term liabilities</b>	<b>6,219,252</b>	<b>241,128</b>	<b>6,460,380</b>
<b>Total liabilities</b>	<b>7,729,622</b>	<b>367,415</b>	<b>8,097,037</b>
<b>Net position</b>			
Net investment in capital assets	17,397,505	1,521,156	18,918,661
Restricted for debt payments	1,847,080	-	1,847,080
Unrestricted	564,005	866,170	1,430,175
<b>Total net position</b>	<b>\$ 19,808,590</b>	<b>\$ 2,387,326</b>	<b>\$ 22,195,916</b>

See notes to financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

Year ended June 30, 2015

	Major Enterprise Funds		
	Gross Revenue	Solid Waste	Total
<b>Operating revenues</b>			
Water and sewer charges	\$ 5,836,274	\$ -	\$ 5,836,274
Water penalties	220,145	-	220,145
Tap fees	13,226	-	13,226
Garbage fees	-	1,098,180	1,098,180
Roll-off containers	-	77,370	77,370
Transfer station	-	846,939	846,939
Other	86,357	37,840	124,197
Total operating revenues	6,156,002	2,060,329	8,216,331
<b>Operating expenses</b>			
Public works administration	361,902	-	361,902
Residential garbage	-	395,557	395,557
Commercial garbage	-	269,148	269,148
Recycling	-	45,494	45,494
Transfer station	-	466,719	466,719
Water service	1,289,355	-	1,289,355
Utility billing	170,388	-	170,388
Wastewater treatment	1,249,160	-	1,249,160
Wastewater collection	1,400,085	-	1,400,085
General expense	579,038	245,204	824,242
Information technology	-	25,648	25,648
Depreciation and amortization	1,364,163	280,132	1,644,295
Total operating expenses	6,414,091	1,727,902	8,141,993
<b>Operating income</b>	(258,089)	332,427	74,338
<b>Nonoperating revenue (expense)</b>			
Interest income	3,081	900	3,981
Interest expense	(157,690)	(4,772)	(162,462)
Insurance proceeds	12,781	4,394	17,175
Gain on sale of fixed assets	9,564	34,002	43,566
Total other income (expense)	(132,264)	34,524	(97,740)
<b>Income before capital contributions and transfers</b>	(390,353)	366,951	(23,402)
Transfers from other funds	353,249	-	353,249
Capital contributions	84,488	-	84,488
<b>Change in net position</b>	\$ 47,384	\$ 366,951	\$ 414,335

See notes to financial statements.





CITY OF LANCASTER, SOUTH CAROLINA

Exhibit I

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year ended June 30, 2015

	MAJOR ENTERPRISE FUNDS		
	Gross Revenue	Solid Waste	Total
<b>Operating activities</b>			
Cash received from customers	\$ 6,461,321	\$ 2,010,369	\$ 8,471,690
Cash paid to employees	(1,435,387)	(634,736)	(2,070,123)
Cash paid to suppliers	(3,559,154)	(814,272)	(4,373,426)
<b>Net cash provided by operating activities</b>	<u>1,466,780</u>	<u>561,361</u>	<u>2,028,141</u>
<b>Noncapital financing activities</b>			
Due from other funds	-	(4,336)	(4,336)
Due to other funds	(268,585)	(86,347)	(354,932)
Customer deposits	5,554	-	5,554
Transfer from other funds	353,249	-	353,249
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>90,218</u>	<u>(90,683)</u>	<u>(465)</u>
<b>Capital and related financing activities</b>			
Proceeds from capital grants	84,488	-	84,488
Insurance proceeds	12,781	4,394	17,175
Proceeds from sale of capital assets	9,559	106,199	115,758
Acquisition of capital assets	(912,018)	(186,235)	(1,098,253)
Principal paid on capital leases	(199,669)	(45,819)	(245,488)
Principal paid on bond and note maturities	(814,477)	-	(814,477)
Interest and bond fees	(157,690)	(4,772)	(162,462)
<b>Net cash used in capital and related financing activities</b>	<u>(1,977,026)</u>	<u>(126,233)</u>	<u>(2,103,259)</u>
<b>Investing activities</b>			
Interest on investments	3,081	900	3,981
<b>Net cash provided by investing activities</b>	<u>3,081</u>	<u>900</u>	<u>3,981</u>
<b>Net increase (decrease) in cash and cash equivalents/investments</b>	(416,947)	345,345	(71,602)
<b>Cash and cash equivalents/investments</b>			
<b>Beginning of year</b>	<u>2,681,207</u>	<u>449,807</u>	<u>3,131,014</u>
<b>End of year</b>	<u>\$ 2,264,260</u>	<u>\$ 795,152</u>	<u>\$ 3,059,412</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ (258,089)	\$ 332,427	\$ 74,338
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,364,163	280,132	1,644,295
Change in assets and liabilities			
Accounts receivable	305,319	(51,715)	253,604
Inventory	66,710	-	66,710
Accounts payable and accrued expenses	(2,419)	(113)	(2,532)
Compensated absences	(8,904)	630	(8,274)
Total adjustments	<u>1,724,869</u>	<u>228,934</u>	<u>1,953,803</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,466,780</u>	<u>\$ 561,361</u>	<u>\$ 2,028,141</u>
<b>Reconciliation to statement of net assets</b>			
Unrestricted cash and cash equivalents	\$ 183,769	\$ 795,152	\$ 978,921
Restricted cash and cash equivalents	2,080,491	-	2,080,491
	<u>\$ 2,264,260</u>	<u>\$ 795,152</u>	<u>\$ 3,059,412</u>

See notes to financial statements.



**CITY OF LANCASTER, SOUTH CAROLINA**

## Statement of Fiduciary Net Position

## Fiduciary Funds

*June 30, 2015*

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	<b>Agency Funds</b>
<b>Assets</b>	
Cash and temporary investments	\$ 18,731
Total assets	<u>\$ 18,731</u>
<b>Liabilities</b>	
Due to firemen's association	\$ 18,731
Total liabilities	<u>\$ 18,731</u>



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2015

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### I. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

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

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

*Government-wide Financial Statements:* The statement of net 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, 2015

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

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

The City reports the following major governmental funds:

General Fund – The General Fund, the general operating fund of the City, includes the assets, liabilities, revenues and expenditures relating to the general administration and the traditional services provided by the City, and accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, grants and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction.

Hospitality Tax Fund – This fund was established to preserve the general health, safety, and welfare of the general public and to promote the tourism industry within the City of Lancaster. The 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 funds:

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

E911 Fund – This fund accounts for fees levied through telephone bills to support the emergency 911 system. Funds are restricted for improvements and expansion of the City's emergency 911 system.

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.



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2015

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### 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, 2015

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

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

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

*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 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, 2015

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## 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, 2015

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## 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, 2015

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## 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 \$1,847,080 at June 30, 2015, 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, 2015, \$583,601 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, 2015

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## 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 had one item that met this criterion – contributions made to the pension plan in the 2015 fiscal year. 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 six items that meet the criterion for this category – lot clearing fees, vehicle taxes, real property taxes, tax rollback, deferrals of pension expense that result from the implementation of GASB Statement 68 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, 2015

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### 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, 2015

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## 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.

*E911 Fund* – portion of fund balance that can only be used for improvements and expansion of the City's emergency 911 system in accordance with Section 23-47-40 of the State of South Carolina Code of Laws, 1976, as amended.

*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, 2015 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, 2015

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## 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 to fund a \$750,000 transfer to the City's Gross Revenue Fund to offset EPA order of consent costs.

##### 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, 2015

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## 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, 2015

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## 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 2014 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 2015.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2015

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## 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.

#### 14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS' fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Lancaster's employer contributions are recognized when due and the City of Lancaster has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of SCRS. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Police Officers Retirement System (PORS) and additions to/deductions from PORS' fiduciary net position have been determined on the same basis as they are reported by PORS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Lancaster's employer contributions are recognized when due and the City of Lancaster has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of PORS. Investments are reported at fair value.





# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2015

### 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 \$4,161,523 and the bank balance was \$5,054,679. Of the bank balance, \$617,485 was covered by federal depository insurance and \$4,437,194 was covered by collateral held by the pledging financial institutions in the City's name.

At June 30, 2015, 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	\$ 1,029,168	N/A	Unrated
State Treasurer's Investment Pool	6,614,570	N/A	Unrated
Total Investments	<u>\$ 7,643,738</u>		

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

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

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

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

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

Cash and investments	
Primary government	\$ 7,607,037
Fiduciary funds	18,731
Restricted and designated assets	<u>4,179,493</u>
Total	\$ <u>11,805,261</u>



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2015

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

#### A. Assets (continued)

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

At June 30, 2015, 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	\$ 356,009	\$ -	\$ -	\$ -	\$ -	\$ 356,009	\$ -
Intergovernmental	405,467	-	-	-	-	405,467	-
Grants	25,000	-	-	-	-	25,000	-
Mortgages	870,000	-	-	-	159,317	1,029,317	-
Water and sewer	-	-	508,563	-	-	508,563	-
Garbage and trash	-	-	-	97,590	-	97,590	-
Roll-off containers	-	-	-	17,627	-	17,627	-
Other	455,345	73,450	16,059	112,883	-	657,737	-
Gross receivables	2,111,821	73,450	524,622	228,100	159,317	3,097,310	-
Less: allowance for uncollectibles	221,414	-	480	2,836	133,863	358,593	-
Net total receivables	\$ 1,890,407	\$ 73,450	\$ 524,142	\$ 225,264	\$ 25,454	\$ 2,738,717	\$ -



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

## 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, 2015 was as follows:

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

General administration	\$ 389,802
Public safety	369,771
Public works	154,821
Code Enforcement	2,711
Parks and playgrounds	<u>17,469</u>
<b>Total depreciation expense</b>	<b><u><u>\$ 934,574</u></u></b>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,208,603	\$ 550	\$ -	\$ -	\$ 3,209,153
Construction in progress	515,843	-	6,625	(509,218)	-
Total capital assets not being depreciated	<u>3,724,446</u>	<u>550</u>	<u>6,625</u>	<u>(509,218)</u>	<u>3,209,153</u>
Capital assets being depreciated:					
Buildings and improvements	7,201,447	391,076	-	-	7,592,523
Machinery and Equipment	6,669,173	1,286,855	134,469	509,218	8,330,777
Infrastructure	6,755,848	-	-	-	6,755,848
Total capital assets being depreciated	<u>20,626,468</u>	<u>1,677,931</u>	<u>134,469</u>	<u>509,218</u>	<u>22,679,148</u>
Less accumulated depreciation for:					
Buildings and improvements	2,347,314	219,298	-	-	2,566,612
Machinery and Equipment	5,498,387	432,965	134,469	-	5,796,883
Infrastructure	2,523,967	282,311	-	-	2,806,278
Total accumulated depreciation	<u>10,369,668</u>	<u>\$ 934,574</u>	<u>\$ 134,469</u>	<u>\$ -</u>	<u>11,169,773</u>
Total capital assets being depreciated, net	<u>10,256,800</u>				<u>11,509,375</u>
Governmental activity capital assets, net	<u><u>\$ 13,981,246</u></u>				<u><u>\$ 14,718,528</u></u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

## 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, 2015 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	\$ 1,500	\$ -	\$ -	\$ 366,054
Construction in progress	552,881	452,769	-	(506,257)	499,393
Total capital assets not being depreciated	917,435	454,269	-	(506,257)	865,447
Capital assets being depreciated:					
Buildings	1,731,066	-	-	-	1,731,066
Equipment	5,358,004	108,550	82,326	-	5,384,228
Water and Sewer System	40,448,161	349,199	-	506,257	41,303,617
Total capital assets being depreciated	47,537,231	457,749	82,326	506,257	48,418,911
Less accumulated depreciation for:					
Building and building improvements	917,859	50,031	-	-	967,890
Equipment	4,342,004	338,209	82,326	-	4,597,887
Water and Sewer System	18,166,210	975,923	-	-	19,142,133
Total accumulated depreciation	23,426,073	\$ 1,364,163	\$ 82,326	\$ -	24,707,910
Total capital assets being depreciated, net	24,111,158				23,711,001
Gross Revenue capital assets, net	25,028,593				24,576,448
<i>Solid Waste</i>					
Capital assets being depreciated:					
Buildings	126,528	\$ -	\$ -	\$ -	126,528
Equipment	3,804,014	186,235	248,192	-	3,742,057
Infrastructure	1,272,052	-	-	-	1,272,052
Total capital assets being depreciated	5,202,594	186,235	248,192	-	5,140,637
Less accumulated depreciation for:					
Buildings	126,528	-	-	-	126,528
Equipment	2,935,498	231,852	175,128	-	2,992,222
Infrastructure	269,970	48,280	-	-	318,250
Total accumulated depreciation	3,331,996	\$ 280,132	\$ 175,128	\$ -	3,437,000
Total capital assets being depreciated, net	1,870,598				1,703,637
Solid Waste capital assets, net	1,870,598				1,703,637
Business-type activities capital assets, net	\$ 26,899,191				\$ 26,280,085



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

## 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, 2015. 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	\$ 63,861	\$ 34,139
Lancaster Midway Water and Sewer Project	33,375	112,125
Erwin Farms Pump Station	60,660	109,340
Winter 2015 Sewer Aerial Crossing	26,865	18,135
Erwin Farms Sewer Rehab Design	130,530	709,470
West Arch Street Sewer Rehab Design	86,413	375,587
Poovey Farms Sewer Rehab Design	46,867	550,133
EPA Compliance Programs	361,062	51,938
West Arch Street SSES	134,190	35,810
Lancaster CSA Sewer Basin	403,645	34,355
Poovey Farms CSAP Implementation	201,878	43,122
Total	<u>\$ 1,549,346</u>	<u>\$ 2,074,154</u>

### B. Liabilities

#### 1. Accounts Payable and Accrued Liabilities

Payables at June 30, 2015, were as follows:

	Governmental-wide Financial Statements					
	Fund Financial Statements					Total
	General Fund	Hospitality Tax Fund	Other Governmental Funds	Gross Revenue Fund	Solid Waste	
Payables:						
Accounts and vouchers	\$ 905,574	\$ -	\$ -	\$ 16,552	\$ -	\$ 922,126
Accrued payroll and related liabilities	145,479	543	-	10,573	3,016	159,611
Accrued interest payable	1,060	-	-	24,979	929	26,968
Other	105,566	-	-	3,315	3,900	112,781
Total accounts payable and accrued liabilities	<u>\$ 1,157,679</u>	<u>\$ 543</u>	<u>\$ -</u>	<u>\$ 55,419</u>	<u>\$ 7,845</u>	<u>\$ 1,221,486</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

## 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, 2015, the City leased buildings, infrastructure, vehicles, and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 180,505	\$ 75,962	\$ 104,543
Infrastructure	2,943,975	619,461	2,324,514
Equipment	598,549	-	598,549
Vehicles	228,300	48,921	179,379
Total	\$ 3,951,329	\$ 744,344	\$ 3,206,985

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, 2015 were as follows:

Fiscal Year Ending June 30	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 130,723	\$ 10,765	\$ 263,703	\$ 65,654
2017	131,828	10,180	281,716	56,018
2018	134,802	7,741	300,694	45,663
2019	137,866	5,227	308,150	34,552
2020	141,026	2,635	291,133	23,117
2021-2022	24,402	741	393,327	11,861
	\$ 700,647	\$ 37,289	\$ 1,838,723	\$ 236,865



# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2015

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

#### B. Liabilities (continued)

##### 3. State Revolving Loans

The City's state revolving loans at June 30, 2015 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.	\$ 397,616
<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.	514,546
<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.	480,753
<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>4,129,786</u>
Total State Revolving Loans	5,522,701
Less amount representing current portion	<u>829,134</u>
Long-term portion	<u>\$ 4,693,567</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

## 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
2016	\$ 829,134	\$ 67,096
2017	437,447	55,560
2018	443,472	49,535
2019	449,595	43,413
2020	455,817	37,191
2021-2025	1,971,489	101,506
2026-2028	935,747	14,904
	<u>\$ 5,522,701</u>	<u>\$ 369,205</u>

#### 4. Long-term Obligation Activity

The following is a summary of changes in the City's long-term obligations as of June 30, 2015:

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015	Current Portion of Long-term Liabilities
<b>Governmental Activities:</b>					
Capitalized leases	\$ 115,158	\$ 597,879	\$ 12,390	\$ 700,647	\$ 130,723
Net pension plan liability	11,579,189	97,087	-	11,676,276	-
Compensated absences	349,626	107,415	77,505	379,536	63,256
Total governmental activities	<u>\$ 12,043,973</u>	<u>\$ 802,381</u>	<u>\$ 89,895</u>	<u>\$ 12,756,459</u>	<u>\$ 193,979</u>
<b>Business-type Activities:</b>					
Capitalized leases	\$ 2,084,212	\$ -	\$ 245,489	\$ 1,838,723	\$ 263,704
Refunding bond and State Revolving loans	6,337,178	-	814,477	5,522,701	829,134
Compensated absences	183,331	6,399	35,252	154,478	25,746
Total business-type activities	<u>\$ 8,604,721</u>	<u>\$ 6,399</u>	<u>\$ 1,095,218</u>	<u>\$ 7,515,902</u>	<u>\$ 1,118,584</u>

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

The total interest incurred for the year ended June 30, 2015 was \$166,585. 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, 2015

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## 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, 2015 was \$31,975,595. The computation of legal debt limits is as follows:

General obligation debt limitation (\$31,975,595 x 8%)	\$2,558,048
General obligation debt at June 30, 2015	<u>700,647</u>
Excess of debt limit over general obligation debt	<u>\$1,857,401</u>

#### 6. Employee Retirement Systems

##### Plan Description

The City is a participating employer in two statewide, cost sharing, multiple-employer defined benefit pension plans administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA): the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

##### Plan Description (continued)

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

##### Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

##### Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

##### Benefits (continued)

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

##### Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2014-2015 are as follows:

##### **SCRS**

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

##### **PORS**

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

Required employer contributions for fiscal year 2014-2015 are as follows:

##### **SCRS**

Employee Class Two	10.75% of earnable compensation
Employee Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

##### **PORS**

Employee Class One	7.80% of earnable compensation
Employee Class Two	13.01% of earnable compensation
Employee Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	.20% of earnable compensation
Employer Accidental Death Program	.20% of earnable compensation



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported liabilities totaling \$7,523,519 and \$4,152,757 for its proportionate share of the net pension liability (NPL) of SCRS and PORS, respectively. The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. The net pension liabilities were determined by actuarial valuations as of July 1, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension liabilities for each plan was based on a projection of the City's long-term share of future payroll covered by each pension plan relative to the projected future payroll covered by each pension plan of all participating employers in SCRS and PORS, respectively, actuarially determined. At June 30, 2014, the City's proportion was .043699% and .21692% for SCRS and PORS, respectively.

For the year ended June 30, 2015, the City recognized pension expense of \$527,313 and \$363,315 for SCRS and PORS, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	SCRS		PORS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 213,185	\$ -	\$ 110,819	\$ -
Net difference between projected and actual earnings on pension plan investments	-	634,288	-	480,504
City contributions subsequent to the measurement date	<u>448,068</u>	<u>-</u>	<u>344,720</u>	<u>-</u>
Total	<u>\$ 661,253</u>	<u>\$ 634,288</u>	<u>\$ 455,539</u>	<u>\$ 480,504</u>



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
 June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$448,068 and \$344,720 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016 for SCRS and PORS, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

<u>Year ended June 30:</u>	<u>SCRS</u>	<u>PORS</u>
2016	\$ (92,632)	\$ (91,387)
2017	(92,632)	(91,387)
2018	(92,632)	(91,387)
2019	(143,208)	(95,525)
2020	-	-
Thereafter	-	-

##### Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013 valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assumbly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter of 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates or return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the following table. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Short term</b>	<b>5.0%</b>		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
<b>Domestic Fixed Income</b>	<b>13.0%</b>		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
<b>Global Fixed Income</b>	<b>9.0%</b>		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
<b>Global Public Equity</b>	<b>31.0%</b>	7.8	2.42
<b>Global Tactical Asset Allocation</b>	<b>10.0%</b>	5.1	0.51
<b>Alternatives</b>	<b>32.0%</b>		
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	<u>100.0%</u>		5.88
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.63</u>





# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2015

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

### B. Liabilities (continued)

#### 6. Employee Retirement Systems (continued)

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

###### Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

###### Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 9,735,899	\$ 7,523,519	\$ 5,677,759
PORS	5,373,925	4,152,757	3,133,953

###### Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2015

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## 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 2015, 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, 2015

## 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 2015, the City's annual OPEB cost (expense) of \$48,368 for the Plan is as follows:

Annual required contribution (ARC)	\$ 48,368
Interest on Net OPEB Asset	(11,392)
Adjustment to ARC	<u>10,696</u>
Annual OPEB cost	47,672
Contributions made	<u>99,500</u>
Decrease in net OPEB obligation	<u><u>\$ (51,828)</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 2015 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)
6/30/2015	47,672	209%	(279,666)



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

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

Contributions included \$30,000 paid by the City to the Plan to pre-fund benefits and \$27,800 and \$41,700, respectively, made by the City to pay for covered participants' explicit and implicit subsidized benefits for the year ended June 30, 2015.

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.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

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

##### Actuarial Methods and Assumptions (continued)

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.

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, 2015, was 29 years.

#### 8. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources at year-end are comprised of the following:

	Deferred Outflows	Deferred Inflows
Contributions to pension plans in current fiscal year (General Fund)	\$ 1,116,792	\$ -
Lot Clearing Fees (General Fund)	-	12,671
Vehicle Tax (General Fund)	-	53,481
Real Property Tax (General Fund)	-	197,517
Tax Rollback (General Fund)	-	1,187,935
Pension deferrals (General Fund)	-	1,114,792
Installment sale (General Fund)	-	870,000
Total	<u>\$ 1,116,792</u>	<u>\$ 3,436,396</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.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements  
June 30, 2015

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

### B. Liabilities (continued)

#### 9. Risk Management (continued)

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.

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, 2015 are as follows:

	Payable Fund					Total
	General Fund	Gross Revenue Fund	Solid Waste Fund	E911 Fund	Hospitality Fund	
Receivable Fund						
General Fund	\$ -	\$ 128,574	\$ 125,196	\$ 6,840	\$ 17,206	\$ 277,816
Solid Waste Fund	-	30,688	-	-	-	30,688
Hospitality Tax Fund	-	41	-	-	-	41
	<u>\$ -</u>	<u>\$ 159,303</u>	<u>\$ 125,196</u>	<u>\$ 6,840</u>	<u>\$ 17,206</u>	<u>\$ 308,545</u>

The interfund balances, except for \$63,061 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, 2015, the outstanding balance on this loan was \$63,061. Principal payments on the loan are expected to total \$63,061 in 2016.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

June 30, 2015

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## 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. To date, the City has been awarded grants totaling approximately \$1.5 million and has received a commitment from the South Carolina State Revolving Loan Fund totaling \$6 million to help defray the costs of the remediation. \$1 million of the South Carolina State Revolving Loan Fund loan is expected to be forgiven upon completion of the remediation project. The City anticipates it will receive additional funding for the project as it progresses. 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, 2015

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## 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, 2015 was \$589,096.

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 \$587,766 for the year ended June 30, 2015.

### D. Changes in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$11,579,189 at June 30, 2014.

The City also implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the fiscal year ending June 30, 2015. This statement was required to be adopted in conjunction with GASB 68.

### E. Pending Implementation of GASB Statements

The Governmental Accounting Standards Board (“GASB”) has issued the following statements:

Statement No. 72, *Fair Value Measurement and Application*, which is effective for the City’s year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The effect of implementation of the Statement on the financial statements has not been determined.





# CITY OF LANCASTER, SOUTH CAROLINA

## Notes to the Basic Financial Statements

June 30, 2015

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

#### E. Pending Implementation of GASB Statements (continued)

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is effective for the City's year ending June 30, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of Statement 68. Statement 68 establishes requirements for pensions that are provided through pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which certain criteria are met. The effect of implementation of the Statement on the financial statements has not been determined.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for the City's year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The effect of implementation of the Statement on the financial statements has not been determined.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for the City's year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The effect of implementation of the Statement on the financial statements has not been determined.

Statement No. 77, *Tax Abatement Disclosures*, which is effective for the City's year ending June 30, 2017. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The effect of implementation of the Statement on the financial statements has not been determined.



# CITY OF LANCASTER, SOUTH CAROLINA

Notes to the Basic Financial Statements

*June 30, 2015*

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

### F. Subsequent Events

The City has evaluated all events subsequent to the balance sheet date of June 30, 2015, through October 23, 2015, 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, 2015  
(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%
2015	July 1, 2013	522,280	1,070,160	547,880	49%	5,485,377	10%

### 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%
2015	47,672	99,500	209%



**CITY OF LANCASTER, SOUTH CAROLINA**

Schedule of Proportionate Share of Net Pension Liability  
 South Carolina Retirement System  
 Last Two Fiscal Years \*

	<u>2015</u>	<u>2014</u>
City of Lancaster's proportion of the net pension liability (%)	0.043699%	0.043699%
City of Lancaster's proportion of the net pension liability (\$)	\$ 7,523,519	\$ 7,838,042
City of Lancaster's covered-employee payroll	\$ 3,984,189	\$ 3,665,267
City of Lancaster's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.83%	213.85%
Plan fiduciary net position as a percentage of the total pension liability	59.90%	56.39%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.



**CITY OF LANCASTER, SOUTH CAROLINA**

Schedule of Contributions  
 South Carolina Retirement System  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 420,531	\$ 415,210	\$ 383,020	\$ 338,112	\$ 332,766	\$ 317,818	\$ 307,708	\$ 286,827	\$ 251,734	\$ 237,538
Contributions in relation to the contractually required contribution	<u>420,531</u>	<u>415,210</u>	<u>383,020</u>	<u>338,112</u>	<u>332,766</u>	<u>317,818</u>	<u>307,708</u>	<u>286,827</u>	<u>251,734</u>	<u>237,538</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Lancaster's covered-employee payroll	\$ 4,110,619	\$ 3,984,189	\$ 3,665,267	\$ 3,602,684	\$ 3,601,365	\$ 3,383,731	\$ 3,330,169	\$ 3,165,860	\$ 3,127,133	\$ 3,146,860
Contributions as a percentage of covered-employee payroll	10.23%	10.42%	10.45%	9.39%	9.24%	9.39%	9.24%	9.06%	8.05%	7.55%



**CITY OF LANCASTER, SOUTH CAROLINA**

Schedule of Proportionate Share of Net Pension Liability  
 Police Officers' Retirement System  
 Last Fiscal Year \*

	<u>2015</u>	<u>2014</u>
City of Lancaster's proportion of the net pension liability (%)	0.216920%	0.216920%
City of Lancaster's proportion of the net pension liability (\$)	\$ 4,152,757	\$ 4,496,671
City of Lancaster's covered-employee payroll	\$ 2,568,885	\$ 2,362,887
City of Lancaster's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.66%	190.30%
Plan fiduciary net position as a percentage of the total pension liability	67.50%	62.98%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.



**CITY OF LANCASTER, SOUTH CAROLINA**

Schedule of Contributions  
 Police Officers' Retirement System  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 334,993	\$ 320,924	\$ 281,184	\$ 280,427	\$ 279,993	\$ 279,998	\$ 273,803	\$ 252,699	\$ 240,162	\$ 244,635
Contributions in relation to the contractually required contribution	<u>334,993</u>	<u>320,924</u>	<u>281,184</u>	<u>280,427</u>	<u>279,993</u>	<u>279,998</u>	<u>273,803</u>	<u>252,699</u>	<u>240,162</u>	<u>244,635</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Lancaster's covered-employee payroll	\$ 2,570,626	\$ 2,568,885	\$ 2,362,887	\$ 2,467,898	\$ 2,695,355	\$ 2,533,923	\$ 2,570,923	\$ 2,453,386	\$ 2,331,671	\$ 2,375,104
Contributions as a percentage of covered-employee payroll	13.032%	12.493%	11.900%	11.363%	10.388%	11.050%	10.650%	10.300%	10.300%	10.300%





COMBINING AND INDIVIDUAL FUND STATEMENT SECTION



GOVERNMENTAL FUNDS



General Fund  
Comparative Balance Sheets

June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,343,543	\$ 7,216,089
Receivables:		
Taxes, net	303,575	265,256
Grants	25,000	25,000
Intergovernmental	405,467	396,192
Mortgages	870,000	920,000
Taxes - other	286,365	279,972
Due from other funds	214,755	496,434
Committed assets	1,692,560	1,351,120
Restricted assets	103,533	97,188
Inventory	7,747	5,811
Advances to other funds	63,061	122,044
Total assets	<u>\$ 10,315,606</u>	<u>\$ 11,175,106</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,157,678	\$ 1,298,525
Compensated absences payable	62,897	58,058
Total liabilities	<u>1,220,575</u>	<u>1,356,583</u>
<b>Deferred inflows of resources</b>		
Tax rollback	1,187,935	971,575
Property taxes	197,517	189,952
Vehicle tax	53,481	45,004
Lot clearing fees	12,671	11,272
Installment sale	870,000	920,000
Deferred grant income	-	745
Total deferred inflows of resources	<u>2,321,604</u>	<u>2,138,548</u>
<b>Fund balances</b>		
Nonspendable:		
Inventory	7,747	5,811
Restricted:		
Drug fund	103,533	97,188
Committed:		
Downtown development	760,710	622,944
Police department communications	67,842	67,842
Noncurrent portion of interfund loans	-	122,044
Assigned:		
Main street project	5,000	5,000
Subsequent year's expenditures	1,119,483	1,483,749
Unassigned	4,709,112	5,275,397
Total fund balances	<u>6,773,427</u>	<u>7,679,975</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,315,606</u>	<u>\$ 11,175,106</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 3,325,000	\$ 3,173,568	\$ (151,432)	\$ 3,281,304
Vehicle taxes	225,000	243,401	18,401	241,768
Motor carrier taxes	50,000	58,113	8,113	55,710
Homestead	190,000	199,281	9,281	192,903
Delinquent taxes	130,000	144,239	14,239	125,873
Tax penalties	35,000	26,943	(8,057)	27,686
Local option sales tax	1,855,000	1,818,313	(36,687)	1,662,022
Total taxes	<u>5,810,000</u>	<u>5,663,858</u>	<u>(146,142)</u>	<u>5,587,266</u>
Fines, fees, licenses, and permits:				
Victim's services	20,000	26,030	6,030	24,929
Court fines	325,000	310,072	(14,928)	303,724
Duke power fees	650,000	699,856	49,856	659,927
Certification fees	3,000	3,000	-	3,110
Franchise fees	110,000	135,517	25,517	160,320
Privilege licenses	1,781,470	1,997,306	215,836	1,913,382
Building permits	40,000	36,438	(3,562)	61,619
Payments in lieu of taxes	600,000	591,776	(8,224)	627,095
Total fines, fees, licenses, and permits	<u>3,529,470</u>	<u>3,799,995</u>	<u>270,525</u>	<u>3,754,106</u>
Intergovernmental revenues:				
State shared revenue	183,900	186,629	2,729	185,007
Merchants inventory	70,000	71,687	1,687	71,687
Accommodations tax	30,000	51,837	21,837	46,639
Exemption	135,000	140,404	5,404	138,634
Total intergovernmental	<u>418,900</u>	<u>450,557</u>	<u>31,657</u>	<u>441,967</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Revenues (continued):</b>				
Charges for services:				
Lot clearing	\$ 10,000	\$ 10,695	\$ 695	\$ 8,770
Fire protection contracts	58,000	29,317	(28,683)	58,658
School guards	70,000	71,769	1,769	67,939
Total charges for services	<u>138,000</u>	<u>111,781</u>	<u>(26,219)</u>	<u>135,367</u>
Grants	<u>146,784</u>	<u>81,425</u>	<u>(65,359)</u>	<u>139,217</u>
Interest	<u>10,000</u>	<u>13,301</u>	<u>3,301</u>	<u>11,722</u>
Other revenues:				
Insurance proceeds	13,500	32,453	18,953	21,463
Sale of assets	10,000	11,678	1,678	3,988
Police revenues	30,000	26,267	(3,733)	36,777
Miscellaneous	10,000	33,332	23,332	25,854
Cemetery fees	10,000	7,425	(2,575)	8,525
Planning and zoning	3,000	1,850	(1,150)	2,185
Total other	<u>76,500</u>	<u>113,005</u>	<u>36,505</u>	<u>98,792</u>
Total revenues	<u>10,129,654</u>	<u>10,233,922</u>	<u>104,268</u>	<u>10,168,437</u>
<b>Expenditures:</b>				
General administration:				
Mayor and council:				
Personnel services	77,058	76,858	200	76,924
Operating expenses	52,050	33,795	18,255	33,202
Total mayor and council	<u>129,108</u>	<u>110,653</u>	<u>18,455</u>	<u>110,126</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
General administration (continued):				
City administrator:				
Personnel services	\$ 271,059	\$ 271,033	\$ 26	\$ 241,890
Operating expenses	42,045	36,339	5,706	25,200
Total city administrator	<u>313,104</u>	<u>307,372</u>	<u>5,732</u>	<u>267,090</u>
Building and grounds maintenance:				
Personnel services	204,910	204,851	59	164,357
Operating expenses	29,500	29,428	72	30,068
Capital outlay	7,000	-	7,000	-
Total building and grounds maintenance	<u>241,410</u>	<u>234,279</u>	<u>7,131</u>	<u>194,425</u>
Human resources:				
Personnel services	162,864	152,743	10,121	158,349
Operating expenses	88,650	54,280	34,370	52,421
Total human resources	<u>251,514</u>	<u>207,023</u>	<u>44,491</u>	<u>210,770</u>
Finance:				
Personnel services	243,851	242,740	1,111	234,743
Operating expenses	31,500	29,226	2,274	21,325
Total finance	<u>275,351</u>	<u>271,966</u>	<u>3,385</u>	<u>256,068</u>
Information technology:				
Personnel services	96,299	92,862	3,437	93,071
Operating expenses	359,780	319,023	40,757	229,962
Total information technology	<u>456,079</u>	<u>411,885</u>	<u>44,194</u>	<u>323,033</u>
Legal services:				
Personnel services	25,855	25,782	73	25,256
Operating expenses	20,200	19,938	262	20,469
Total legal services	<u>46,055</u>	<u>45,720</u>	<u>335</u>	<u>45,725</u>
General expense:				
Personnel services	764,050	738,706	25,344	669,903
Operating expenses	1,195,796	1,095,495	100,301	982,385
Total general expense	<u>1,959,846</u>	<u>1,834,201</u>	<u>125,645</u>	<u>1,652,288</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
General administration (continued):				
Administrative services:				
Personnel services	\$ 201,142	\$ 198,881	\$ 2,261	\$ 196,535
Operating expenses	45,650	36,953	8,697	37,109
Total administrative services	246,792	235,834	10,958	233,644
Total general administration	3,919,259	3,658,933	260,326	3,293,169
Public safety:				
Police:				
Personnel services	2,396,412	2,193,976	202,436	2,209,702
Operating expenses	538,158	426,156	112,002	493,185
Capital outlay	24,000	23,030	970	8,397
Total police	2,958,570	2,643,162	315,408	2,711,284
Victims' services:				
Personnel services	25,821	25,733	88	23,488
Operating expenses	3,600	3,353	247	3,996
Total victims' services	29,421	29,086	335	27,484
Law enforcement block grant:				
Capital outlay	19,984	4,627	15,357	3,129
Judiciary:				
Personnel services	230,802	230,739	63	231,362
Operating expenses	207,050	201,491	5,559	200,632
Total judiciary	437,852	432,230	5,622	431,994
Fire:				
Personnel services	1,344,553	1,280,919	63,634	1,253,937
Operating expenses	195,480	176,389	19,091	198,285
Total fire	1,540,033	1,457,308	82,725	1,452,222
Total public safety	4,985,860	4,566,413	419,447	4,626,113



**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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Public works:				
Street division:				
Personnel services	\$ 366,493	\$ 361,268	\$ 5,225	\$ 293,114
Operating expenses	482,225	454,599	27,626	444,256
Total street division	<u>848,718</u>	<u>815,867</u>	<u>32,851</u>	<u>737,370</u>
Vehicle maintenance:				
Personnel services	227,996	227,071	925	-
Operating expenses	75,950	47,188	28,762	-
Total vehicle maintenance	<u>303,946</u>	<u>274,259</u>	<u>29,687</u>	<u>-</u>
Total public works	<u>1,152,664</u>	<u>1,090,126</u>	<u>62,538</u>	<u>737,370</u>
Code enforcement:				
Personnel services	181,949	179,946	2,003	134,628
Operating expenses	65,800	52,083	13,717	69,570
Total code enforcement	<u>247,749</u>	<u>232,029</u>	<u>15,720</u>	<u>204,198</u>
Parks and playgrounds:				
Operating expenses	<u>111,650</u>	<u>111,645</u>	<u>5</u>	<u>98,892</u>
Community service:				
Other community services:				
Operating expenses	53,100	26,687	26,413	5,500
Total other community services	<u>53,100</u>	<u>26,687</u>	<u>26,413</u>	<u>5,500</u>
See Lancaster:				
Personnel services	45,675	45,445	230	44,212
Operating expenses	73,450	63,373	10,077	70,898
Total See Lancaster	<u>119,125</u>	<u>108,818</u>	<u>10,307</u>	<u>115,110</u>
Total community service	<u>172,225</u>	<u>135,505</u>	<u>36,720</u>	<u>120,610</u>
Debt service:				
Principal	12,400	12,390	10	161,428
Interest and fees	4,450	4,123	327	12,539
Total debt service	<u>16,850</u>	<u>16,513</u>	<u>337</u>	<u>173,967</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Capital improvements:				
Capital outlay	\$ 1,864,898	\$ 1,678,481	\$ 186,417	\$ 1,364,468
Total expenditures	12,471,155	11,489,645	981,510	10,618,787
Excess of revenues over (under) expenditures	(2,341,501)	(1,255,723)	1,085,778	(450,350)
<b>Other financing sources (uses):</b>				
Fund balance appropriated	2,204,186	-	(2,204,186)	-
Proceeds from capital leases	600,000	597,879	(2,121)	-
Transfer from Hospitality Tax Fund	104,545	104,545	-	104,545
Transfer to Hospitality Tax Fund	(567,230)	(353,249)	213,981	-
Total other financing sources	2,341,501	349,175	(1,992,326)	104,545
Excess of revenues and other sources over (under) expenditures	\$ -	(906,548)	\$ (906,548)	(345,805)
<b>Beginning of year, July 1</b>		7,679,975		8,025,780
<b>End of year, June 30</b>		\$ 6,773,427		\$ 7,679,975



**CITY OF LANCASTER, SOUTH CAROLINA**Hospitality Tax Fund  
Comparative Balance Sheets*June 30, 2015 and 2014*

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 350	\$ 350
Receivables:		
Taxes - other	72,148	64,787
Other	1,302	8,120
Restricted assets	536,320	458,230
Total assets	<u>\$ 610,120</u>	<u>\$ 531,487</u>
<b>Liabilities and fund balances</b>		
Accounts payable and accrued expenses	\$ 543	\$ 297
Compensated absences payable	359	213
Due to other funds	17,206	24,141
Prepaid Performing Arts revenue	8,411	22,222
Total liabilities	<u>26,519</u>	<u>46,873</u>
Fund balances:		
Restricted	583,601	484,614
Total fund balances	<u>583,601</u>	<u>484,614</u>
Total liabilities and fund balances	<u>\$ 610,120</u>	<u>\$ 531,487</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015			Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
<b>Revenues</b>					
Taxes	\$ 710,000	\$ 728,830	\$ 797,921	\$ 69,091	\$ 745,050
Charges for services	150,000	150,000	135,422	(14,578)	129,040
Interest	1,000	300	246	(54)	210
Grants	-	-	-	-	2,995
Miscellaneous	15,000	15,000	20,681	5,681	38,269
Total revenues	<u>876,000</u>	<u>894,130</u>	<u>954,270</u>	<u>60,140</u>	<u>915,564</u>
<b>Expenditures</b>					
Current:					
General administration	852,455	860,820	750,738	110,082	736,305
Capital outlay	-	-	-	-	13,505
Total expenditures	<u>852,455</u>	<u>860,820</u>	<u>750,738</u>	<u>110,082</u>	<u>749,810</u>
<b>Excess of revenues over (under) expenditures</b>	<u>23,545</u>	<u>33,310</u>	<u>203,532</u>	<u>170,222</u>	<u>165,754</u>
<b>Other financing sources</b>					
Fund balance appropriated	81,000	71,235	-	(71,235)	-
Transfers out	(104,545)	-	(104,545)	104,545	(104,545)
Total other financing sources	<u>(23,545)</u>	<u>71,235</u>	<u>(104,545)</u>	<u>33,310</u>	<u>(104,545)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ 104,545</u>	<u>98,987</u>	<u>\$ 203,532</u>	<u>61,209</u>
<b>Beginning of year, July 1</b>			<u>484,614</u>		<u>423,405</u>
<b>End of year, June 30</b>			<u>\$ 583,601</u>		<u>\$ 484,614</u>



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

June 30, 2015

	<b>E911</b>	<b>Southside Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 36,964	\$ 13,848	\$ 50,812
Receivables:			
Mortgages	-	18,030	18,030
Other	7,424	-	7,424
Total assets	<u>\$ 44,388</u>	<u>\$ 31,878</u>	<u>\$ 76,266</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Due from other funds	6,840	\$ -	\$ 6,840
Total liabilities	<u>6,840</u>	<u>-</u>	<u>6,840</u>
Fund balances			
Restricted:			
E911	37,548	-	37,548
Southside Housing	-	31,878	31,878
Total fund balances	<u>37,548</u>	<u>31,878</u>	<u>69,426</u>
Total liabilities and fund balances	<u>\$ 44,388</u>	<u>\$ 31,878</u>	<u>\$ 76,266</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, 2015*

	<b>E911</b>	<b>Southside Project</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Interest	\$ -	\$ 658	\$ 658
Other	45,088	-	45,088
Total revenues	<u>45,088</u>	<u>658</u>	<u>45,746</u>
<b>Expenditures</b>			
Current:			
Public safety	7,540	-	7,540
Total expenditures	<u>7,540</u>	<u>-</u>	<u>7,540</u>
<b>Net change in fund balances</b>	37,548	658	38,206
<b>Fund balance - beginning</b>	<u>-</u>	<u>31,220</u>	<u>31,220</u>
<b>Fund balance - ending</b>	<u>\$ 37,548</u>	<u>\$ 31,878</u>	<u>\$ 69,426</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

E911

Comparative Balance Sheets

*June 30, 2015 and 2014*

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 36,964	\$ -
Other receivables	7,424	-
Total assets	<u>\$ 44,388</u>	<u>\$ -</u>
<b>Liabilities and fund balance</b>		
Liabilities:		
Due from other funds	\$ 6,840	\$ -
Total liabilities	<u>6,840</u>	<u>-</u>
Fund balances:		
Undesignated	<u>37,548</u>	<u>-</u>
Total fund balances	<u>37,548</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 44,388</u>	<u>\$ -</u>



# CITY OF LANCASTER, SOUTH CAROLINA

E911

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

*For the Fiscal Years Ended June 30, 2015 and 2014*

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
Other	\$ 45,088	\$ -
Total revenues	<u>45,088</u>	<u>-</u>
<b>Expenditures</b>		
Current:		
Public safety	7,540	-
Total expenditures	<u>7,540</u>	<u>-</u>
<b>Net change in fund balances</b>	37,548	-
<b>Beginning of year, July 1</b>	<u>-</u>	<u>-</u>
<b>End of year, June 30</b>	<u><u>\$ 37,548</u></u>	<u><u>\$ -</u></u>



**CITY OF LANCASTER, SOUTH CAROLINA**Southside Project  
Comparative Balance Sheets*June 30, 2015 and 2014*

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,848	\$ 9,907
Mortgages	18,030	21,314
Total assets	<u>\$ 31,878</u>	<u>\$ 31,221</u>
<b>Liabilities and fund balances</b>		
Fund balances:		
Restricted	<u>31,878</u>	<u>31,221</u>
Total fund balances	<u>31,878</u>	<u>31,221</u>
Total liabilities and fund balances	<u>\$ 31,878</u>	<u>\$ 31,221</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, 2015 and 2014*

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
Interest	\$ 657	\$ 648
Total revenues	<u>657</u>	<u>648</u>
<b>Expenditures</b>		
Current:		
General administration	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	657	648
<b>Beginning of year, July 1</b>	<u>31,221</u>	<u>30,573</u>
<b>End of year, June 30</b>	<u><u>\$ 31,878</u></u>	<u><u>\$ 31,221</u></u>



## ENTERPRISE FUNDS



# CITY OF LANCASTER, SOUTH CAROLINA

## Gross Revenue Fund Comparative Balance Sheets

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 183,769	\$ 608,210
Receivables:		
Water and sewer	508,563	566,624
Other	15,579	262,837
Inventory	173,362	240,072
Total current assets	<u>881,273</u>	<u>1,677,743</u>
Restricted assets		
Customer deposits	233,411	227,857
Bond depreciation account	408,956	408,010
Bond contingency account	408,956	408,010
Bond debt service and reserve account	1,029,168	1,029,120
Total restricted assets	<u>2,080,491</u>	<u>2,072,997</u>
Capital assets (net, where applicable, of accumulated depreciation)	24,576,448	25,028,593
Total noncurrent assets	<u>26,656,939</u>	<u>27,101,590</u>
Total assets	<u>27,538,212</u>	<u>28,779,333</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	55,419	57,842
Compensated absences payable	17,098	18,581
Current portion of long-term debt	829,134	814,479
Capital leases payable - current	216,046	199,670
Customer deposits	233,411	227,857
Due to General Fund	128,574	420,965
Due to Internal Service Fund	-	6,177
Due to Solid Waste Fund	30,688	705
Total current liabilities	<u>1,510,370</u>	<u>1,746,276</u>
Noncurrent liabilities		
Compensated absences payable	85,488	92,909
Revenue bonds and notes payable	4,693,567	5,522,699
Capital leases payable - long-term	1,440,197	1,656,242
Total noncurrent liabilities	<u>6,219,252</u>	<u>7,271,850</u>
Total liabilities	<u>7,729,622</u>	<u>9,018,126</u>
<b>Net position</b>		
Net investment in capital assets	17,397,505	16,835,502
Restricted for debt payments	1,847,080	1,845,139
Net assets unrestricted	564,005	1,080,566
Total net position	<u>\$ 19,808,590</u>	<u>\$ 19,761,207</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, 2015**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)*

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Revenues</b>				
Water and sewer charges	\$ 5,618,500	\$ 5,836,274	\$ 217,774	\$ 6,037,536
Water penalties	215,000	220,145	5,145	225,585
Tap fees	20,000	13,226	(6,774)	21,632
Interest income	4,000	3,081	(919)	3,152
Other	585,000	86,357	(498,643)	498,519
Total revenues	<u>6,442,500</u>	<u>6,159,083</u>	<u>(283,417)</u>	<u>6,786,424</u>
<b>Expenditures</b>				
Public works administration:				
Salaries and employee benefits	158,826	149,727	9,099	218,934
Clothing	925	903	22	646
Vehicle maintenance	3,575	3,573	2	4,312
Communications	143,700	138,074	5,626	108,072
Utilities	54,800	54,708	92	56,367
Special contracts	-	-	-	3,560
Materials and supplies	8,005	8,005	-	11,384
Miscellaneous	7,495	6,912	583	6,914
Total public works administration	<u>377,326</u>	<u>361,902</u>	<u>15,424</u>	<u>410,189</u>
Water service:				
Salaries and employee benefits	321,775	321,412	363	293,730
Clothing	4,000	3,961	39	3,851
Vehicle maintenance	66,400	66,360	40	80,052
Communications	4,700	4,696	4	4,143
Repairs and maintenance	1,225	1,218	7	2,300
Special contracts	100,550	100,536	14	82,696
Materials and supplies	194,450	194,442	8	122,273
Miscellaneous	596,825	596,730	95	584,204
Total water service	<u>1,289,925</u>	<u>1,289,355</u>	<u>570</u>	<u>1,173,249</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Utility billing:				
Salaries and employee benefits	\$ 102,922	\$ 102,837	\$ 85	\$ 98,497
Communications	7,975	7,971	4	5,457
Repairs and maintenance	500	295	205	-
Special contracts	55,015	49,972	5,043	48,564
Materials and supplies	7,000	6,684	316	4,806
Miscellaneous	3,500	2,629	871	574
Total utility billing	<u>176,912</u>	<u>170,388</u>	<u>6,524</u>	<u>157,898</u>
Wastewater treatment:				
Salaries and employee benefits	299,775	283,599	16,176	296,067
Clothing	3,515	2,971	544	3,148
Vehicle maintenance	13,600	12,473	1,127	25,624
Communications	10,845	10,833	12	9,107
Utilities	243,150	242,367	783	234,649
Repairs and maintenance	174,965	172,608	2,357	110,281
Special contracts	120,130	120,127	3	192,758
Materials and supplies	21,500	17,443	4,057	55,547
Miscellaneous	393,540	386,739	6,801	249,386
Total wastewater treatment	<u>1,281,020</u>	<u>1,249,160</u>	<u>31,860</u>	<u>1,176,567</u>
Wastewater collection:				
Salaries and employee benefits	569,028	568,908	120	533,859
Clothing	10,180	7,989	2,191	5,593
Vehicle maintenance	83,000	73,324	9,676	112,871
Communications	2,100	1,563	537	1,906
Repairs and maintenance	724,075	45,178	678,897	3,480
Special contracts	15,000	(38,864)	53,864	40,769
EPA Compliance	963,650	670,278	293,372	430,930
Materials and supplies	77,525	67,410	10,115	86,609
Miscellaneous	5,600	4,299	1,301	7,853
Total wastewater collection	<u>2,450,158</u>	<u>1,400,085</u>	<u>1,050,073</u>	<u>1,223,870</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, 2015**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)*

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
General:				
Communications	\$ 20,725	\$ 20,710	\$ 15	\$ 19,605
Insurance	200,000	199,481	519	193,618
Repairs and maintenance	9,450	9,431	19	22,209
Special contracts	28,850	28,828	22	51,001
Miscellaneous	412,921	320,588	92,333	262,878
Total general	<u>671,946</u>	<u>579,038</u>	<u>92,908</u>	<u>549,311</u>
Debt service:				
Principal payments	1,014,190	1,014,147	43	1,091,433
Interest	165,215	157,690	7,525	183,418
Total debt service	<u>1,179,405</u>	<u>1,171,837</u>	<u>7,568</u>	<u>1,274,851</u>
Capital outlay	<u>1,087,900</u>	<u>914,018</u>	<u>173,882</u>	<u>1,663,483</u>
Total expenditures	<u>8,514,592</u>	<u>7,135,783</u>	<u>1,378,809</u>	<u>7,629,418</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>(2,072,092)</u>	<u>(976,700)</u>	<u>1,095,392</u>	<u>(842,994)</u>
<b>Other financing sources (uses)</b>				
Fund balance appropriated	1,269,292	-	(1,269,292)	-
Transfer from General Fund	627,800	353,249	(274,551)	-
Capital grant income	175,000	84,488	(90,512)	228,949
Total other financing sources (uses)	<u>2,072,092</u>	<u>437,737</u>	<u>(1,634,355)</u>	<u>228,949</u>
<b>Revenues and other sources     over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (538,963)</u>	<u>\$ (538,963)</u>	<u>\$ (614,045)</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, 2015*

*(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)*

	<b>2015</b>	<b>2014</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>		
Revenues and other sources over (under) expenditures	\$ (538,963)	\$ (614,045)
Payment of debt principal	1,014,147	1,091,433
Insurance proceeds and other	22,345	20,142
Depreciation	(1,364,163)	(1,320,110)
Capital outlay	914,018	1,663,483
	<u>914,018</u>	<u>1,663,483</u>
Change in net position per full accrual basis - Exhibit H	<u>\$ 47,384</u>	<u>\$ 840,903</u>



## CITY OF LANCASTER, SOUTH CAROLINA

### Gross Revenue Fund Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
<b>Operating activities</b>		
Cash received from customers	\$ 6,461,321	\$ 6,477,869
Cash paid to employees	(1,435,387)	(1,443,696)
Cash paid to suppliers	(3,559,154)	(3,414,949)
Net cash provided by operating activities	<u>1,466,780</u>	<u>1,619,224</u>
<b>Noncapital financing activities</b>		
Due to other funds	(268,585)	20,452
Customer deposits	5,554	6,221
Transfer from other funds	353,249	-
Net cash used in noncapital activities	<u>90,218</u>	<u>26,673</u>
<b>Capital and related financing activities</b>		
Proceeds from capital grants	84,488	228,949
Insurance proceeds	12,781	13,711
Proceeds from sale of capital assets	9,559	6,431
Acquisition of capital assets	(912,018)	(1,663,484)
Principal paid on capital leases	(199,669)	(246,243)
Principal paid on bond and note maturities	(814,477)	(845,190)
Interest and bond fees	(157,690)	(183,418)
Net cash used in capital and related financing activities	<u>(1,977,026)</u>	<u>(2,689,244)</u>
<b>Investing activities</b>		
Interest on investments	3,081	3,152
Net cash provided by investing activities	<u>3,081</u>	<u>3,152</u>
Net decrease in cash and cash equivalents/investments	(416,947)	(1,040,195)
<b>Cash and cash equivalents/investments</b>		
Beginning of year	<u>2,681,207</u>	<u>3,721,402</u>
End of year	<u>\$ 2,264,260</u>	<u>\$ 2,681,207</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ (258,089)	\$ 772,077
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,364,163	1,320,110
Change in assets and liabilities		
Accounts receivable	305,319	(305,403)
Inventory	66,710	(105,926)
Accounts payable and accrued expenses	(2,419)	(59,025)
Compensated absences	(8,904)	(2,609)
Total adjustments	<u>1,724,869</u>	<u>847,147</u>
Net cash provided by operating activities	<u>\$ 1,466,780</u>	<u>\$ 1,619,224</u>

See notes to financial statements.





# CITY OF LANCASTER, SOUTH CAROLINA

## Solid Waste Fund Comparative Balance Sheets

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 795,152	\$ 449,807
Receivables:		
Garbage and trash	97,590	97,153
Roll-off containers	14,791	14,230
Other	112,883	63,921
Due from other funds	30,688	705
Total current assets	<u>1,051,104</u>	<u>625,816</u>
Capital assets (net, where applicable, of accumulated depreciation)	<u>1,703,637</u>	<u>1,870,598</u>
Total noncurrent assets	<u>1,703,637</u>	<u>1,870,598</u>
Total assets	<u>2,754,741</u>	<u>2,496,414</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	7,845	7,959
Compensated absences payable	8,649	8,544
Capital leases payable - current	47,658	45,819
Due to Internal Service Fund	-	5,985
Due to General Fund	62,135	60,486
Total current liabilities	<u>126,287</u>	<u>128,793</u>
Noncurrent liabilities		
Advances from other funds	63,061	122,044
Compensated absences payable	43,244	42,719
Capital leases payable - long-term	134,823	182,481
Total noncurrent liabilities	<u>241,128</u>	<u>347,244</u>
Total liabilities	<u>367,415</u>	<u>476,037</u>
<b>Net position</b>		
Net investment in capital assets	1,521,156	1,642,298
Net assets unrestricted	866,170	378,079
Total net position	<u>\$ 2,387,326</u>	<u>\$ 2,020,377</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Revenues</b>				
Garbage fees	\$ 1,150,000	\$ 1,098,180	\$ (51,820)	\$ 1,091,490
Roll-off containers	85,000	77,370	(7,630)	95,120
Recycling sales	20,000	31,797	11,797	22,841
Transfer station	599,805	846,939	247,134	571,143
Interest	1,000	900	(100)	855
Other	95,000	6,045	(88,955)	1,392
Total revenues	<u>1,950,805</u>	<u>2,061,231</u>	<u>110,426</u>	<u>1,782,841</u>
<b>Expenditures</b>				
General:				
Salaries and employee benefits	55,530	55,395	135	-
Insurance	125,000	95,972	29,028	114,738
Repairs and maintenance	90,000	-	90,000	-
Special contracts	5,500	4,464	1,036	10,537
Utilities	16,925	16,917	8	-
Miscellaneous	85,290	72,456	12,834	67,324
Total general	<u>378,245</u>	<u>245,204</u>	<u>133,041</u>	<u>192,599</u>
Information technology	<u>28,600</u>	<u>25,648</u>	<u>2,952</u>	<u>15,862</u>
Residential garbage:				
Salaries and employee benefits	369,727	267,136	102,591	484,304
Clothing	8,700	4,823	3,877	5,271
Communications	8,000	5,387	2,613	6,077
Vehicle maintenance	124,100	93,621	30,479	157,962
Special contracts	7,400	7,369	31	1,468
Materials and supplies	16,000	4,387	11,613	26,846
Utilities	11,500	9,879	1,621	24,826
Miscellaneous	6,500	2,955	3,545	6,293
Total residential garbage	<u>551,927</u>	<u>395,557</u>	<u>156,370</u>	<u>713,047</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Recycling:				
Salaries and employee benefits	\$ 28,855	\$ 28,824	\$ 31	\$ -
Clothing	125	110	15	-
Vehicle maintenance	19,795	14,108	5,687	18,259
Communications	575	565	10	394
Materials and supplies	32,000	374	31,626	24,027
Miscellaneous	4,500	1,513	2,987	1,523
Total recycling	<u>85,850</u>	<u>45,494</u>	<u>40,356</u>	<u>44,203</u>
Commerical garbage:				
Salaries and employee benefits	103,979	93,258	10,721	88,455
Clothing	1,200	809	391	515
Vehicle maintenance	144,065	63,862	80,203	97,876
Special contracts	101,935	101,931	4	110,677
Materials and supplies	18,000	9,273	8,727	20,830
Miscellaneous	1,100	15	1,085	24
Total commercial garbage	<u>370,279</u>	<u>269,148</u>	<u>101,131</u>	<u>318,377</u>
Transfer station:				
Salaries and employee benefits	194,768	190,753	4,015	126,839
Clothing	3,300	2,088	1,212	1,717
Vehicle maintenance	251,500	251,354	146	277,615
Communications	1,000	889	111	740
Repairs and maintenance	13,000	4,181	8,819	5,906
Special contracts	11,400	11,242	158	4,392
Materials and supplies	5,500	5,463	37	2,969
Miscellaneous	1,700	750	950	792
Total transfer station	<u>482,168</u>	<u>466,720</u>	<u>15,448</u>	<u>420,970</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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Debt service:				
Principal	\$ 106,145	\$ 45,819	\$ 60,326	\$ -
Interest	4,791	4,772	19	3,888
Total debt service	<u>110,936</u>	<u>50,591</u>	<u>60,345</u>	<u>3,888</u>
Capital outlay	<u>387,000</u>	<u>186,235</u>	<u>200,765</u>	<u>391,216</u>
Total expenditures	<u>2,395,005</u>	<u>1,684,597</u>	<u>710,408</u>	<u>2,100,162</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(444,200)</u>	<u>376,634</u>	<u>820,834</u>	<u>(317,321)</u>
<b>Other financing sources (uses)</b>				
Fund balance appropriated	185,200	-	(185,200)	-
Proceeds from capital lease	<u>259,000</u>	<u>-</u>	<u>(259,000)</u>	<u>228,300</u>
Total other financing uses	<u>444,200</u>	<u>-</u>	<u>(444,200)</u>	<u>228,300</u>
<b>Revenues and other sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 376,634</u>	<u>\$ 376,634</u>	<u>\$ (89,021)</u>
			<b>2015</b>	<b>2014</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Revenues and other sources over expenditures			\$ 376,634	\$ (89,021)
Payment of debt principal			45,819	-
Insurance proceeds and other			38,395	9,948
Proceeds from capital lease			-	(228,300)
Depreciation			(280,132)	(270,646)
Capital outlay			<u>186,235</u>	<u>391,216</u>
Change in net position per full accrual basis - Exhibit H			<u>\$ 366,951</u>	<u>\$ (186,803)</u>



Solid Waste Fund  
Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
<b>Operating activities</b>		
Cash received from customers	\$ 2,010,369	\$ 1,793,203
Cash paid to employees	(634,736)	(696,751)
Cash paid to suppliers	(814,272)	(1,005,783)
Net cash provided by operating activities	<u>561,361</u>	<u>90,669</u>
<b>Noncapital financing activities</b>		
Due from other funds	(4,336)	(5,331)
Due to other funds	(86,347)	(299,966)
Net cash provided by noncapital activities	<u>(90,683)</u>	<u>(305,297)</u>
<b>Capital and related financing activities</b>		
Insurance proceeds	4,394	6,265
Proceeds from sale of capital assets	106,199	3,684
Acquisition of capital assets	(186,235)	(162,916)
Principal paid on capital leases	(45,819)	-
Interest and bond fees	(4,772)	(3,888)
Net cash used in capital and related financing activities	<u>(126,233)</u>	<u>(156,855)</u>
<b>Investing activities</b>		
Interest on investments	900	855
Net cash provided by investing activities	<u>900</u>	<u>855</u>
Net decrease in cash and cash equivalents/investments	345,345	(370,628)
<b>Cash and cash equivalents/investments</b>		
Beginning of year	<u>449,807</u>	<u>820,435</u>
End of year	<u>\$ 795,152</u>	<u>\$ 449,807</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$ 332,427	\$ (193,720)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	280,132	270,646
Change in assets and liabilities		
Accounts receivable	(51,715)	9,464
Accounts payable and accrued expenses	(113)	1,432
Compensated absences	630	2,847
Total adjustments	<u>228,934</u>	<u>284,389</u>
Net cash provided by operating activities	<u>\$ 561,361</u>	<u>\$ 90,669</u>



FIDUCIARY FUND



# CITY OF LANCASTER, SOUTH CAROLINA

Fiduciary Fund Type- Agency Fund- Firemen's Fund

Comparative Statement of Fiduciary Net Position  
*June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and temporary investments	\$ 18,731	\$ 18,382
Total assets	<u>\$ 18,731</u>	<u>\$ 18,382</u>
<b>Liabilities</b>		
Due to firemen's association	\$ 18,731	\$ 18,382
Total liabilities	<u>\$ 18,731</u>	<u>\$ 18,382</u>



# CITY OF LANCASTER, SOUTH CAROLINA

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

*For the Fiscal Year Ended June 30, 2015*

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
<b>Firemen's Fund</b>				
<b>Assets</b>				
Cash and temporary investments	\$ 18,382	\$ 19,265	\$ 18,916	\$ 18,731
Total assets	<u>\$ 18,382</u>	<u>\$ 19,265</u>	<u>\$ 18,916</u>	<u>\$ 18,731</u>
<b>Liabilities</b>				
Due to firemen's association	\$ 18,382	\$ 19,265	\$ 18,916	\$ 18,731
Total liabilities	<u>\$ 18,382</u>	<u>\$ 19,265</u>	<u>\$ 18,916</u>	<u>\$ 18,731</u>





OTHER FINANCIAL INFORMATION SECTION



**CITY OF LANCASTER, SOUTH CAROLINA**Schedule of Debt Coverage  
Gross Revenue Fund*For the Fiscal Year Ended June 30, 2015*

Operating revenues	<u>\$ 6,156,002</u>
Operating expenses (including depreciation)	5,824,995
Contract with Lancaster Water and Sewer District	<u>589,096</u>
Total operating expenses	<u>6,414,091</u>
Nonoperating revenues (expenses):	
Interest income	3,081
Interest expense and bond fees	(157,690)
Insurance proceeds	12,781
Gain on sale of fixed assets	<u>9,564</u>
Total nonoperating expense	<u>(132,264)</u>
Net income	<u>(390,353)</u>
Add:	
Depreciation allowance	1,364,163
Interest and fees on bonds	<u>157,690</u>
Total additions	<u>1,521,853</u>
Net earnings	<u>\$ 1,131,500</u>
Debt service requirements	<u>\$ 896,231</u>
Debt coverage ratio	<u>1.26</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, 2015*

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Funds available for the year ended June 30, 2014	<u>\$ -</u>
Victims' percentage of assessments	<u>26,030</u>
Total revenues	26,030
Actual expenditures	<u>(29,085)</u>
Grant and assessment receipts under expenditures	<u>(3,055)</u>
Funds available for the year ended June 30, 2015	<u><u>\$ (3,055)</u></u>



## CITY OF LANCASTER, SOUTH CAROLINA

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

*For the Fiscal Year Ended June 30, 2015*

	Retained By City				Remitted to State		Total Collected
	Victim Assessment	Victim Surcharge	Fines Collected	Other Revenue	Assessment	Other Fees	
July-14	\$ 1,622	\$ 1,079	\$ 12,960	\$ 520	\$ 12,917	\$ 3,413	\$ 32,511
August-14	1,000	865	8,096	382	7,862	1,855	20,060
September-14	1,320	1,356	10,268	302	10,499	3,458	27,203
October-14	1,237	997	10,098	437	9,844	3,317	25,930
November-14	1,060	981	7,912	321	8,235	3,635	22,144
December-14	1,379	1,143	10,267	680	10,974	4,236	28,679
January-15	1,441	661	12,077	97	11,474	4,432	30,182
February-15	1,908	794	15,749	121	14,975	3,650	37,197
March-15	1,264	938	10,287	27	10,061	2,864	25,441
April-15	925	502	8,005	158	7,364	2,647	19,601
May-15	999	720	8,157	80	7,952	2,262	20,170
June-15	1,118	721	9,612	268	8,899	2,572	23,190
	<u>\$ 15,273</u>	<u>\$ 10,757</u>	<u>\$ 123,488</u>	<u>\$ 3,393</u>	<u>\$ 121,056</u>	<u>\$ 38,341</u>	<u>\$ 312,308</u>



## STATISTICAL SECTION - UNAUDITED

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

	<b>Pages</b>
<b>Financial Trends Information</b> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	110 - 114
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	115 - 119
<b>Debt Capacity Information</b> These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	120 - 124
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	125 - 126
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	127 - 129



## CITY OF LANCASTER, SOUTH CAROLINA

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 14,017,881
Restricted for drug fund	-	-	-	-	-	-	-	-	97,188	103,533
Restricted for tourism	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497	1,308,988	422,789	458,230	536,320
Restricted for debt service	184,256	187,659	191,129	193,522	-	-	-	-	-	-
Restricted for Southside project	-	-	-	-	-	44,357	29,792	30,573	31,221	31,878
Restricted for victims' services	-	-	-	-	11,558	-	-	-	-	37,548
Unrestricted	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	(2,672,112)
Total governmental activities net position	<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>	<u>12,055,048</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 18,918,661
Restricted for debt service	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	1,847,080
Unrestricted	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	1,430,175
Total business-type activities net position	<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>	<u>\$ 22,195,916</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 32,936,542
Restricted for drug fund	-	-	-	-	-	-	-	-	97,188	103,533
Restricted for tourism	1,095,633	821,582	979,272	1,144,521	1,098,480	1,278,497	1,308,988	422,789	458,230	536,320
Restricted for Southside project	-	-	-	-	-	44,357	29,792	30,573	31,221	31,878
Restricted for debt service	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	1,847,080
Restricted for victims' services	-	-	-	-	11,558	-	-	-	-	37,548
Unrestricted	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	(1,241,937)
Total primary government net position	<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>\$ 45,918,510</u>	<u>\$ 34,250,964</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
<b>Governmental activities</b>										
General administration	\$ 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	\$ 4,771,780
Public safety	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	4,973,382
Public works	826,893	874,349	925,599	899,345	864,617	909,897	945,278	747,106	881,275	1,307,459
Code enforcement	223,674	235,403	234,941	240,646	187,303	196,393	205,859	161,030	209,902	238,756
Parks and playgrounds	96,954	101,470	101,470	101,470	102,767	134,555	117,349	112,629	114,672	129,114
Community service	109,071	68,313	42,629	51,557	401,993	539,769	125,733	91,784	121,369	135,193
Interest and fees	60,601	101,629	75,436	66,723	52,630	37,216	27,458	26,598	12,539	4,123
<b>Total governmental activities expense</b>	<b>8,707,069</b>	<b>9,690,776</b>	<b>9,556,834</b>	<b>9,779,701</b>	<b>9,745,512</b>	<b>10,359,112</b>	<b>9,942,883</b>	<b>9,927,362</b>	<b>10,607,413</b>	<b>11,559,807</b>
<b>Business-type activities</b>										
Water and sewer	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	6,571,781
Solid waste	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	1,732,674
<b>Total business-type activities expense</b>	<b>5,714,801</b>	<b>5,928,660</b>	<b>6,261,214</b>	<b>6,906,211</b>	<b>6,686,178</b>	<b>6,913,627</b>	<b>7,420,474</b>	<b>7,621,125</b>	<b>8,174,207</b>	<b>8,304,455</b>
<b>Total primary government expenses</b>	<b>\$ 14,421,870</b>	<b>\$ 15,619,436</b>	<b>\$ 15,818,048</b>	<b>\$ 16,685,912</b>	<b>\$ 16,431,690</b>	<b>\$ 17,272,739</b>	<b>\$ 17,363,357</b>	<b>\$ 17,548,487</b>	<b>\$ 18,781,620</b>	<b>\$ 19,864,262</b>
<b>Program revenues</b>										
<b>Governmental activities</b>										
Charges for service:										
General administration	\$ 113,309	\$ 91,486	\$ 110,279	\$ 90,645	\$ 114,932	\$ 135,530	\$ 279,244	\$ 285,386	\$ 265,841	\$ 293,689
Public safety	567,776	500,795	492,520	417,344	412,569	401,010	394,443	312,892	328,653	336,102
Public works	-	-	-	-	-	-	-	-	-	-
Code enforcement	60,510	49,505	58,813	35,245	71,498	41,421	68,965	48,269	61,619	36,438
Parks and playgrounds	-	-	-	-	-	-	-	-	-	-
Community service	-	-	-	-	117,665	211,994	27,102	(410)	-	-
Interest and fees	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,315,171	568,572	364,464	292,626	596,489	1,657,897	172,877	612,195	105,401	32,680
Capital grants and contributions	-	-	-	9,795	-	-	-	-	12,100	-
<b>Total governmental activities program revenues</b>	<b>2,056,766</b>	<b>1,210,358</b>	<b>1,026,076</b>	<b>845,655</b>	<b>1,313,153</b>	<b>2,447,852</b>	<b>942,631</b>	<b>1,258,332</b>	<b>773,614</b>	<b>698,909</b>
<b>Business-type activities</b>										
Water and sewer	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	6,069,645
Solid waste	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	2,054,286
Operating grants and contributions	180,044	502,805	609,084	32,801	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	731,674	1,135,749	391,470	-	228,949	84,488
<b>Total business-type activities program revenues</b>	<b>6,635,769</b>	<b>7,278,520</b>	<b>7,076,385</b>	<b>7,463,170</b>	<b>7,660,467</b>	<b>8,325,356</b>	<b>7,666,647</b>	<b>7,682,268</b>	<b>8,294,296</b>	<b>8,208,419</b>
<b>Total primary government program revenues</b>	<b>\$ 8,692,535</b>	<b>\$ 8,488,878</b>	<b>\$ 8,102,461</b>	<b>\$ 8,308,825</b>	<b>\$ 8,973,620</b>	<b>\$ 10,773,208</b>	<b>\$ 8,609,278</b>	<b>\$ 8,940,600</b>	<b>\$ 9,067,910</b>	<b>\$ 8,907,328</b>



## CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (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)	\$ (10,860,898)
Business-type activities	920,968	1,349,860	815,171	556,959	974,289	1,411,729	246,173	61,143	120,089	(96,036)
Total primary government net expense	<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>	<u>(10,956,934)</u>
<b>General revenues and other changes in net position</b>										
Governmental activities										
Ad valorem taxes	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	5,699,301
Other taxes and licenses	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	397,799
Sales tax							1,233,425	1,221,374	1,270,638	1,329,261
Business licenses							1,547,204	1,922,319	1,916,492	2,000,306
Franchise fees							802,316	746,765	820,246	835,373
Unrestricted intergovernmental	372,110	366,282	387,057	374,003	325,019	278,732	253,818	293,048	303,333	310,153
Unrestricted investment earnings	171,880	263,169	216,594	73,893	33,068	27,032	21,070	24,424	12,579	14,205
Miscellaneous	79,478	105,041	65,258	108,890	82,119	146,150	69,134	118,467	120,636	120,006
Donations	-	-	-	-	50,290	-	-	-	-	-
Gain on sale of capital assets	-	27,655	400	11,409	-	6,494	54,636	3,506	3,988	5,053
Transfers	-	-	-	-	-	-	-	-	-	(353,249)
Total governmental activities	<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>	<u>10,358,208</u>
Business-type activities										
Unrestricted investment earnings	186,112	258,609	184,807	43,672	19,337	13,586	8,843	7,316	4,007	3,981
Miscellaneous	4,266	4,218	147,200	349,017	387,310	11,805	384,317	105,280	519,887	109,575
Gain on sale of capital assets	1,600	21,997	92	2,602	-	7,032	67,738	40,660	10,115	43,566
Transfers	-	-	-	-	-	-	-	-	-	353,249
Total business-type activities	<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>	<u>510,371</u>
<b>Change in net position</b>										
Governmental activities	2,167,989	946,051	841,085	274,471	916,113	1,567,624	751,491	1,612,263	693,105	(502,690)
Business-type activities	1,112,946	1,634,684	1,147,270	952,250	1,380,936	1,444,152	707,071	214,399	654,098	414,335
Total primary government	<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>	<u>\$ (88,355)</u>





## CITY OF LANCASTER, SOUTH CAROLINA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ 12,533	\$ 6,548	\$ 5,055	\$ 2,999	\$ 59,040	\$ 6,276	\$ 4,092	\$ 5,639	\$ 5,811	\$ 7,747
Restricted	1,289,985	471,497	349,528	332,079	313,239	278,215	285,092	287,883	97,188	103,533
Committed	190,413	246,019	312,059	390,289	497,591	621,127	1,332,732	742,059	812,830	828,552
Assigned	524,600	476,400	52,600	105,000	587,770	1,082,368	374,600	708,411	1,488,749	1,124,483
Unassigned	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	4,709,112
Total General Fund	<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>	<u>\$ 6,773,427</u>
All Other Governmental Funds										
Restricted	\$ 878,638	\$ 1,067,378	\$ 1,251,110	\$ 1,365,465	\$ 1,223,616	\$ 1,298,661	\$ 848,645	\$ 453,978	\$ 515,835	\$ 653,027
Total all other governmental funds	<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>	<u>\$ 653,027</u>



**CITY OF LANCASTER, SOUTH CAROLINA**

Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 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	\$ 6,461,779
Fines, fees, licenses and permits	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	3,799,995
Intergovernmental	446,129	487,705	520,489	510,197	465,672	420,298	388,927	430,077	441,967	450,557
Charges for services	129,113	88,216	110,163	90,760	233,296	339,284	306,143	287,467	264,407	247,203
Grants	429,228	568,572	364,464	292,626	596,489	631,897	172,877	660,195	142,212	81,425
Interest	171,874	263,170	216,594	73,894	33,068	27,031	21,069	24,424	12,580	14,205
Other	104,940	75,527	65,659	127,872	132,409	152,644	94,021	123,973	137,061	178,776
<b>Total revenues</b>	<b>9,930,011</b>	<b>10,483,037</b>	<b>10,437,405</b>	<b>10,194,034</b>	<b>10,762,757</b>	<b>10,752,417</b>	<b>10,392,136</b>	<b>11,351,508</b>	<b>11,084,649</b>	<b>11,233,940</b>
<b>Expenditures</b>										
General administration	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	4,409,671
Public safety	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	4,573,953
Public works	790,905	800,594	855,822	837,673	815,736	839,537	862,836	648,105	737,370	1,090,126
Code enforcement	222,623	234,977	232,238	237,909	183,814	191,894	201,546	163,087	204,198	232,029
Parks and playgrounds	93,195	97,778	97,778	97,778	97,858	124,245	106,473	97,778	98,892	111,645
Community service	109,071	68,313	42,629	50,050	399,636	539,976	125,597	93,040	120,610	135,505
Capital outlay	1,011,144	1,699,778	599,768	597,616	637,134	582,563	1,140,041	2,099,261	1,377,973	1,678,481
Debt service:										
Principal	189,763	349,103	339,700	272,279	315,524	330,212	144,651	150,516	161,428	12,390
Interest and fees	60,601	101,629	75,436	66,723	52,630	37,216	27,458	26,598	12,539	4,123
<b>Total expenditures</b>	<b>9,423,596</b>	<b>10,793,052</b>	<b>9,735,075</b>	<b>9,762,913</b>	<b>10,072,222</b>	<b>10,879,333</b>	<b>10,621,734</b>	<b>11,465,232</b>	<b>11,368,599</b>	<b>12,247,923</b>
Excess of revenues over (under) expenditures	506,415	(310,015)	702,330	431,121	690,535	(126,916)	(229,598)	(113,724)	(283,950)	(1,013,983)
<b>Other financing sources (uses)</b>										
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	597,879
Transfers in	283,126	39,178	-	-	229,087	176,246	-	402,955	104,545	104,545
Transfers out	(283,126)	(39,178)	-	-	(229,087)	(176,246)	-	(402,955)	(104,545)	(457,794)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,630</b>
<b>Net change in fund balance</b>	<b>\$ 506,415</b>	<b>\$ (310,015)</b>	<b>\$ 702,330</b>	<b>\$ 431,121</b>	<b>\$ 690,535</b>	<b>\$ (126,916)</b>	<b>\$ (229,598)</b>	<b>\$ (113,724)</b>	<b>\$ (283,950)</b>	<b>\$ (769,353)</b>
Debt service as a percentage of noncapital expenditures	2.98%	4.96%	4.54%	3.70%	3.90%	3.57%	1.82%	1.89%	1.74%	0.16%



**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>
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
2015	3,173,568	1,997,306	797,921	5,968,795
Change 2006-2015	\$ 190,978	\$ 433,475	\$ 122,758	\$ 747,211

\* 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		
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
2015	25,812,570	454,187,151	6,163,025	68,457,867	31,975,595	522,645,018	6.12%	156.9

Source: Lancaster County Auditor

#### Notes:

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

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



## CITY OF LANCASTER, SOUTH CAROLINA

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Lancaster County</u>	<u>USC - Lancaster</u>	<u>Lancaster County School District</u>	<u>Total Direct &amp; Overlapping</u>
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
2015	156.90	89.40	4.10	192.50	442.90

Source: Lancaster County Auditor

Notes:

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



## CITY OF LANCASTER, SOUTH CAROLINA

Principal Property Taxpayers,  
Current and Ten Years Ago

Taxpayer	Tax Year 2014			Tax Year 2005		
	Taxable Assessed Value	Rank	% of Total City Assessed Value	Taxable Assessed Value	Rank	% of Total City Assessed Value
Lancaster Hospital Corp	\$ 4,306,510	1	13.47%	\$ 3,531,190	2	12.08%
The Gillette Company	4,215,682	2	13.18%	4,196,619	1	14.35%
Springland Associates, LLC	1,312,790	3	4.11%	1,882,460	3	6.44%
Cole WM Lancaster SC, LLC	809,060	5	2.53%			
Duke Energy Corp	801,780	4	2.51%	836,720	4	2.86%
Lancaster Telephone Company	637,240	6	1.99%	653,710	5	2.24%
Springmaid Federal Credit Union	519,999	7	1.63%			
TSO Quality Lancaster LP	432,896	8	1.35%			
Kanawha Insurance Company	402,320	9	1.26%	321,820	9	1.10%
HD Development of Maryland Inc.	390,290	10	1.22%	338,350	7	1.16%
Lancaster Center LLC				416,520	6	1.42%
Founders Federal Credit Union				336,580	8	1.15%
Pardue Street Limited				286,580	10	0.98%
<b>Total</b>	<b>\$ 13,828,567</b>		<b>43.25%</b>	<b>\$ 12,800,549</b>		<b>43.78%</b>

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



## CITY OF LANCASTER, SOUTH CAROLINA

Real Property Tax Levies and Collections  
Last Ten Years

Levy Year	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
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%	359,398	3,566,547	100.00%
2010	3,615,080	248,873	3,863,953	3,606,238	93.33%	137,825	3,863,953	100.00%
2011	3,689,696	265,703	3,955,399	3,762,301	95.12%	48,731	3,955,399	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%	101,036	4,046,449	99.27%
2014	3,698,618	210,223	3,908,841	3,787,136	96.89%	-	3,803,011	97.29%

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		
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
2015	-	700,647	-	1,838,723	5,522,701	8,062,071	904

## 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>
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
2015	-	700,647	700,647	0.13%	79

## 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, 2015

<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	\$ 700,647	100%	\$ 700,647
Overlapping:			
Lancaster County	51,041,102	100%	51,041,102
Lancaster School District	<u>82,390,327</u>	100%	<u>82,390,327</u>
	<u>133,431,429</u>		<u>133,431,429</u>
 Total direct and overlapping debt	 <u>\$ 134,132,076</u>		 <u>\$ 134,132,076</u>



## CITY OF LANCASTER, SOUTH CAROLINA

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit (8% of assessed value)	\$ 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	\$ 2,558,048
Total net debt applicable to limit	985,000	885,000	780,000	670,000	550,000	425,000	290,000	150,000	115,158	700,647
Legal debt margin	<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>	<u>\$ 1,857,401</u>
Total net debt applicable to the limit as a percentage of the debt limit	41.67%	33.36%	29.08%	25.47%	20.32%	15.29%	11.09%	5.87%	4.38%	27.39%

## Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 31,975,595
Debt limit (8% of assessed value)	2,558,048
Debt applicable to limit	<u>(700,647)</u>
Legal debt margin without referendum	<u>\$ 1,857,401</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		
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
2015	6,175,412	5,049,926	1,125,486	896,231		1.26

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>
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%
2015	8,916	83,097	1,745,286	21,003	6.5%

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>2015</u>			<u>2006 (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	4.74%			
Lancaster County School District	1,569	2	4.64%	1,524	1	5.49%
Lancaster County (2)	837	3	2.48%	717	4	2.58%
Cardinal Health	800	4	2.37%	700	5	2.52%
Springs Memorial Hospital	700	5	2.07%	800	3	11.27%
Continental Tire	430	6	1.27%			
Duracell	405	7	1.20%	601	6	2.16%
URS Nuclear	310	8	0.92%			
Wal-Mart Indian Land	365	9	1.08%			
Wal-Mart Lancaster	358	10	1.06%	300	9	1.08%
Springs Global				1,500	2	5.40%
KMG America				360	7	1.30%
Founders Federal Credit Union				268	10	0.96%
US Textiles Corporation				330	8	1.19%
<b>Total</b>	<b>7,374</b>		<b>21.83%</b>	<b>7,100</b>		<b>33.95%</b>
Total County Labor Force (3)	33,788			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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Administration										
City Administrator	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Building and Grounds Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Human Resources	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	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	2.0	2.0	2.0
Legal	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Services	4.0	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	3.0	3.0	1.0	1.0	1.0	1.0
Events Management	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
Performing Arts	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
Public Safety										
Police	48.5	48.5	46.5	46.5	48.5	48.5	48.5	53.5	53.5	53.5
Victims' Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5
Court Administration	5.5	5.5	6.5	6.5	6.5	6.5	7.0	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	11.0	8.0	7.0	7.0	7.0	6.0	6.0	6.0	8.0	8.0
Vehicle Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Construction Crew	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
Code Enforcement										
Building, Planning & Zoning	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	4.0	4.0
Utilities										
Public Works Administration	3.0	3.0	3.0	3.0	3.0	5.0	6.0	5.0	4.0	4.0
Water Service	11.0	10.0	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	3.0	3.0	3.0
Wastewater Treatment	7.0	7.0	7.0	7.0	7.0	6.0	7.0	6.0	6.0	6.0
Wastewater Collection	12.0	11.0	11.0	13.0	13.0	13.0	12.0	14.0	14.0	14.0
Solid Waste										
Residential	9.0	10.0	10.0	10.0	10.0	10.0	10.0	12.0	11.0	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	4.0	4.0	4.0	4.0	4.0	4.0
<b>Total FTE Employees</b>	<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>	<u>184.0</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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Administration										
Human Resources										
Employment applications processed(1)	165	331	343	387	537	274	215	471	361	141
Workers Compensation cases(1)	30	22	29	10	24	62	49	52	87	123
Public Safety										
Police Department										
Arrest warrants served(1)(2)	1,350	994	964	1,144	1,109	562	1,070	942	1,069	596
Traffic cases(1)(2)	3,129	3,584	3,774	3,266	2,630	2,975	2,775	2,280	2,261	2,395
Fraudulent check warrants served(1)(2)	323	71	29	68	1,109	15	7	28	16	9
Fire Department										
Fire responses(1)	200	182	212	196	167	197	164	68	86	115
Medical responses(1)	500	622	734	608	497	471	471	335	361	419
Other responses(1)	511	539	442	418	415	430	429	77	132	216
Judiciary										
Criminal Docket total cases filed(2)	670	622	786	1,891	2,137	1,962	1,146	1,269	1,214	917
Traffic Docket total cases filed(2)	2,982	3,854	3,572	2,874	3,034	3,061	2,523	1,993	1,517	1,759
DUI Docket total cases filed(2)	49	38	65	151	112	102	95	99	83	77
Code Enforcement										
Building, Planning & Zoning										
Number of projects(2)	711	627	648	518	474	488	537	475	543	455
Number of inspections(2)	5,663	4,875	3,716	4,416	4,355	4,726	4,228	5,742	6,840	6,241
Utilities										
Utility Billing										
Number of utility customers(2)	5,859	6,027	5,749	5,876	5,921	5,846	5,805	5,750	5,795	5,812
Wastewater Treatment										
Number of gallons treated (in millions)	871.569	942.261	800.928	849.913	932.267	952.185	847.548	791.737	852.432	782.065
Solid Waste										
Transfer Station										
Tons of household garbage disposed of(2)	9,253	9,335	12,926	20,862	21,578	21,425	23,830	24,800	26,201	25,286

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	14	14	14	14	15	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, 2015, 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 October 23, 2015.

**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  
October 23, 2015

