



SOUTH CAROLINA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

CITY OF LANCASTER, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022



Prepared By: Finance Department
Steven "Flip" Hutfles, City Administrator

INTRODUCTORY SECTION

(This page intentionally left blank.)

CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2022

INTRODUCTORY SECTION (UNAUDITED)

	<u>Page Number</u>
Transmittal Letter	1
Listing of Principal Officials	5
Organizational Chart	6
Certificate of Achievement for Excellence in Financial Reporting	7

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	11
-------------------------------------	----

Management's Discussion and Analysis	15
--------------------------------------	----

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	26
---------------------------	----

Statement of Activities	27
-------------------------	----

Fund Financial Statements

Balance Sheet - Governmental Funds	28
------------------------------------	----

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
---	----

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	30
--	----

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	31
--	----

Statement of Net Position - Enterprise Funds	32
--	----

Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds	33
---	----

Statement of Cash Flows - Enterprise Funds	34
--	----

Notes to the Financial Statements	35
-----------------------------------	----

Required Supplementary Information

Budgetary Comparison Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	72
---	----

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Hospitality Tax Fund	73
---	----

Pension Plan Schedules

Schedule of the City's Proportionate Share of the Net Pension Liability South Carolina Retirement System	74
---	----

Schedule of Contributions - South Carolina Retirement System	75
--	----

Schedule of the City's Proportionate Share of the Net Pension Liability South Carolina Police Officers Retirement System	76
---	----

(Continued)

CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2022

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
Required Supplementary Information (Continued)	
Schedule of Contributions - South Carolina Police Officers Retirement System	77
<u>Other Postemployment Benefit ("OPEB") Plan Schedules</u>	
Schedule of Changes in the City's Net OPEB Liability and Related Ratios	78
Schedule of the City's Contributions	79
Supplementary Information	
<u>Other Budgetary Comparison Schedules</u>	
Schedule of Fund Expenditures - Revised Budget and Actual - General Fund	82
Schedule of Fund Expenditures - Revised Budget and Actual - Hospitality and Tax Fund	85
<u>Combining and Individual Fund Financial Schedules - Non Major Governmental Funds</u>	
Combining Balance Sheet - Non Major Governmental Funds	86
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non Major Governmental Funds	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Revised Budget and Actual - E911 Fund	88
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	89

STATISTICAL SECTION (UNAUDITED)

Statistical Section - Table of Contents	93
<u>Financial Trends Information</u>	
Net Position by Component - Last Ten Fiscal Years	Schedule 1 95
Changes in Net Position - Last Ten Fiscal Years	Schedule 2 96
Fund Balances of Governmental Funds - Last Ten Fiscal Years	Schedule 3 98
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	Schedule 4 99
<u>Revenue Capacity Information</u>	
Tax Revenues by Source of Governmental Funds - Last Ten Fiscal Years	Schedule 5 100
Assessed Value and Estimated Fair Value of Taxable Property - Last Ten Fiscal Years	Schedule 6 101
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	Schedule 7 102
Principal Property Tax Payers - Current Year and Nine Years Ago	Schedule 8 103
Real Property Tax Levies and Collections - Last Ten Fiscal Years	Schedule 9 104

(Continued)

CITY OF LANCASTER, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2022

STATISTICAL SECTION (UNAUDITED)(CONTINUED)

		<u>Page Number</u>
<u>Debt Capacity Information</u>		
Legal Debt Margin Information - Last Ten Fiscal Years	Schedule 10	105
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	Schedule 11	106
Ratios of General Bonded Debt Outstanding	Schedule 12	107
Direct and Overlapping Governmental Activities Debt - As of June 30, 2022	Schedule 13	108
Pledged - Revenue Coverage - Last Ten Fiscal Years	Schedule 14	109
<u>Demographic and Economic Information</u>		
Demographic and Economic Statistics - Last Ten Fiscal Years	Schedule 15	110
Principal Employers - Current Year and Nine Years Ago	Schedule 16	111
<u>Operating Information</u>		
Full-Time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years	Schedule 17	112
Operating Indicators by Function - Last Ten Fiscal Years	Schedule 18	113
Capital Asset Statistics by Function - Last Ten Fiscal Years	Schedule 19	115

COMPLIANCE SECTION

Independent Auditor's Report - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	119
--	-----

(This page intentionally left blank.)



CITY HALL 216 SOUTH CATAWBA STREET P.O. BOX 1149 LANCASTER, S.C. 29721-1149 803-283-2489
www.lancastercitysc.com

August 4, 2023

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 Annual Comprehensive Financial Report ("ACFR") of the City of Lancaster (the "City") for the fiscal year ended June 30, 2022.

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 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's financial statements have been audited by Greene Finney Cauley, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2022 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 is a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2022, 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 the 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 Barnetttsville 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 on April 14, 1898 and became 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 Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and other duties as assigned by the Council. The Council is elected on a non-partisan basis. The Mayor is elected at large and Council members are elected by district. All elected officials serve four-year staggered terms. Per an ordinance passed in January 2023, election dates were changed to be held on the first Tuesday following the first Monday in November in odd-numbered years.

The City provides a full range of services: police and fire protection; construction and maintenance of streets and other infrastructure; parks, leisure, and 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 appropriations 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 budget is then presented to the 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 – which is the level where 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. The Council is informed of budgetary expenditures in relation to appropriations by way of a monthly budget to actual revenue and expenditure report which is, upon review by Council, posted to the City's website.

Factors Affecting Financial Condition

Local economy - The City of Lancaster and Lancaster County's tax base consists of a growing array of small business, industries, and global corporations. The County's unemployment rate was 9.1% as of June 30, 2020, but dropped to 3.8% as of June 30, 2022. The economy and the workforce have largely recovered from the crisis caused by the COVID-19 pandemic; however, the City continues to proactively monitor the economy for negative impacts which may require rapid action to maintain services and sufficient financial reserves.

Long-term financial planning - The City strives to position itself to weather all types of financial conditions without adversely affecting the services provided to its citizens. The City maintains long-range financial planning tools, such as the Capital Improvement Plan ("CIP"), to ensure a proper balance between yearly operating expenditures and capital asset funding. These tools maintain and improve both the City's strong financial position and the amenities provided to its citizens.

The City's planning and evaluation process has identified essential projects and initiatives to be implemented over the course of several years. To achieve these goals, the City has created a structured approach to meet challenges and achieve goals on a multi-year basis. Future initiatives include downtown redevelopment, community enrichment, cultural arts and other quality of life opportunities, and continued investment in public infrastructure. Funding for these endeavors, which have long-term fiscal implications, comes from a variety of sources including grants, hospitality tax revenues, and fund revenues.

The City's combined water and wastewater system is a regulated enterprise which requires extensive fiscal resources for long-term viability to serve the demands of the Lancaster area. The system continues to face increasing operating and capital expenses related to its collection system. In response to these challenges and an EPA Consent order issued in 2015, the City performed a comprehensive study of the operating, capital, and long-term debt service requirements to determine revenue sufficiency for these needs. The analysis stated rates for the combined water and wastewater system should be revised to meet current and future financial requirements of the system. In addition to incorporating a monthly infrastructure fee of \$2.00 effective July 1, 2017, the rates are evaluated annually during the budget process and adjusted as needed to ensure available funding for operating and capital requirements.

Cash management policies and practices - Cash available for investing during the year was held in interest-bearing public funds bank accounts and the State of South Carolina Local Government Investment Pool (the "Pool"). The Pool consists of funds belonging to participating local governments and 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 which maximize earnings and protect principal. The current market climate has created a rapid increase in the earnings the City is receiving from its investments. The City continually monitors performance of its investment strategies and may re-evaluate current investment strategies to determine if different methods would produce higher earnings while still providing adequate cash flow and protecting principal. The City's investment strategies are in full compliance with the guidelines of the South Carolina Code of Laws, Section 6-5-10.

Risk management - Risk management activities are coordinated and managed within the Human Resources Department by the City's Risk Safety Manager. 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 funded in conjunction with other municipalities of South Carolina. These programs are sponsored and coordinated by the Municipal Association of South Carolina ("MASC").

Major initiatives – In 2021, the City and County joined forces to implement initiatives such as the Violent Crime Task Force and Opioid Task Force to ensure the safety of citizens while providing adequate services within Lancaster County. The City continues to actively explore funding sources to implement the Lancaster Downtown Revitalization Plan, which was approved by the Council in 2020. In accordance with the City's Fund Balance Policy, fiscal year 2022 unassigned fund balances (carry-over funds) were utilized to purchase capital equipment for the fire, police, public utilities, and solid waste departments.

The City was awarded \$4,539,839 in funding from the American Rescue Plan Act of 2021. This program is intended to provide support to local, territorial, state, and tribal governments in responding to the economic and public health impacts of COVID-19. There are four areas that the funding could be applied towards: (1) water, sewer, and storm drainage, (2) premium pay for essential workers, (3) COVID-19 health related concerns, and (4) funding to help businesses recover from the pandemic. The City has budgeted these funds to be spent in fiscal year 2023. Any amounts not spent during fiscal year 2023 will roll over into subsequent years.

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 ACFR for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. 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 our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another yearly certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department and the committed efforts of individual City departments to provide timely and accurate information for inclusion in this report. We would like to express our appreciation to every employee involved in this process. 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,



Steven J. Hutfles, City Administrator

CITY OF LANCASTER, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2022

Established

1898

MAYOR

T. Alston DeVenny

MAYOR PRO TEMPORE

Jackie Harris, District 3

CITY COUNCIL MEMBERS

Kenneth Hood, District 1
Tomonica Marsh, District 2
Octavia Jones, District 4
Hazel Taylor, District 5
Ronnie Sowell, District 6

CITY ADMINISTRATOR

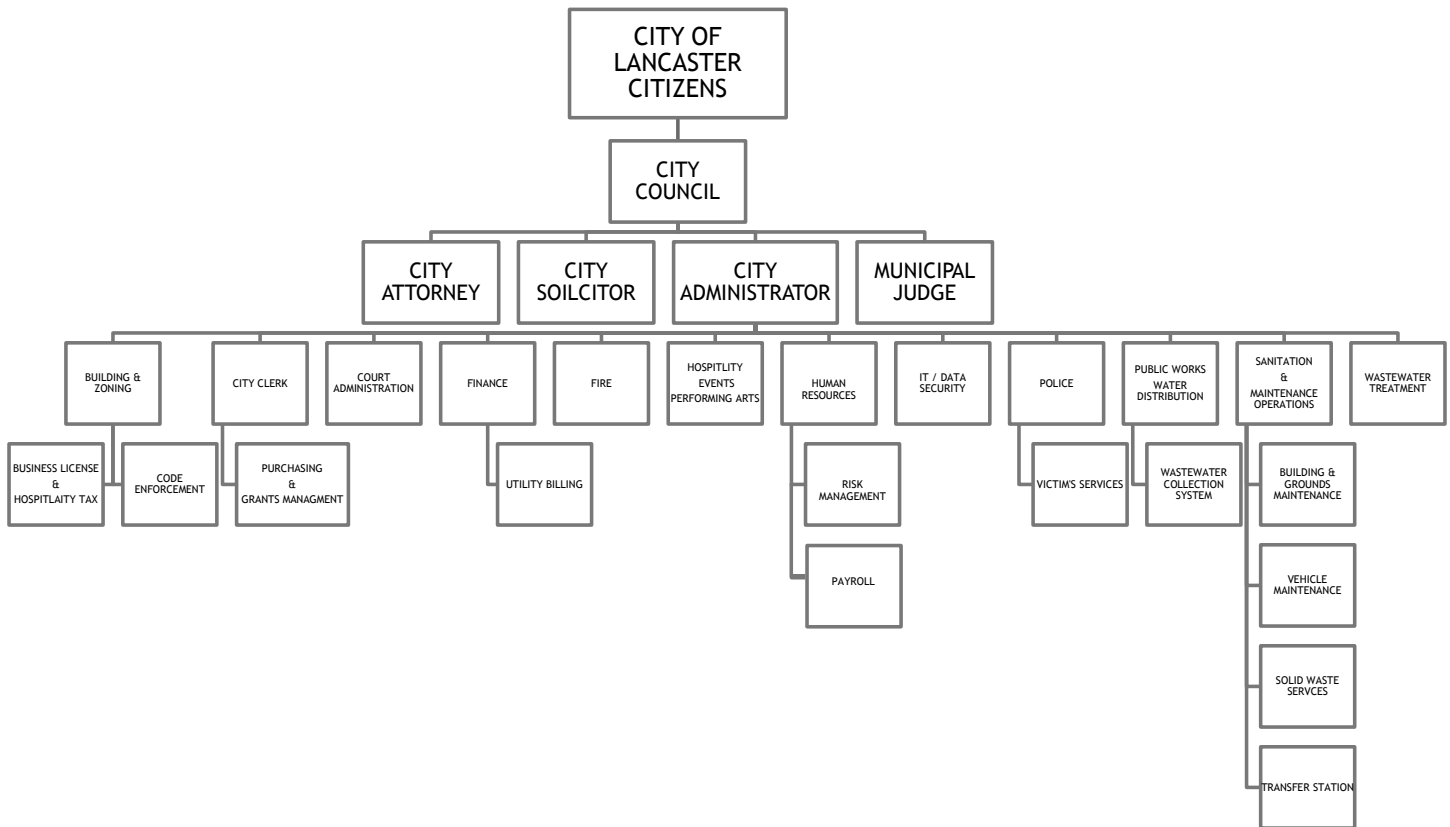
Steven “Flip” Hutfles

DEPARTMENT HEADS

Building and Zoning
Finance
Fire Department
Human Resources
Information Technology
Municipal Court
Police Department
Public Works
Solid Waste
Wastewater Systems

Louis Streater
Tressie Barber-Thompson
Justin McLellan
Angela Roberson
Melissa Izzard
Cammie Heath
Don Roper
Rendell Mingo
Matt Berry
Donald Ledford

ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lancaster
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to the financial audits contained in *Government Auditing Standards* ("Government Auditing Standards"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2022, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87 "Leases". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

GREENEFINNEYCAULEY.CPA • INFO@GREENEFINNEY.COM

GREENVILLE, SC
864.232.0653

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

ANDERSON, SC
864.225.8713

ASHEVILLE, NC
828.771.0847

OPEN BY
APPOINTMENT ONLY

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the pension plan schedules, and the other postemployment benefit plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 4, 2023

(This page intentionally left blank.)

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

As management of the City of Lancaster ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2022 ("2022" or "FY 2022") compared to the year ended June 30, 2021 ("2021" or "FY 2021"). The intent of this management's discussion and analysis ("MD&A") is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$60,327,000 (*net position*). Of this amount, approximately \$24,869,000 and \$35,458,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$3,412,000 for its governmental activities and approximately \$3,510,000 for its business-type activities.
- The City's unrestricted net position has been reduced by the results of (a) pension accounting standards that were implemented in 2015, which resulted in the City recording a net pension liability and related deferred pension balances for its participation in the State retirement plans and (b) other postemployment benefit ("OPEB") plan accounting standards that were implemented in 2018, which resulted in the City recording a net OPEB liability and related deferred OPEB balances for its OPEB plan. Without the net pension and net OPEB liabilities (assets) and related deferred balances, which were approximately \$13,164,000 at June 30, 2022, the City would have total unrestricted net position of approximately \$20,086,000.
- The City's total revenues of approximately \$28,855,000 exceeded total expenses of approximately \$21,474,000 resulting in an increase in net position of approximately \$7,381,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$14,838,000, an increase of approximately \$558,000 over the prior year's fund balance.
- The City's General Fund reported total fund balance of approximately \$12,194,000. Approximately 58% of this total amount, or approximately \$7,084,000, is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was approximately 60% of total General Fund expenditures for FY 2022. The City has appropriated (assigned) approximately \$3,445,000 for use in its fiscal year 2023 budget.
- The City's total capital assets of approximately \$52,674,000 increased by approximately \$4,662,000 (10%) during the current fiscal year due to capital asset additions of approximately \$7,950,000, partially offset by depreciation expense of approximately \$3,286,000 and net disposals of approximately \$2,000.
- The City's total debt of approximately \$7,246,000 decreased approximately \$877,000 (11%) during the current fiscal year due to regularly scheduled principal payments.
- The City adopted GASB Statement No. 87 "*Leases*" ("GASB #87") for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. GASB #87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 had no impact on the City's fund balance or net position. The City did enter into a cell tower lease in fiscal year 2022 (see note III.B in the notes to the financial statements for more details) that resulted in the City recording a lease receivable and deferred inflow of resources.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – *Introductory Section*, the *Financial Section* (which includes the MD&A, the basic financial statements, required supplementary information, and supplementary information), the *Statistical Section*, and the *Compliance Section*.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements

This MD&A is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains other required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the City.

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general administration, public safety, public works, code enforcement, parks and playgrounds, and community service. Taxes, intergovernmental revenues, building permits, fines, recreational fees, and state and federal grant revenues finance most of these activities. The business-type activities of the City include water/sewer and solid waste activities.

The government-wide financial statements include not only the City itself (known as the Primary Government) but would also any significant component units. The City currently does not have any significant component units to include in the financial reporting entity. The government-wide financial statements can be found as listed in the table of contents.

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, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City 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 *governmental 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 maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Hospitality Tax Fund, and the American Rescue Plan Act ("ARPA") Fund. The City also maintains several non major governmental funds. The governmental fund financial statements can be found as listed in the table of contents.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund. Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City uses the Gross Revenue Fund, a major fund, to account for its water and sewer operations. The City also uses the Solid Waste Fund, a major fund, to account for the solid waste operations. The proprietary fund financial statements can be found as listed in the table of contents.

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 can be found as listed in the table of contents.

Required Supplementary Information – Regarding the City's major governmental funds, the City adopts an annual budget for the General Fund and the Hospitality Tax Fund. Required budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budgets. Required pension and OPEB schedules have been included which provide relevant information regarding the City's participation pension and OPEB plans. Required supplementary information can be found as listed in the table of contents.

Supplementary Information – In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information. Supplementary information, which includes other budgetary comparison schedules, combining and individual fund financial schedules, and the uniform schedule of fines, assessments, and surcharges (per Act 96), is presented immediately following the required supplementary information. The supplementary information can be found as listed in the table of contents.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 Major Features of the City's Government-Wide and Fund Financial Statements			
Government-Wide Financial Statements		Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government.	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Revenues, Expenses, and Changes in Net Position. ▪ Statement of Cash Flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All balance sheet elements, both financial and capital, and short-term and long-term.	Only balance sheet elements that come due during the year or shortly thereafter. No capital assets or long-term obligations are included.	All balance sheet elements, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position as of June 30, 2022 compared to June 30, 2021:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$ 22,015,584	17,916,271	14,563,385	12,555,264	36,578,969	\$ 30,471,535
Capital Assets, Net	18,639,746	13,461,492	34,034,198	34,550,475	52,673,944	48,011,967
Total Assets	40,655,330	31,377,763	48,597,583	47,105,739	89,252,913	78,483,502
Deferred Outflows of Resources	2,475,116	2,207,666	672,903	778,252	3,148,019	2,985,918
Liabilities						
Long-Term Obligations	396,036	401,517	7,443,418	8,309,253	7,839,454	8,710,770
Net OPEB Liability	-	77,486	-	34,037	-	111,523
Net Pension Liability	9,139,902	10,358,098	4,137,244	4,968,967	13,277,146	15,327,065
Other Liabilities	3,883,912	1,202,989	508,617	547,365	4,392,529	1,750,354
Total Liabilities	13,419,850	12,040,090	12,089,279	13,859,622	25,509,129	25,899,712
Deferred Inflows of Resources	4,841,408	2,326,981	1,723,040	296,509	6,564,448	2,623,490
Net Position						
Net Investment in Capital Assets	18,639,746	13,456,484	26,788,287	26,432,273	45,428,033	39,888,757
Restricted	2,817,391	2,256,962	5,160,153	5,143,476	7,977,544	7,400,438
Unrestricted	3,412,051	3,504,912	3,509,727	2,152,111	6,921,778	5,657,023
Total Net Position	\$ 24,869,188	19,218,358	35,458,167	33,727,860	60,327,355	\$ 52,946,218

The City's total assets increased approximately \$10,769,000 from the prior year primarily due to an increase in current and other assets and capital assets. The increase in current and other assets was primarily due to the current year increase in net position along with ARPA stimulus grants received but unused as of year-end. The increase in capital assets was due to capital asset additions exceeding depreciation expense and disposals in the current year. Total liabilities decreased approximately \$391,000 from the prior year. This decrease was primarily due to a higher other liabilities (ARPA stimulus grants received but unused as of year-end), partially offset by a decrease (a) in long-term obligations (regularly scheduled principal payments) and (b) lower net pension liabilities (due to strong pension investment returns). The changes in net pension and OPEB balances were primarily due to differences between expected and actual liability/investment experience, changes in assumptions, changes in contributions subsequent to the measurement date, and changes in the percentages of the City's share of the net pension liability.

The City's net position increased approximately \$7,381,000 primarily due to current year revenues exceeding expenses. Please see discussion following the next table regarding current year operations.

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$60,327,000 at June 30, 2022. The largest portion of the City's net position of approximately \$45,428,000 reflects its investment in capital assets (i.e., land, buildings, furniture, equipment, infrastructure, etc.) less any related outstanding debt/capital lease obligations used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$7,977,000 represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for tourism related costs, debt service, and other miscellaneous purposes which are restricted by the revenue source. The remaining portion of the City's net position is unrestricted net position which is approximately \$6,922,000.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for 2022 compared to 2021:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 633,904	644,713	11,344,314	10,786,750	11,978,218	\$ 11,431,463
Operating Grants	163,926	471,502	-	-	163,926	471,502
Capital Grants	4,267,197	-	297,666	293,521	4,564,863	293,521
General Revenues:						
Taxes	11,305,847	10,663,913	-	-	11,305,847	10,663,913
Other	797,604	639,664	44,575	130,402	842,179	770,066
Total Revenues	17,168,478	12,419,792	11,686,555	11,210,673	28,855,033	23,630,465
Expenses:						
General Administration	4,072,866	3,820,484	-	-	4,072,866	3,820,484
Public Safety	6,106,010	5,955,642	-	-	6,106,010	5,955,642
Public Works	779,144	781,401	-	-	779,144	781,401
Code Enforcement	257,510	288,431	-	-	257,510	288,431
Parks and Playgrounds	283,432	123,954	-	-	283,432	123,954
Community Service	18,681	262,608	-	-	18,681	262,608
Interest and Financial Charges	5	3,887	-	-	5	3,887
Water and Sewer	-	-	7,152,616	6,686,781	7,152,616	6,686,781
Solid Waste	-	-	2,803,632	2,654,280	2,803,632	2,654,280
Total Expenses	11,517,648	11,236,407	9,956,248	9,341,061	21,473,896	20,577,468
Change in Net Position	5,650,830	1,183,385	1,730,307	1,869,612	7,381,137	3,052,997
Net Position, Beginning of Year	19,218,358	18,034,973	33,727,860	31,858,248	52,946,218	49,893,221
Net Position, End of Year	<u>\$ 24,869,188</u>	<u>19,218,358</u>	<u>35,458,167</u>	<u>33,727,860</u>	<u>60,327,355</u>	<u>\$ 52,946,218</u>

Governmental Activities: Net position for governmental activities increased approximately \$5,651,000 in the current year. Revenues increased approximately \$4,749,000 primarily due to capital grants/donation of approximately \$4,267,000 related to the Lindsay Pettus Greenway and \$482,000 increase in other revenues (primarily taxes). Expenses were up approximately \$281,000 primarily due to higher operating costs.

Business-Type Activities: Net position for business-type activities (water and sewer and solid waste operations) increased approximately \$1,730,000. The City continued its business-type activities during the year collecting water, sewer, and solid waste fees to fund operations, to service the debt, and to purchase and maintain water, sewer, and solid waste capital assets. Total revenues were up approximately \$476,000 primarily due to an increase in tap fees for approximately \$64,000 an increase in solid waste transfer station revenue of approximately \$370,000. Expenses increased approximately \$615,000 over the prior year primarily due to higher operating costs.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

For the year ended June 30, 2022, the City's governmental funds reported a *combined* fund balance of approximately \$14,838,000, as compared to approximately \$14,280,000 for the prior year. This increase is a result of increases in most of the City's governmental funds. At June 30, 2022, the City's unassigned fund balance for all governmental funds was approximately \$7,084,000, representing the General Fund. The remainder of the governmental fund balance consists of nonspendable, restricted, committed, and assigned fund balance amounts which represent various constraints placed on the City's fund balance from various sources including approximately \$3,445,000 which was appropriated for the FY 2023 budget.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance of the General Fund was approximately \$7,084,000 while total fund balance was approximately \$12,194,000. The City realizes the importance of a strong fund balance in order to meet the cash flow requirements during the fiscal year, therefore, the City's fiscal policy requires an unassigned fund balance of at least 40%-60% of budgeted General Fund expenditures. As of June 30, 2022, this percentage was approximately 60%.

The fund balance for the City's General Fund increased approximately \$12,000 (<1%) during the current fiscal year. The increase was due to revenues exceeding expenditures in 2022.

The Hospitality Tax Fund is used to account for revenues received from the hospitality tax levied by the City. The balance in this fund is being used for tourism related projects and activities. Fund balance increased approximately \$539,000 in 2022 primarily due to the curtailment of various events due to the health crisis which have not been restored.

The ARPA Fund is used to account for the revenue and related activities associated with the American Rescue Plan Act stimulus grants. The City received approximately \$2,270,000 in ARPA stimulus funds in 2022 and earned interest of approximately \$6,000 on these funds. Since the City did not use any of the ARPA stimulus grants for eligible expenditures in 2022, the whole balance is being reflected as unearned (unspent) as of year-end. The City plans to use these funds to reimburse for government services under the "Revenue Loss" provision of the ARPA in future years. Fund balance was approximately \$6,000 at June 30, 2022 and was related to interest earned on the ARPA stimulus funds.

Governmental funds expenditures were approximately \$12,484,000 for 2022. Capital outlay for projects and equipment for the City totaled approximately \$2,082,000. Providing public safety, excluding related capital outlays, is one of the primary annual expenditures for the City and was approximately \$5,507,000.

Proprietary Funds

The City's *proprietary funds* provide the same type of information found in the government-wide financial statements but in more detail. Net Position of the Enterprise Funds at the end of the fiscal year amounted to approximately \$35,458,000. Factors concerning the operations of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The City's actual results for the General Fund were different than the revised budget amounts due to the following:

- Actual revenues of approximately \$11,838,000 were approximately \$1,351,000 higher than budget primarily due to higher taxes, fines, fees, licenses, and permits, and intergovernmental revenues, partially offset by lower other revenues. The increase in is primarily due to conservative budgeting and higher growth revenues, due to a recovering economy after the health pandemic.
- Actual expenditures of approximately \$11,826,000 were approximately \$1,722,000 less than budget, primarily due to the City's conservative budgeting and conscious efforts to contain costs due to a recovering economy after the health pandemic.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2022 and 2021 amounted to approximately \$52,674,000 and \$48,012,000, respectively. The City's capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The City's capital assets (net of depreciation) as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,028,453	4,028,453	366,054	366,054	4,394,507	\$ 4,394,507
Construction in Progress	1,759,897	-	1,436,220	902,157	3,196,117	902,157
Buildings and Improvements	8,411,228	8,411,228	1,959,076	1,959,076	10,370,304	10,370,304
Vehicles, Equipment, and Furnishings	10,754,644	10,606,909	12,687,954	12,181,332	23,442,598	22,788,241
Infrastructure	11,135,259	6,849,537	56,306,703	55,786,306	67,441,962	62,635,843
Capital Assets - Cost	36,089,481	29,896,127	72,756,007	71,194,925	108,845,488	101,091,052
Accumulated Depreciation	(17,449,735)	(16,434,635)	(38,721,809)	(36,644,450)	(56,171,544)	(53,079,085)
Total	\$ 18,639,746	13,461,492	34,034,198	34,550,475	52,673,944	\$ 48,011,967

The total increase in the City's capital assets balance for 2022 was approximately \$4,662,000 or 10%. Major capital asset events during 2022 included the following:

- Capital asset additions of approximately \$7,950,000 consisted primarily of:
 - Construction in progress additions of approximately \$2,814,000.
 - Infrastructure additions of approximately \$4,286,000.
 - Purchase of machinery and equipment capital assets of approximately \$850,000.
- Depreciation expense of approximately \$1,169,000 for governmental activities and approximately \$2,117,000 for business-type activities.
- Disposals of approximately \$2,000.

Additional information on the City's capital assets can be found in Notes I.C and III.D in the notes to the financial statements.

Debt Administration

As of June 30, 2022, the City had total outstanding debt of approximately \$7,246,000. The City's total debt obligations as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
State Revolving Loans	\$ -	-	6,879,412	7,500,172	6,879,412	\$ 7,500,172
Financed Purchases	-	5,008	366,499	618,030	366,499	623,038
Total	\$ -	5,008	7,245,911	8,118,202	7,245,911	\$ 8,123,210

The City's total debt decreased approximately \$877,000 (11%) during the current fiscal year due to regularly scheduled principal payments.

The State limits the amount of general obligation debt that cities can issue to 8% of the assessed value of all taxable property within the City's corporate limits. The City is authorized by state statute to exceed the legal debt margin of 8% if citizens of the City approve such additional debt. As of June 30, 2022, the City had an 8% limit of approximately \$2,579,000 that was unused – as the City did not have any bonded debt outstanding at June 30, 2022.

Other long-term obligations include the City's accrued compensated absence liability. More detailed information on the City's debt and other long-term obligations can be found in III.E in the notes to the financial statements.

CITY OF LANCASTER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

ECONOMIC FACTORS

The City is the county seat of Lancaster County. Population estimates for 2022 from the United States Census Bureau put the City's population at 8,829, which is 8.4% of Lancaster County's estimated population of 104,577. The County's unemployment rate was 3.8% as of June 30, 2022.

The City remains relatively stable with many active commercial and residential building projects. Despite a continued trend of healthy fund balances, we continue to take a conservative approach to our budget projections for fiscal year 2023. The City appropriated \$100,000 from the Hospitality Fund for the Greenway Trail Extension project and set aside \$150,000 for Hospitality Grants. Gross Revenue Fund costs remained the same; the City's major Optimization Project received an allocation of \$2,000,000 to begin the project. Due to flat cash flows in the Solid Waste Fund, fees for residential and commercial roll-out containers increased by \$5 per month. In addition, the City updated the majority of items on the existing Fee Schedule in order to both standardize rate structures and adjust fees to keep up with inflation and rising infrastructure costs.

The City was awarded approximately \$4,540,000 in funding from the American Rescue Plan Act of 2021. This program is intended to provide support to local, territorial, state, and tribal governments in responding to the economic and public health impacts of COVID-19. There are four areas that the funding could be applied towards: (1) water, sewer, and storm drainage, (2) premium pay for essential workers, (3) COVID-19 health related concerns, and (4) funding to help businesses recover from the pandemic. The City has budgeted these funds to be spent in fiscal year 2023. Any amounts not spent during fiscal year 2023 will roll over into subsequent years.

FISCAL YEAR 2022-2023 BUDGET

The year ended June 30, 2023 ("2023") budget was developed in accordance with the "City of Lancaster Fiscal Policy" adopted by the Lancaster City Council.

The City's budget is divided into five main funds: the General Fund, the Hospitality Tax Fund, the E911 Fund, the Gross Revenue Fund, and the Solid Waste Fund. The total budget for all funds is approximately \$35,478,000.

The General Fund is the largest fund and accounts for all expenditures of the City except for those costs attributed to other funds. The General Fund budget is projected to be approximately \$14,836,000 which includes a budgeted use of fund balance of approximately \$3,445,000 (primarily related to carryover construction projects).

The Hospitality Tax Fund revenues must be used for "tourism-related" facilities and activities. The proposed budget for the Hospitality Tax Fund is approximately \$1,175,000.

The E911 Fund accounts for fees levied through telephone bills to support the emergency 911 system. The proposed budget for the E911 Fund is approximately \$42,000.

The Gross Revenue Fund is used to provide for the operations and maintenance of the water and sewer system. Revenues are derived from water and sewer fees charged to all customers served by the City's system. The Gross Revenue Fund budget is projected to be approximately \$14,564,000.

The Solid Waste Fund is used for the operations of solid waste collection services to residential and industrial users. The proposed budget for the Solid Waste Fund is approximately \$4,860,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance of the City of Lancaster, P.O. Box 1149, Lancaster, South Carolina, 29721.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,318,987	7,485,590	\$ 21,804,577
Cash and Cash Equivalents, Restricted	4,969,754	5,519,120	10,488,874
Property Taxes Receivable, Net	255,646	-	255,646
Mortgages Receivable	520,000	-	520,000
Intergovernmental Receivable	442,278	-	442,278
Accounts Receivable	612,651	2,279,232	2,891,883
Other Receivables	45,209	-	45,209
Internal Balances	795,715	(795,715)	-
Inventory	27,244	63,046	90,290
Net Other Postemployment Benefits Asset	28,100	12,112	40,212
Capital Assets, Net:			
Non-Depreciable	5,788,350	1,802,274	7,590,624
Depreciable, Net	12,851,396	32,231,924	45,083,320
TOTAL ASSETS	40,655,330	48,597,583	89,252,913
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Other Postemployment Benefits Charges	87,886	37,881	125,767
Deferred Pension Charges	2,387,230	635,022	3,022,252
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,475,116	672,903	3,148,019
LIABILITIES			
Accounts Payable	890,486	59,548	950,034
Accrued Expenses	723,507	89,815	813,322
Accrued Interest	-	8,482	8,482
Customer Deposits	-	350,772	350,772
Unearned Revenue	2,269,919	-	2,269,919
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	66,019	791,514	857,533
Long-Term Obligations - Due in More Than One Year	330,017	6,651,904	6,981,921
Net Pension Liability - Due in More Than One Year	9,139,902	4,137,244	13,277,146
TOTAL LIABILITIES	13,419,850	12,089,279	25,509,129
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Local Options Sales Tax	2,561,147	-	2,561,147
Deferred Other Postemployment Benefits Credits	337,328	145,396	482,724
Deferred Pension Credits	1,942,933	649,856	2,592,789
Deferred Water Tower Lease Revenue	-	927,788	927,788
TOTAL DEFERRED INFLOWS OF RESOURCES	4,841,408	1,723,040	6,564,448
NET POSITION			
Net Investment in Capital Assets	18,639,746	26,788,287	45,428,033
Restricted For:			
Drug Fund	172,457	-	172,457
Debt Service and Related Reserves	-	5,160,149	5,160,149
Tourism Related Costs	2,481,295	-	2,481,295
E911	82,191	-	82,191
Firefighters' 1% Costs	44,735	-	44,735
Southside Housing	30,564	-	30,564
Other	6,149	4	6,153
Unrestricted	3,412,051	3,509,727	6,921,778
TOTAL NET POSITION	\$ 24,869,188	35,458,167	\$ 60,327,355

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Administration	\$ 4,072,866	6,397	163,926	-	(3,902,543)	-	\$ (3,902,543)
Public Safety	6,106,010	405,641	-	-	(5,700,369)	-	(5,700,369)
Public Works	779,144	22,902	-	-	(756,242)	-	(756,242)
Code Enforcement	257,510	198,964	-	-	(58,546)	-	(58,546)
Parks and Playgrounds	283,432	-	-	4,267,197	3,983,765	-	3,983,765
Community Service	18,681	-	-	-	(18,681)	-	(18,681)
Interest and Other Charges	5	-	-	-	(5)	-	(5)
Total Governmental Activities	11,517,648	633,904	163,926	4,267,197	(6,452,621)	-	(6,452,621)
Business-Type Activities:							
Water and Sewer	7,152,616	8,128,916	-	297,666	-	1,273,966	1,273,966
Solid Waste	2,803,632	3,215,398	-	-	-	411,766	411,766
Total Business-Type Activities	9,956,248	11,344,314	-	297,666	-	1,685,732	1,685,732
TOTAL - PRIMARY GOVERNMENT	\$ 21,473,896	11,978,218	163,926	4,564,863	(6,452,621)	1,685,732	(4,766,889)
General Revenues:							
Taxes:							
Property Taxes - Levied for General Purposes					5,546,055	-	5,546,055
Sales Tax					2,287,263	-	2,287,263
Business Licenses					2,821,958	-	2,821,958
Franchise Fees					650,571	-	650,571
Unrestricted Intergovernmental Revenue					464,638	-	464,638
Unrestricted Investment Earnings					35,230	32,130	67,360
Miscellaneous					297,736	12,445	310,181
Total General Revenues					12,103,451	44,575	12,148,026
CHANGE IN NET POSITION					5,650,830	1,730,307	7,381,137
NET POSITION, Beginning of Year					19,218,358	33,727,860	52,946,218
NET POSITION, End of Year					24,869,188	35,458,167	\$ 60,327,355

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	HOSPITALITY TAX FUND	ARPA FUND	NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 14,318,987	-	-	-	\$ 14,318,987
Cash and Cash Equivalents, Restricted	172,557	2,368,784	2,275,968	152,445	4,969,754
Receivables, Net:					
Property Taxes	255,646	-	-	-	255,646
Mortgages	520,000	-	-	-	520,000
Intergovernmental	442,278	-	-	-	442,278
Accounts	468,818	143,833	-	-	612,651
Other	39,829	231	-	5,149	45,209
Interfund Receivables	823,039	-	-	-	823,039
Inventory	27,244	-	-	-	27,244
TOTAL ASSETS	\$ 17,068,398	2,512,848	2,275,968	157,594	\$ 22,014,808
LIABILITIES					
Accounts Payable	\$ 890,382	-	-	104	\$ 890,486
Accrued Expenses	719,278	4,229	-	-	723,507
Interfund Payables	-	27,324	-	-	27,324
Unearned Revenue	-	-	2,269,919	-	2,269,919
TOTAL LIABILITIES	1,609,660	31,553	2,269,919	104	3,911,236
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue - Local Options Sales Tax	2,561,147	-	-	-	2,561,147
Unavailable Revenue - Taxes	175,815	-	-	-	175,815
Unavailable Revenue - Lot Clearing Fees	8,247	-	-	-	8,247
Unavailable Revenue - Mortgages Installment Sales	520,000	-	-	-	520,000
TOTAL DEFERRED INFLOWS OF RESOURCES	3,265,209	-	-	-	3,265,209
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,874,869	31,553	2,269,919	104	7,176,445
FUND BALANCES					
Nonspendable - Inventory	27,244	-	-	-	27,244
Restricted For:					
Drug Fund	172,457	-	-	-	172,457
Tourism Related Costs	-	2,481,295	-	-	2,481,295
E911	-	-	-	82,191	82,191
Firefighters' 1% Costs	-	-	-	44,735	44,735
Southside Housing	-	-	-	30,564	30,564
Other	100	-	6,049	-	6,149
Committed For:					
Downtown Development	1,364,086	-	-	-	1,364,086
Economic Development	100,290	-	-	-	100,290
Assigned For:					
Appropriated for Use in Fiscal Year 2023 Budget	3,445,004	-	-	-	3,445,004
Unassigned	7,084,348	-	-	-	7,084,348
TOTAL FUND BALANCES	12,193,529	2,481,295	6,049	157,490	14,838,363
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,068,398	2,512,848	2,275,968	157,594	\$ 22,014,808

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 14,838,363
---	----------------------

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$36,089,481 and the accumulated depreciation was \$17,449,735.	18,639,746
Property taxes and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the funds.	704,062
The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State Retirement Plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(8,695,605)
The City's net other postemployment benefits ("OPEB") liability (asset), deferred outflows of resources, and deferred inflows of resources related to its OPEB plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(221,342)
Long-term obligations are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term obligations at year-end period consisted of the following Compensated Absences (Annual Leave)	(396,036)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 24,869,188</u>
---	-----------------------------

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	HOSPITALITY TAX FUND	ARPA FUND	NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 6,606,771	1,126,028	-	-	\$ 7,732,799
Fines, Fees, Licenses, and Permits	3,946,345	-	-	-	3,946,345
Intergovernmental	464,638	-	-	-	464,638
Charges for Services	377,620	6,397	-	-	384,017
Grants	163,601	325	-	-	163,926
Interest	28,516	656	6,049	9	35,230
Other	250,843	15,120	-	49,141	315,104
TOTAL REVENUES	11,838,334	1,148,526	6,049	49,150	13,042,059
EXPENDITURES					
Current:					
General Administration	3,192,161	609,498	-	-	3,801,659
Public Safety	5,459,258	-	-	48,164	5,507,422
Public Works	659,477	-	-	-	659,477
Code Enforcement	264,757	-	-	-	264,757
Parks and Playgrounds	145,122	-	-	-	145,122
Community Service	18,681	-	-	-	18,681
Capital Outlay	2,081,613	-	-	-	2,081,613
Debt Service:					
Principal	5,008	-	-	-	5,008
Interest and Fees	5	-	-	-	5
TOTAL EXPENDITURES	11,826,082	609,498	-	48,164	12,483,744
NET CHANGES IN FUND BALANCES	12,252	539,028	6,049	986	558,315
FUND BALANCES, Beginning of Year	12,181,277	1,942,267	-	156,504	14,280,048
FUND BALANCES, End of Year	\$ 12,193,529	2,481,295	6,049	157,490	\$ 14,838,363

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 558,315**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Property tax and other revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities. (139,125)

Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (20,916)

Changes in the City's net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to the City's OPEB plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities. 68,821

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 5,008

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 473

In the Statement of Activities the loss on disposal of capital assets is reported, whereas in the governmental funds, proceeds from disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed. (1,653)

Property donated to the City is not reported in the governmental funds as it is not considered a current financial resource but is recorded as revenue in the Statement of Activities. 4,267,197

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital asset additions are allocated over the estimated useful lives as depreciation expense. This is the amount by which cash capital asset additions of \$2,081,613 was exceeded by depreciation expense of \$1,168,903 in the current period. 912,710

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 5,650,830**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

JUNE 30, 2022

	GROSS REVENUE FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 5,457,918	2,027,672	\$ 7,485,590
Cash and Cash Equivalents, Restricted	5,519,120	-	5,519,120
Receivables:			
Water and Sewer	985,578	-	985,578
Garbage and Trash	-	199,891	199,891
Current Portion of Water Tower Lease	24,275	-	24,275
Other	24,089	141,886	165,975
Interfund Receivables	-	4,954	4,954
Inventories	63,046	-	63,046
Total Current Assets	12,074,026	2,374,403	14,448,429
Noncurrent Assets:			
Water Tower Lease Receivable, Less Current Portion	903,513	-	903,513
Net Other Postemployment Benefits Asset	6,697	5,415	12,112
Capital Assets, Net:			
Non-Depreciable	1,802,274	-	1,802,274
Depreciable, Net	29,771,829	2,460,095	32,231,924
Total Noncurrent Assets	32,484,313	2,465,510	34,949,823
TOTAL ASSETS	44,558,339	4,839,913	49,398,252
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Other Postemployment Benefits Charges	24,745	13,136	37,881
Deferred Pension Charges	279,967	355,055	635,022
TOTAL DEFERRED OUTFLOWS OF RESOURCES	304,712	368,191	672,903
LIABILITIES			
Current Liabilities:			
Accounts Payable	59,548	-	59,548
Accrued Expenses	42,557	47,258	89,815
Accrued Interest	8,195	287	8,482
Interfund Payables	661,364	139,305	800,669
Customer Deposits	350,772	-	350,772
Current Portion of Compensated Absences	21,512	11,412	32,924
Current Portion of Financed Purchase Obligation	-	173,572	173,572
Current Portion of State Revolving Fund Loans	585,018	-	585,018
Total Current Liabilities	1,728,966	371,834	2,100,800
Noncurrent Liabilities:			
Compensated Absences, Less Current Portion	107,538	57,045	164,583
Financed Purchase Obligation, Less Current Portion	-	192,927	192,927
State Revolving Fund Loans, Less Current Portion	6,294,394	-	6,294,394
Net Pension Liability	1,606,495	2,530,749	4,137,244
Total Noncurrent Liabilities	8,008,427	2,780,721	10,789,148
TOTAL LIABILITIES	9,737,393	3,152,555	12,889,948
DEFERRED INFLOWS OF RESOURCES			
Deferred Other Postemployment Benefits Credits	95,265	50,131	145,396
Deferred Pension Credits	311,460	338,396	649,856
Deferred Water Tower Lease Revenue	927,788	-	927,788
TOTAL DEFERRED INFLOWS OF RESOURCES	1,334,513	388,527	1,723,040
NET POSITION			
Net Investment in Capital Assets	24,694,691	2,093,596	26,788,287
Restricted - Debt Service	801,640	-	801,640
Restricted - Depreciation and Contingency	4,358,509	-	4,358,509
Restricted - Other	4	-	4
Unrestricted (Deficit)	3,936,301	(426,574)	3,509,727
TOTAL NET POSITION	\$ 33,791,145	1,667,022	\$ 35,458,167

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2022

	GROSS REVENUE FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES			
Water and Sewer Charges	\$ 7,703,085	-	\$ 7,703,085
Water Penalties	222,656	-	222,656
Garbage Penalties	-	29,204	29,204
Tap Fees	127,176	-	127,176
Garbage Fees	-	1,528,877	1,528,877
Roll-off Containers	-	64,126	64,126
Transfer Station	-	1,440,458	1,440,458
Other	75,999	152,733	228,732
TOTAL OPERATING REVENUES	8,128,916	3,215,398	11,344,314
OPERATING EXPENSES			
Public Works Administration	280,540	-	280,540
Residential Garbage	-	264,251	264,251
Commercial Garbage	-	535,210	535,210
Recycling	-	77,309	77,309
Transfer Station	-	855,444	855,444
Water Service	1,599,375	-	1,599,375
Utility Billing	212,085	-	212,085
Wastewater Treatment	1,407,201	-	1,407,201
Wastewater Collection	1,433,161	-	1,433,161
General Expense	63,855	410,394	474,249
Vehicle Maintenance	49,637	99,419	149,056
Information Technology	323,198	76,850	400,048
Building and Grounds Maintenance	37,163	37,210	74,373
Administrative	-	(1,775)	(1,775)
Depreciation	1,673,291	444,036	2,117,327
TOTAL OPERATING EXPENSES	7,079,506	2,798,348	9,877,854
OPERATING INCOME	1,049,410	417,050	1,466,460
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	29,102	3,028	32,130
Interest Expense	(73,110)	(5,284)	(78,394)
Insurance Proceeds	5,964	2,973	8,937
Gain on Sale of Capital Assets	3,508	-	3,508
TOTAL NON-OPERATING REVENUES (EXPENSES)	(34,536)	717	(33,819)
INCOME BEFORE CAPITAL GRANTS/CONTRIBUTIONS	1,014,874	417,767	1,432,641
Capital Grants/Contributions	297,666	-	297,666
CHANGE IN NET POSITION	1,312,540	417,767	1,730,307
NET POSITION, Beginning of Year	32,478,605	1,249,255	33,727,860
NET POSITION, END OF YEAR	\$ 33,791,145	1,667,022	\$ 35,458,167

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2022

	GROSS REVENUE FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 8,206,480	3,188,493	\$ 11,394,973
Cash Paid to Vendors	(4,215,973)	(1,585,175)	(5,801,148)
Cash Paid to Personnel	(1,411,621)	(867,001)	(2,278,622)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,578,886	736,317	3,315,203
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Net Change of Interfund Balances	169,630	60,445	230,075
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	169,630	60,445	230,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(1,499,098)	(101,952)	(1,601,050)
Proceeds from Sale of Capital Assets	3,508	-	3,508
Principal Received on Water Tower Lease	17,103	-	17,103
Principal Paid on Debt	(701,546)	(170,745)	(872,291)
Interest and Fees Paid on Debt	(75,191)	(7,975)	(83,166)
Proceeds From Capital Grants	297,666	-	297,666
Insurance Proceeds and Other	5,964	2,973	8,937
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,951,594)	(277,699)	(2,229,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	29,102	3,028	32,130
NET CASH PROVIDED BY INVESTING ACTIVITIES	29,102	3,028	32,130
NET INCREASE IN CASH AND CASH EQUIVALENTS	826,024	522,091	1,348,115
RESTRICTED AND UNRESTRICTED			
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,151,014	1,505,581	11,656,595
RESTRICTED AND UNRESTRICTED			
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,977,038	2,027,672	\$ 13,004,710
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income	\$ 1,049,410	417,050	\$ 1,466,460
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities			
Depreciation	1,673,291	444,036	2,117,327
Change in Accounts Representing Operating Activities:			
Accounts Receivable	72,087	(26,905)	45,182
Inventory	4,637	-	4,637
Accounts Payable	(73,440)	-	(73,440)
Other Accrued Liabilities	7,603	9,281	16,884
Customer Deposits	22,580	-	22,580
Compensated Absences	6,697	(241)	6,456
Other Postemployment Benefits Liability	(29,147)	(17,002)	(46,149)
Deferred Other Postemployment Benefits Charges	(5,411)	(3,157)	(8,568)
Deferred Other Postemployment Benefits Credits	14,313	8,349	22,662
Net Pension Liability	(504,526)	(327,197)	(831,723)
Deferred Pension Charges	69,103	44,814	113,917
Deferred Pension Credits	288,792	187,289	476,081
Deferred Water Tower Lease Revenue	(17,103)	-	(17,103)
Net Cash Provided by Operating Activities	\$ 2,578,886	736,317	\$ 3,315,203
Noncash Investing and Capital and Related Financing Items:			
Water Tower Lease	\$ 944,891	-	\$ 944,891

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The City of Lancaster ("City") was incorporated as a municipality in Lancaster County, South Carolina in 1898. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City operates under Council form of government. The Council is composed of a Mayor and six Council members. The Mayor and Council are elected for four-year staggered terms and are vested with the legislative and policymaking powers of the City. The Council has appointed a City Administrator who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

As required by GAAP, the financial statements present the City's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has the following potential component units:

- Red Rose City Development Corporation (the "Red Rose") is a nonprofit organization whose purpose is to assist the City in its governmental function of promoting and enhancing the economic growth and development of the City and surrounding areas. The Red Rose is instrumental to the City's overall mission to create employment, combat deterioration of commercial areas, to attract and retain new business and industries, and to implement sustainable community and economic development. The Red Rose has a board of directors which consists of five members. The Red Rose has a single fund and does not issue separate financial statements. The economic resources of the Red Rose are almost entirely for the direct benefit of the City and the City's constituents. The City is also entitled to and has access to a majority of the economic resources of Red Rose. Since the activities and balances of the Red Rose are not considered significant to the City, the Red Rose has not been included in the financial reporting entity of the City as a discretely presented component unit.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

- See Lancaster SC, Inc. (the “Corporation”) is a nonprofit organization whose purpose is to assist the City in its governmental function of promoting and enhancing arts and cultural life. The Corporation is instrumental to the City’s overall mission to engage in activities that will further public cultural performances and art exhibits, and enhance the public education and public relations of art and culture. The Corporation has a board of directors which consists of six members. The Corporation has a single fund and does not issue separate financial statements. The economic resources of the Corporation are almost entirely for the direct benefit of the City and the City’s constituents. The City is also entitled to and has access to a majority of the economic resources of this Foundation. Since the activities and balances of the Corporation are not considered significant to the City, the Corporation has not been included in the financial reporting entity of the City as a discretely presented component unit.

Major Operations

The governmental activities of the City include general administration, public safety (police and fire), public works, code enforcement, parks and playgrounds, and community service. The business-type activities of the City include its water and sewer activities and solid waste activities.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City (the “Primary Government”) and any significant component units (the financial reporting entity). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Property taxes, intergovernmental revenues, franchise taxes, licenses, interest, and other revenues associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers its revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve-month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following fund types are used by the City.

Governmental Fund Types are those through which all governmental functions of the City are financed. The City's expendable financial resources and related assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the City's major and non-major governmental funds:

The **General Fund**, a major fund and a budgeted 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.

Special revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following special revenue funds:

The **Hospitality Tax Fund**, a major fund and a budgeted fund, was established to preserve the general health, safety, and welfare of the general public and to promote the tourism industry within the City. 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 **ARPA Fund**, a major and an unbudgeted fund, is used to account for the revenue and related activities associated with the American Rescue Plan Act ("ARPA") stimulus grants.

The **E911 Fund** is a non-major fund and budgeted fund used to account for fees levied through telephone bills to support the emergency 911 system which are restricted for improvements and expansion of the City's emergency 911 system.

The **Firefighters' 1% Fund** is a non-major fund and unbudgeted fund used to account for the City's 1% money received from the State which is restricted for the betterment and maintenance of skilled and efficient fire departments.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The *Southside Project Fund* is a non-major and unbudgeted fund used to account for the sale of low-income housing.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are generally reported as non-operating items. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has two enterprise funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has the following enterprise funds:

The *Gross Revenue Fund, a major fund* and budgeted fund, is used to account for all activities of the City's water and sewer operations. The revenues of this fund are generated through water and sewer fees charged to customers. These funds are restricted for the payment of water and sewer expenses.

The *Solid Waste Fund, a major fund* and budgeted fund, is used to account for all activities of the City's solid waste collection services to residential and industrial users. The revenues of this fund are generated through a solid waste fee charged to customers. These funds are restricted for the payment of solid waste expense.

Change in Accounting Principle

The City adopted GASB Statement No. 87 "*Leases*" ("GASB #87") for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. GASB #87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 had no impact on the City's fund balance or net position. The City did enter into a cell tower lease in fiscal year 2022 (see note III.B for more details) that resulted in the City recording a lease receivable and deferred inflow of resources.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. *Cash, Cash Equivalents, and Investments*

For purposes of the financial statements, the City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool ("Pool" or "LGIP") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

The City's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments in its operating activities:

- LGIP investments are invested with the South Carolina ("SC") State Treasurer's Office, which established the LGIP pursuant to Section 6-6-10 of the SC Code. The LGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

In accordance with GASB Statement No. 31 “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*” and GASB Statement No. 72 “*Fair Value Measurement and Application*”, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the LGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by LGIP participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the LGIP may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Receivables and Payables

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables or interfund payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Accounts receivable and other receivables represent amounts generally due to the City for taxes, franchise fees, intergovernmental revenues, and amounts due from citizens for utility and other services. All trade and property taxes receivable are shown net of an allowance for uncollectibles.

3. Prepaids and Inventory

Certain payments to vendors reflect costs that are applicable to future periods and are recorded under the purchase method (treated as an expenditure when paid) in the governmental fund financial statements. Inventories held in the governmental and enterprise financial statements are valued at cost, using the first-in/first-out (“FIFO”) method. The costs of inventories are accounted for using the consumption method (treated as an expenditure/expense when consumed).

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for any additions and retirements during the year. Donated capital assets are recorded at their estimated acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

4. *Capital Assets (Continued)*

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	10 - 40 years
Furniture, Machinery and Equipment	3-10 years
Vehicles	5-7 years
Infrastructure	10-40 years

5. *Compensated Absences*

The City's employees earn annual leave (vacation leave) on a bi-weekly basis. Annual leave may be accumulated to a maximum of 360 hours per fiscal year. At the end of the fiscal year, any employee with more than 360 hours of accumulated vacation leave must take their vacation time in order to not lose any earned vacation time.

The City's employees earn sick leave on a bi-weekly basis. Sick leave is allowed to accumulate with a maximum of 720 hours. Sick leave with pay may be taken by an eligible employee but only for a valid illness. Accumulated sick leave is lost upon termination; however, up to 90 days credit for unused sick leave may be added to length of service at retirement according to state retirement system guidelines. There is no cost to the City or employees for this credit. One month of service credit is granted for each 20 days of sick leave.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide financial statements. If applicable, the portion of the compensated absence liability related to the City's enterprise activities is also recorded in the proprietary fund financial statements, if material. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or retirements.

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the proprietary fund is also recorded in the proprietary fund financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable premiums and discounts. Issuance costs are expensed when incurred.

In the governmental fund financial statements, debt premiums, discounts and issuance costs are recognized immediately. The face amount of debt and leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in its Statement(s) of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The City reports *deferred OPEB charges* in its Statement(s) of Net Position in connection with the City's defined benefit other postemployment ("OPEB") plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has four types of deferred inflows of resources: (1) The City reports *unavailable revenue* for property taxes and other receivables only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The City reports *deferred revenue* on both the governmental funds Balance Sheet and the government wide Statement of Net Position; it is recognized as an inflow of resources (revenue) in the period for which it was intended to finance. (3) The City also reports *deferred pension credits* in its Statement(s) of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (4) The City reports *deferred OPEB credits* in its Statement(s) of Net Position in connection with the City's defined benefit OPEB plan. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

8. *Fund Balance*

The City classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision-making authority before the end of the reporting period. City Council is the highest level of decision-making authority for the government that can, by the adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. City Council reserves the right to assign fund balance.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance (Continued)

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-City funds, City funds. The City generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has also adopted a minimum unassigned fund balance policy for the General Fund. The purpose of the Fund Balance Reserve Policy ("Policy") for the City 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 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:

- 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.
- 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.
- 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.
- Eliminate unfunded liabilities related to the City's OPEB. Any surplus may be transferred to reduce the unfunded liability in the OPEB Trust Fund or any other fund initiated by the City to provide OPEB.

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:

- Impose millage in order to maintain the minimum percentage of reserve funds as stated in this policy pursuant to the exception to the millage cap restrictions as stated in Section 6-1-320(D) of the South Carolina Code of Laws, 1976, as amended. Section 6-1-320(D) states that the restriction contained in Section 6-1-320 does not affect millage that is used to maintain a reserve account.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. *Fund Balance (Continued)*

- 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 Annual Comprehensive Financial Report, 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.

9. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

10. *Pensions and Other Postemployment Benefits*

In government-wide financial statements, pensions and OPEB are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and Note IV.C and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The City recognizes net pension and OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. *Fair Value*

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

11. Fair Value (Continued)

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

12. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

13. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

14. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows the following procedures in establishing its annual budgets:

1. 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, E911, 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.
2. 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.
3. 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.
4. 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. The budgets at the end of the year for these funds represent the budgets as adopted and/or as amended by the City Council. All annual appropriations lapse at fiscal year-end.
5. The City has elected to present its required budgetary comparison information as required supplementary information ("RSI"). The General Fund and each of the City's major special revenue funds are shown as RSI – separate schedules after the notes and not as basic financial statements.
6. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year end lapse and generally may be re-appropriated in the following year's budget.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2022, none of the City's bank balances of approximately \$11,531,000 (with a carrying value of approximately \$11,369,000) were exposed to custodial credit risk.

Investments

As of June 30, 2022, the City had the following investments:

Investment Type	Credit Ratings*	Fair Value Level (1)	Fair Value	WAM < 1 Year
LGIP	Unrated	Not Applicable	\$ 20,924,927	\$ 20,924,927

* If available, credit ratings are for Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

WAM = weighted average maturity.

(1) See Note I.C.11 for details on the City's fair value hierarchy.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government 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 does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The City places no limit on the amount the City may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2022 were debt service funds, debt reserve funds, and those imposed by the revenue source (i.e., hospitality taxes, ARPA, emergency 911 fees, etc.).

B. Receivables and Unavailable/Deferred Revenues

Property Taxes Receivables

Lancaster County, South Carolina (the "County") is responsible for levying and collecting sufficient property taxes to meet funding obligations for the City. This obligation is established each year by the City Council. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and taxation at various rates of 4 to 10.5 percent of the estimated market value. Property taxes were levied and billed by the County in September 2021 based on real and personal property assessed values of approximately \$32.2 million (\$27.1 million in the prior year) based on a millage rate of 175.9 (174.7 mills in the prior year).

City 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 ("LOST") collected as required by the State of South Carolina. The local options sales tax factor for fiscal year 2022 was .003608 (.003746 in the prior year). Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 through February 1	-	3% of tax
February 2 through March 15	-	10% of tax
After March 15	-	15% of tax plus collection cost

Current year real and personal property taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable/Deferred Revenues (Continued)

Property Taxes Receivables (Continued)

Property taxes receivable of approximately \$256,000 represents current real and personal property as well as delinquent real and personal property taxes and is net of an allowance for uncollectible amounts of approximately \$76,000 at June 30, 2022. All property taxes receivable at year end, except those collected within 60 days of year end, are recorded as unavailable revenues – property taxes of approximately \$176,000 (a component of deferred inflows of resources) and thus not recognized as revenue until collected in the governmental funds.

Mortgage Receivables

In October 2011, the City sold the old Covenant Street land and building to the County for \$1,020,000. The County is scheduled to make annual payments of \$50,000 beginning in July 2012 through July 2031 with a final payment of \$70,000 in July 2032. The City also started a low-income housing program many years ago whereby the City loaned monies to eligible recipients. These loans are forgiven over time once certain requirements were met. As of June 30, 2022, the City has approximately \$520,000 in mortgage receivables outstanding, of which \$520,000 are also unavailable revenues (a component of deferred inflows of resources) as they were not collected within 60 days after year end.

Lease Receivable and Deferred Lease Revenue

In November 2021, the City (“Landlord”) entered into a lease with a company (“Tenant”) for the use of its water tower in its Gross Revenue Fund for placement of cell antenna equipment. The lease had an initial term (“Initial Term”) of five years with an automatic renewal for four successive renewal terms of five years (“Renewal Term”). Upon expiration of the Renewal Term, the Tenant has the right to extend the lease for up to nine successive one year periods, except that both the Tenant and Landlord both have the right to terminate the lease with appropriate notice after the Renewal Term. Annual lease payments for the water tower are currently approximately \$37,000. The lease payments for the water tower are indexed after each five year term and will reach approximately \$54,000 for the final five-year term.

The City implemented GASB #87 for the year ended June 30, 2022, using future noncancelable lease payments to be received to measure the lease receivable discounted to a net present value using a 1.41% interest rate, a reasonable incremental borrowing rate for the City at the inception of the lease, resulting in the City recording a lease receivable and a corresponding deferred lease revenue of approximately \$945,000. At June 30, 2022, the City’s reported a lease receivable and a corresponding deferred lease revenue of approximately \$928,000 as required by GASB #87. The City is amortizing the deferred lease revenue over the life of the Initial and Renewal Terms.

For the year ended June 30, 2022, the District received approximately \$25,000 from the Tenant, consisting of \$8,000 in lease interest revenue and approximately \$17,000 in lease revenue. Future lease payments due to the City under the agreement are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 24,275	12,925	\$ 37,200
2024	24,619	12,581	37,200
2025	24,969	12,231	37,200
2026	25,323	11,877	37,200
2027	28,172	11,508	39,680
2028-2032	156,163	51,165	207,328
2033-2037	189,023	39,038	228,061
2038-2042	226,427	24,440	250,867
2043-2047	228,817	7,196	236,013
Totals	\$ 927,788	182,961	\$ 1,110,749

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable/Deferred Revenues (Continued)

Other Receivables

Other receivables represent amounts due to the City for business licenses, intergovernmental revenue, hospitality taxes, leases, and amounts due from citizens for water/sewer and other services. In addition to the allowance for uncollectible amounts noted earlier for property taxes, the City's Solid Waste Fund has an allowance for uncollectible amounts of approximately \$67,000 at June 30, 2022 related to its receivables. All receivables below are shown net of an allowance for uncollectibles (if applicable). The City's net receivables at June 30, 2022 consisted of the following:

Description	General Fund	Hospitality Fund	Non Major Governmental Funds	Gross Revenue Fund	Solid Waste Fund	Totals
Property Taxes	\$ 255,646	-	-	-	-	\$ 255,646
Utilities	-	-	-	985,578	199,891	1,185,469
Mortgage	520,000	-	-	-	-	520,000
Water Tower Lease	-	-	-	927,788	-	927,788
Hospitality Taxes	-	143,833	-	-	-	143,833
MASC Business Licenses	148,628	-	-	-	-	148,628
Intergovernmental	442,278	-	-	-	-	442,278
Other	360,019	231	5,149	24,089	141,886	531,374
Net Receivables	\$ 1,726,571	144,064	5,149	1,937,455	341,777	\$ 4,155,016

Unavailable, Deferred, and Unearned Revenues

Governmental funds report as deferred/unearned revenues (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue), (b) revenues that have been received but are intended to finance future periods (deferred revenue), and (c) revenues received in advance that have not been earned (unearned revenue).

The City's governmental funds report as a component of deferred inflows of resources revenue that has been received but are intended to finance future periods (deferred revenues). The City has approximately \$2,561,000 in deferred revenue related to LOST (which will be provided as a tax credit in future tax bills).

The City's governmental funds report ARPA stimulus grant funds received in advance (unearned revenue) that will be used by the City for governmental services under the "Revenue Loss" provision of the ARPA.

As of June 30, 2022, the City had the following unavailable, deferred, and unearned revenues in its governmental funds:

Description	Category	Amount
Local Option Sales Tax (General Fund)	Deferred	\$ 2,561,147
Property Taxes and Lot Clearing Fees (General Fund)	Unavailable	184,062
Mortgage Receivables (General Fund)	Unavailable	520,000
Unused Stimulus Grants (ARPA Fund)	Unearned	2,269,919
Total		<u>\$ 5,535,128</u>

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables and Payables

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

Fund	Interfund Receivables	Interfund Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 823,039	\$ -
Hospitality Tax Fund	-	27,324
<u>Major Enterprise Funds:</u>		
Gross Revenue Fund	-	661,364
Solid Waste Fund	4,954	139,305
<u>Other Non Major Funds:</u>		
Non-Major Governmental Funds	-	-
Totals	<u>\$ 827,993</u>	<u>\$ 827,993</u>

The interfund balances are a result of the General Fund financing salaries and other operating expenditures/expenses for the Hospitality Tax, Gross Revenue, and Solid Waste Funds and the final reimbursements made by these funds.

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 4,028,453	-	-	-	\$ 4,028,453
Construction In Progress	-	1,759,897	-	-	1,759,897
Total Capital Assets, Non-Depreciable	<u>4,028,453</u>	<u>1,759,897</u>	<u>-</u>	<u>-</u>	<u>5,788,350</u>
Capital Assets, Depreciable:					
Buildings and Improvements	8,411,228	-	-	-	8,411,228
Vehicles, Equipment, and Furnishings	10,606,909	303,191	(155,456)	-	10,754,644
Infrastructure	6,849,537	4,285,722	-	-	11,135,259
Total Capital Assets, Depreciable	<u>25,867,674</u>	<u>4,588,913</u>	<u>(155,456)</u>	<u>-</u>	<u>30,301,131</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,077,195	261,350	-	-	4,338,545
Vehicles, Equipment, and Furnishings	7,913,352	532,289	(153,803)	-	8,291,838
Infrastructure	4,444,088	375,264	-	-	4,819,352
Total Accumulated Depreciation	<u>16,434,635</u>	<u>1,168,903</u>	<u>(153,803)</u>	<u>-</u>	<u>17,449,735</u>
Total Capital Assets, Depreciable, Net	<u>9,433,039</u>	<u>3,420,010</u>	<u>(1,653)</u>	<u>-</u>	<u>12,851,396</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,461,492</u>	<u>5,179,907</u>	<u>(1,653)</u>	<u>-</u>	<u>\$ 18,639,746</u>

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset activity for the City's business-type activities for the year ended June 30, 2022, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Gross Revenue					
Capital Assets, Non-Depreciable:					
Land	\$ 366,054	-	-	-	\$ 366,054
Construction In Progress	902,157	1,054,460	-	(520,397)	1,436,220
Total Capital Assets, Non-Depreciable	1,268,211	1,054,460	-	(520,397)	1,802,274
Capital Assets, Depreciable:					
Buildings and Improvements	1,800,459	-	-	-	1,800,459
Vehicles, Equipment, and Furnishings	7,026,518	444,638	(39,968)	-	7,431,188
Infrastructure	53,694,234	-	-	520,397	54,214,631
Total Capital Assets, Depreciable	62,521,211	444,638	(39,968)	520,397	63,446,278
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,263,728	48,908	-	-	1,312,636
Vehicles, Equipment, and Furnishings	4,968,093	310,601	(39,968)	-	5,238,726
Infrastructure	25,809,305	1,313,782	-	-	27,123,087
Total Accumulated Depreciation	32,041,126	1,673,291	(39,968)	-	33,674,449
Gross Revenue Capital Assets, Depreciable, Net	30,480,085	(1,228,653)	-	520,397	29,771,829
Gross Revenue Capital Assets, Net	\$ 31,748,296	(174,193)	-	-	\$ 31,574,103
Solid Waste					
Capital Assets, Non-Depreciable:					
Construction In Progress	\$ -	-	-	-	\$ -
Total Capital Assets, Non-Depreciable	-	-	-	-	-
Capital Assets, Depreciable:					
Buildings and Improvements	158,617	-	-	-	158,617
Vehicles, Equipment, and Furnishings	5,154,814	101,952	-	-	5,256,766
Infrastructure	2,092,072	-	-	-	2,092,072
Total Capital Assets, Depreciable	7,405,503	101,952	-	-	7,507,455
Less: Accumulated Depreciation for:					
Buildings and Improvements	129,648	1,070	-	-	130,718
Vehicles, Equipment, and Furnishings	3,832,564	353,118	-	-	4,185,682
Infrastructure	641,112	89,848	-	-	730,960
Total Accumulated Depreciation	4,603,324	444,036	-	-	5,047,360
Solid Waste Capital Assets, Depreciable, Net	2,802,179	(342,084)	-	-	2,460,095
Solid Waste Capital Assets, Net	\$ 2,802,179	(342,084)	-	-	\$ 2,460,095
Business-Type Activities Capital Assets, Net	\$ 34,550,475	(516,277)	-	-	\$ 34,034,198

Ongoing construction in progress in the City's governmental and business-type activities primarily relate to a fire truck received but not placed in service and waterline replacement projects, respectively.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Administration	\$ 59,420	\$ 317,860
Public Safety	1,949,380	559,826
Public Works	72,813	139,765
Parks and Playgrounds	4,267,197	151,452
Total - Governmental Activities	<u>\$ 6,348,810</u>	<u>\$ 1,168,903</u>

Capital asset additions and depreciation expense for business-type were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Gross Revenue Fund	\$ 1,499,098	\$ 1,673,291
Solid Waste Fund	101,952	444,036
Total - Business-Type Activities	<u>\$ 1,601,050</u>	<u>\$ 2,117,327</u>

The City receives from time to time donated capital assets (generally water and sewer lines) from subdivisions/projects that are given to the City from various parties. In fiscal year 2022, the City received donations of approximately \$4,267,000 for the Lindsay Pettus Greenway Trail (which are included in the above totals).

E. Long-Term Obligations

The City may issue debt from time to time to provide funds for the acquisition of vehicles and equipment and construction of major capital facilities. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City and are subject to the 8% debt limit requirement if not issued under a bond referendum. The State Revolving Fund Loans ("SRFL") are long-term debt-financing loans (direct borrowings/placements) offered by the State of South Carolina to provide low-interest loans to communities for construction of water or sewer improvements. The SRFL are generally secured by a pledge of and lien on all revenues derived from the operation of the project system and all funds and accounts derived from such revenues as well as a requirement on the State Treasury to remit all delinquent payments until the loan is fully paid.

Financed Purchase ("FP") obligations are special obligations (direct borrowings/placements) of the City payable from the general revenues of the City and are generally used to finance equipment purchases (with title transferring to the City as the end of the lease). The full faith, credit, and taxing powers of the City are not pledged for the payment of the SRFL or FP obligations nor the interest thereon.

The City's outstanding debt obligations are either publicly traded ("PT") or have been issued/obtained through direct borrowings/placements ("DBP"). Obligations through DBP are generally secured/collateralized by the underlying capital assets and generally contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the City is unable to make payment and (b) lender could exercise its option to demand return of the financed assets.

Details on the City's outstanding debt issues as of June 30, 2022 are as follows:

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

	Balance at June 30, 2022
<i>State Revolving Fund Loans – DBP</i>	
\$952,151 Sewer Line Rehabilitation Revolving Loan finalized in December 2002 (“SRFL – 12/02”). The loan originally has 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. The proceeds from this loan were used for the second phase of the sewer line rehabilitation and wastewater treatment plant improvements.	\$ 91,635
\$6,253,919 State Water Pollution Control Revolving Loan finalized in March 2007 (“SRFL – 3/07”). 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. The proceeds from this loan were used for the wastewater treatment plant upgrade and expansion.	1,927,671
\$3,612,367 State Water Pollution Control Revolving Loan approved in August 2016 (“SRFL – 8/16”). Only \$3,193,279 was drawn down. The loan has an interest rate of 1% and is payable in quarterly payments of \$34,881, including principal and interest, and matures in January 2048. The proceeds from this loan were used for the upgrade and expansion of Erwin Farms wastewater treatment plant.	2,773,096
\$2,540,599 State Water Pollution Control Revolving Loan approved in July 2017 (“SRFL – 7/17”). Only \$2,432,534 was drawn down. The loan has an interest rate of 1% for the first 20 years and 1.5% for the remaining 10 years and is payable in quarterly payments of \$31,668 for the first 20 years and then \$8,134 for the remaining 10 years, including principal and interest, and matures in December 2048. The proceeds from this loan were used for the West Arch Street Sewer – Basin 17 and Poovey Farms Sewer – Basin 23.	2,087,010
<i>Financed Purchases – DBP</i>	
\$433,000 financed purchase agreement was entered into in September 2017 (“FP – 9/17”) with five annual payments (including interest) of \$91,456 beginning September 1, 2018 through September 1, 2022 which includes interest of 1.88%. The proceeds from this issuance were used for a garbage truck, road tractor, and refuse walking floor trailer.	89,768
\$420,580 financed purchase agreement was entered into in September 2020 (“FP – 9/20”) with 20 quarterly payments (including interest) of \$21,816 beginning December 15, 2020 through September 15, 2025 which includes interest of 1.41%. The proceeds from this issuance were used for a Garbage truck and a Knuckleboom Truck.	\$ 276,731

Interest paid on the debt issued by the City is generally exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not believe it has an arbitrage liability at June 30, 2022.

The order of priority for pledges and security on the capital assets of the City’s water/sewer activities is the state revolving fund loans. The state revolving fund loans require the City to maintain user rates sufficient to generate net earnings, as defined by the agreements, ranging from 110% to 120% of the combined annual principal and interest payments. The state revolving fund loans contain significant requirements for annual debt service, various restrictive covenants which require the City to maintain various restricted cash and investment accounts and to meet various other general requirements. The City is in compliance with all such significant financial covenants and restrictions at June 30, 2022.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's governmental and business-type activities for the year ended June 30, 2022:

Long-Term Obligations	Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:						
Debt						
Financed Purchases:						
FP - 4/06	DBP	\$ 5,008	-	5,008	-	\$ -
Total Debt		5,008	-	5,008	-	-
Compensated Absences		396,509	165,475	165,948	396,036	66,019
Total Governmental Activities		<u>\$ 401,517</u>	<u>165,475</u>	<u>170,956</u>	<u>396,036</u>	<u>\$ 66,019</u>
Business-Type Activities:						
Debt						
State Revolving Fund Loans						
SRFL - 8/02	DBP	\$ 42,299	-	42,299	-	\$ -
SRFL - 12/02	DBP	151,034	-	59,399	91,635	60,747
SRFL - 3/07	DBP	2,251,763	-	324,092	1,927,671	327,345
SRFL - 8/16	DBP	2,868,109	-	95,013	2,773,096	95,966
SRFL - 7/17	DBP	2,186,967	-	99,957	2,087,010	100,960
Total State Revolving Fund Loans		<u>7,500,172</u>	<u>-</u>	<u>620,760</u>	<u>6,879,412</u>	<u>585,018</u>
Financed Purchases						
FP - 4/06	DBP	80,786	-	80,786	-	-
FP - 9/17	DBP	177,880	-	88,112	89,768	89,768
FP - 9/20	DBP	359,364	-	82,633	276,731	83,804
Total Financed Purchases		<u>618,030</u>	<u>-</u>	<u>251,531</u>	<u>366,499</u>	<u>173,572</u>
Total Debt		8,118,202	-	872,291	7,245,911	758,590
Compensated Absences		191,051	91,754	85,298	197,507	32,924
Total Business-Type Activities		<u>\$ 8,309,253</u>	<u>91,754</u>	<u>957,589</u>	<u>7,443,418</u>	<u>\$ 791,514</u>

Resources from the General Fund have typically been used to liquidate financed purchases and compensated absence obligations of the City's governmental activities. Resources from the Gross Revenue Fund have typically been used to liquidate state revolving fund loans and the portions of the financed purchase and compensated absence obligations related to that fund. Resources from the Solid Waste Fund have typically been used to liquidate the portions of the financed purchase and compensated absence obligations related to that fund. Payments for other long-term liabilities associated with the City's Retirement Plans and the City's OPEB Plan (see Note IV.B and Note IV.C) are paid from the various funds for which the employees' salaries are charged.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2022, the City had no outstanding general obligation bonds subject to the 8% limit of approximately \$2,579,000 resulting in an unused legal debt margin of approximately \$2,579,000.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of debt service requirements to maturity by year for the City's business-type activities as of June 30, 2022:

Year Ended June 30,	State Revolving Fund Loans		Financed Purchases		Total
	Principal	Interest	Principal	Interest	
Business-Type Activities					
2023	\$ 585,018	67,468	173,572	5,148	\$ 831,206
2024	560,422	60,915	84,991	2,272	708,600
2025	534,849	55,338	86,197	1,067	677,451
2026	540,217	49,970	21,739	77	612,003
2027	545,640	44,547	-	-	590,187
2028 - 2032	1,313,797	169,173	-	-	1,482,970
2033 - 2037	1,110,113	113,839	-	-	1,223,952
2038 - 2042	840,000	66,502	-	-	906,502
2043 - 2047	742,391	28,065	-	-	770,456
2048 - 2049	106,965	829	-	-	743,220
Totals	\$ 6,879,412	656,646	366,499	8,564	\$ 8,546,547

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF") and the South Carolina Municipal Insurance Trust ("SCMIT"), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers compensation, respectively.

The City pays an annual premium to SCMIRF for its general risk insurance. For the year ended June 30, 2022, the City's total general risk insurance expense was approximately \$454,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2022, totaled approximately \$14,371,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City pays an annual premium to SCMIT for its workers compensation insurance. For the year ended June 30, 2022, the City's total workers compensation insurance expense was approximately \$364,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2022, totaled approximately \$57,773,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Insurance

The City participates in the State Health Plan, a self-insured program administered by the South Carolina Public Employee Benefit Authority. The City pays a monthly premium for its health coverage (insured plan) with the State Health Plan being responsible for claims.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

The City participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues an Annual Comprehensive Financial Report (formerly known as the "Comprehensive Annual Financial Report") containing financial statements and required supplementary information for the System's Pension Trust Funds. The Annual Comprehensive Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The 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 Annual Comprehensive Financial Report of the state.

Plan Description

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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan 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.

CITY OF LANCASTER, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership (Continued)

- 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; be a coroner in a full-time permanent position; or be 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 the PORS. Magistrates are required to participate in the 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.

Plan 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/current annual salary. A brief summary of benefit terms for each system is presented below.

- 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS (“Plans”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020.

If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

As noted earlier, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City’s contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees’ annual eligible compensation. Required employer and employee contribution rates for the past year are as follows:

	SCRS Rates	PORS Rates
	2022	2022
Employer Contribution Rate: ^		
Retirement	16.41%	18.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	16.56%	19.24%
Employee Contribution Rate ^	9.00%	9.75%

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The actual and required contributions to the SCRS and PORS were approximately \$685,000 and \$595,000, respectively, for the year ended June 30, 2022 and include the nonemployer contributions noted below.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Nonemployer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2022. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2022 were approximately \$42,000 and \$27,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the City's governmental fund financial statements.

Actuarial Assumptions and Methods

Actuarial valuations of the plan 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 regarding the net pension liability 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. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2021 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2020. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Rate of Return	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.43%

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

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2021 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 55,131,579,363	33,490,305,970	\$ 21,641,273,393	60.7%
PORS	\$ 8,684,586,488	6,111,672,064	\$ 2,572,914,424	70.4%

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2022, the City reported liabilities of approximately \$7,921,000 and \$5,356,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2021, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2020 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, the City's SCRS proportion was 0.036603 percent, which was an increase of 0.00003 from its proportion measured as of June 30, 2020. At the June 30, 2021 measurement date, the City's PORS proportion was 0.208164 percent, which was an increase of 0.027783 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of approximately \$371,000 and \$689,000 (total of \$1,060,000) for the SCRS and PORS, respectively. At June 30, 2022, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 134,930	\$ 10,691
Change in Assumptions	433,584	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,150,669
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	4,181	82,870
Employer Contributions Subsequent to the Measurement Date	643,134	-
Total SCRS	1,215,829	1,244,230
PORS		
Differences Between Expected and Actual Experience	182,202	16,680
Change in Assumptions	382,006	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,200,763
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	674,032	131,116
Employer Contributions Subsequent to the Measurement Date	568,183	-
Total PORS	1,806,423	1,348,559
Total SCRS and PORS	\$ 3,022,252	\$ 2,592,789

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$643,000 and \$568,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2023	\$ (104,257)	118,822	\$ 14,565
2024	(38,426)	91,809	53,383
2025	(98,286)	78,700	(19,586)
2026	(430,566)	(399,650)	(830,216)
Total	<u>\$ (671,535)</u>	<u>(110,319)</u>	<u>\$ (781,854)</u>

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina 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 TPL.

Sensitivity Analysis

The following table presents the sensitivity of the City's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability of the SCRS	\$ 10,375,880	7,921,272	\$ 5,880,985
City's proportionate share of the net pension liability of the PORS	7,770,688	5,355,874	3,377,771
Total	<u>\$ 18,146,568</u>	<u>13,277,146</u>	<u>\$ 9,258,756</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Annual Comprehensive Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Annual Comprehensive Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The City reported a payable of approximately \$303,000 to the PEBA as of June 30, 2022, representing required employer and employee contributions for the months of May 2022 and June 2022 for the SCRS and PORS. This amount is included in Accrued Expenses on the financial statements and was paid in July 2022 and August 2022.

C. Other Postemployment Benefit Plan

Plan Description

The City’s defined other postemployment benefits healthcare plan (the “OPEB 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 and PORS and has at least 14 years of service with the City. The OPEB Plan is approved each year by City Council. The contribution requirements of the City and plan members are established and amended by City Council. These contributions are neither guaranteed nor mandatory. City Council has retained the right to unilaterally modify its payments toward the retiree health care benefits.

The OPEB Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (“SC ORBET”), and thus is considered an agent multiple-employer plan, whose OPEB Plan assets are administered by the Municipal Association of South Carolina (“MASC”). SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P.O. Box 12109, Columbia, South Carolina 29211.

Plan Membership

As of December 31, 2020, the last actuarial valuation, the following employees were covered by the OPEB Plan’s benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	15
Active Members	173
Total Membership	188

Plan Benefits and Contributions

The City currently participates in the State Health Plan, which is administered by the PEBA. The PEBA is responsible for establishing and amending the provisions, benefits, and contribution requirements of those entities that participate in the State Health Plan. The primary benefits of the OPEB Plan include medical, prescription, and dental coverages for retirees and their eligible dependents. Retiree contributions requirements for the City are established and amended by the City Council and are based on years of service.

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 OPEB 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 OPEB Plan. All other eligible retirees may participate in the OPEB 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Plan Benefits and Contributions (Continued)

During the year ended June 30, 2022, the City made contributions of approximately \$101,000, or an average of 1.54% of covered payroll.

Actuarial Assumptions and Method

Actuarial valuations of the OPEB Plan 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, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Asset Valuation Method	Five Years Smoothed Fair Value
Actuarial Assumptions:	
Inflation	2.25%
Investment Rate of Return	4.75% which includes inflation
Discount Rate	4.75%
Healthcare Cost Trend Rate	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Payroll Growth	SCRS - 3.00% - 9.50%; PORS - 3.50% - 10.50% (including inflation)
Coverage Elections	40% of eligible retirees will elect coverage and 30% of those will elect to cover their spouse
Marriage	100% of all active employees are assumed to be married with female spouses assumed to be three years younger
Mortality Table	PUB-2010 mortality tables for employees with a 135% multiplier
Implicit Subsidy	Total cost of coverage for pre-65 retirees is 35% higher than the average premium rate to account for implicitly subsidized costs
Assumption Changes	Most recent experience analysis used and changes made to medical trend and anticipated member participation.

The actuarial assumptions used above were based on the 2020 experience study adopted for the SCRS and PORS retirement plans.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB Plan investments is based upon 35-year capital market assumptions, as well as current consensus expectations and market based inputs. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach and are presented net of investment fees. There are no municipal bond rate assumptions used in deriving the discount rate, and the discount rate forecast period extends for 50 years. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation for the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
US Government Fixed Income			
US Government Agency	57.5%	4.50%	2.59%
US Government MBS/CMO/CMBS	40.0%	5.25%	2.10%
Cash and Short Duration	2.5%	2.50%	0.06%
Total Expected Real Rate of Return	100.0%		4.75%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.00%

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The City's net OPEB liability was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020.

	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of December 31, 2020	\$ 812,448	700,925	\$ 111,523
Changes for the year:			
Service Cost	32,529	-	32,529
Interest	37,392	-	37,392
Difference Between Expected/Actual Experience	(116,109)	-	(116,109)
Changes in Assumptions or Other Inputs	(31,803)	-	(31,803)
Contributions - Employer	-	101,100	(101,100)
Net Investment Income	-	(21,188)	21,188
Benefit Payments	(51,100)	(51,100)	-
Administrative Expense	-	(6,168)	6,168
Net Changes	(129,091)	22,644	(151,735)
Balances as of December 31, 2021	\$ 683,357	723,569	\$ (40,212)

The changes in assumption or other inputs amount above is due to updates to the most recent experience analysis and changes in medical trend and member participation.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2022, the City recognized OPEB income of approximately \$5,000. At June 30, 2022, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 27,059	\$ 454,227
Net Difference Between Projected/Actual Earnings on OPEB Plan Investments	45,545	-
Changes of Assumptions or Other Inputs	2,613	28,497
Employer Contributions Subsequent to the Measurement Date	50,550	-
Total	<u>\$ 125,767</u>	<u>\$ 482,724</u>

Approximately \$51,000 that was reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the OPEB Plan will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

Year Ended June 30,	Total
2023	\$ (49,206)
2024	(51,785)
2025	(52,004)
2026	(51,376)
2027	(63,265)
Thereafter	(139,871)
Total	<u>\$ (407,507)</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the City's net OPEB liability to changes in the discount rate, calculated using the discount rate of 4.75%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (3.75%) or 1% point higher (5.75%) than the current rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$ 36,575	(40,212)	\$ (107,694)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the City's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 7.00% decreasing to 4.50%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (6.00% decreasing to 3.50%) or 1% point higher (8.00% decreasing to 5.50%) than the current rate:

	1% Decrease (6.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rate (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Net OPEB Liability	\$ (108,364)	(40,212)	\$ 43,766

D. Contingent Liabilities and Commitments

Litigation

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Grants

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2022.

Environmental Protection Agency

During 2014, the City entered into an Order of Consent ("Order") with the Environmental Protection Agency ("EPA") wherein the EPA levied a fine of approximately \$71,000 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. 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.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments (Continued)

Environmental Protection Agency (Continued)

The City estimates that the project will take up to ten years to complete. Management believes a reasonable estimate of the costs to meet the requirements of the Order will be between \$14 million and \$17 million. To date, the City has been awarded grants totaling approximately \$5.5 million and has borrowed \$5.6 million from the South Carolina State Revolving Loan Fund to help defray the costs of the remediation. 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.

Water and Sewer Agreements

In October 1994, the City entered into a water agreement with Lancaster County Water and Sewer District ("LCWSD") to provide reserve water capacity. The initial agreement was for 20 years and was automatically renewed (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 LCWSD and the total water purchased by LCWSD. This ratio is multiplied by the annual debt payment LCWSD incurred as a result of LCWSD financing the cost of providing the additional reserve capacity to the City. The water capacity fees incurred by the City were approximately \$730,000 for year ended June 30, 2022.

In October 1994, the City entered into another agreement with LCWSD to provide wastewater capacity and treatment services to LCWSD. The initial agreement was for 20 years and was automatically renewed (with a renewal clause) for an additional 20 years. The City will charge fees that are assessed in a manner similar to the water agreement above. Revenue recognized by the City related to this agreement was approximately \$632,000 for the year ended June 30, 2022.

Local Match

In January 2022, the City passed a resolution to increase the City's local match funding commitment for the economic development administration disaster supplemental grant by \$600,000.

Construction

In February 2022, the City awarded a construction contract of approximately \$973,000 to Vortex LLC for the Williams Estate Subdivision CDBG Sewer Rehabilitation Project. As of June 30, 2022, no amounts had been spent under this contract.

In March 2022, the City awarded a construction contract of approximately \$372,000 to Dawn Development Company for the RIA Air Rail Waterlines Project. As of June 30, 2022, no amounts had been spent under this contract.

E. Tax Abatements

City's Tax Abatements

The City does not have any of its own tax abatement agreements.

Lancaster County's Abatements

The City's property tax revenues were reduced by approximately \$598,000 under agreements entered into by Lancaster County, South Carolina.

CITY OF LANCASTER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

F. Subsequent Events

In October 2022, the City received the final funding of approximately \$2,270,000 of the approximately \$4,540,000 that they were awarded in American Rescue Plan Act funding. This program is intended to provide support to local, territorial, state, and tribal governments in responding to the economic and public health impacts of COVID-19. There are four areas that the funding could be applied towards: (1) water, sewer, and storm drainage, (2) premium pay for essential workers, (3) COVID-19 health related concerns, and (4) funding to help businesses recover from the pandemic. The City has budgeted these funds to be spent in fiscal year 2023. Any amounts not spent during fiscal year 2023 will roll over into subsequent years.

In November 2022, the City awarded the CDBG Master Meter Valve Vault Replacement Project bid to Basinger Contracting Company in the amount of approximately \$958,000.

In March 2023, the City approved the purchase of a 6.28 acre parcel of land for \$385,000 located along the southern boundary of West Meeting Street west of its confluence with Memorial Park Road.

In May 2023, the City accepted the South Carolina Rural Infrastructure Authority grant for \$10,000,000 for the Wastewater Treatment Plant.

In May 2023, the City approved the application and local match funding commitment for an economic development administration supplemental assistance grant for the West Meeting Street Waterline Replacement Project for \$3,843,000. With the 20% match, the City would be required to provide approximately \$769,000.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Taxes	\$ 5,889,000	5,889,000	6,606,771	\$ 717,771
Fines, Fees, Licenses, and Permits	3,546,389	3,561,589	3,946,345	384,756
Intergovernmental	409,287	182,883	464,638	281,755
Charges for Services	279,000	279,000	377,620	98,620
Grants	182,883	493,387	163,601	(329,786)
Interest	20,000	20,000	28,516	8,516
Other	117,353	61,453	250,843	189,390
TOTAL REVENUES	10,443,912	10,487,312	11,838,334	1,351,022
EXPENDITURES				
Current:				
General Administration	3,384,731	3,423,204	3,192,161	231,043
Public Safety	5,931,632	6,021,984	5,459,258	562,726
Public Works	737,549	749,440	659,477	89,963
Code Enforcement	314,170	284,570	264,757	19,813
Parks and Playgrounds	172,200	176,785	145,122	31,663
Community Service	67,330	100,030	18,681	81,349
Capital Outlay	2,892,500	2,787,500	2,081,613	705,887
Debt Service:				
Principal	5,010	5,008	5,008	-
Interest and Fees	50	51	5	46
TOTAL EXPENDITURES	13,505,172	13,548,572	11,826,082	1,722,490
NET CHANGES IN FUND BALANCES	(3,061,260)	(3,061,260)	12,252	3,073,512
FUND BALANCES, Beginning of the Year	12,181,277	12,181,277	12,181,277	-
FUND BALANCES, End of Year	\$ 9,120,017	9,120,017	12,193,529	\$ 3,073,512

Note: The City's original and revised budget reflected the expected use of fund balance of approximately \$3,061,000.

Note: The budgets are presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL
HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Taxes	\$ 928,000	999,500	1,126,028	\$ 126,528
Charges for Services	30,000	6,500	6,397	(103)
Grants	1,000	1,000	325	(675)
Interest	401	401	656	255
Other Revenue	10,000	10,000	15,120	5,120
TOTAL REVENUES	969,401	1,017,401	1,148,526	131,125
EXPENDITURES				
Current:				
General Administration	1,191,401	1,239,401	609,498	629,903
TOTAL EXPENDITURES	1,191,401	1,239,401	609,498	629,903
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(222,000)	(222,000)	539,028	761,028
NET CHANGES IN FUND BALANCES	(222,000)	(222,000)	539,028	761,028
FUND BALANCES, Beginning of Year	1,942,267	1,942,267	1,942,267	-
FUND BALANCES, End of Year	\$ 1,720,267	1,720,267	2,481,295	\$ 761,028

Note: The City's original and revised budget reflected the expected use of fund balance of approximately \$222,000.

Note: The budgets are presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.03660%	0.03657%	0.03691%	0.037522%	0.040519%	0.042483%	0.043884%	0.043699%	0.043699%
City's Proportionate Share of the Net Pension Liability	\$ 7,921,272	9,345,251	8,428,433	8,407,435	9,121,479	9,074,306	8,322,812	7,523,519	\$ 7,838,042
City's Covered Payroll	\$ 4,137,587	4,082,989	3,897,755	3,888,296	4,086,848	4,113,932	4,110,619	3,984,189	\$ 3,665,267
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.45%	228.88%	216.24%	216.22%	223.19%	220.58%	202.47%	188.83%	213.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	56.39%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.
The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 685,098	643,808	635,313	567,513	527,253	466,309	448,068	420,531	415,210	\$ 383,020
Contributions in Relation to the Contractually Required Contribution:										
Contributions from the City	643,134	601,845	592,519	525,549	485,289	466,309	448,068	420,531	415,210	383,020
Contributions from the State	41,964	41,963	42,794	41,964	41,964	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$4,137,067	4,137,587	4,082,989	3,897,755	3,888,296	4,086,848	4,113,932	4,110,619	3,984,189	\$3,665,267
Contributions as a Percentage of Covered Payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.41%	10.89%	10.23%	10.42%	10.45%

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.20816%	0.18038%	0.18876%	0.17922%	0.18669%	0.20630%	0.20750%	0.21692%	0.21692%
City's Proportionate Share of the Net Pension Liability	\$ 5,355,874	5,981,814	5,409,787	5,078,277	5,114,377	5,232,671	4,522,433	4,152,757	\$ 4,496,671
City's Covered Payroll	\$ 3,127,244	2,705,052	2,737,907	2,481,968	2,512,627	2,625,241	2,570,626	2,568,885	\$ 2,362,887
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.26%	221.13%	197.59%	204.61%	203.55%	199.32%	175.93%	161.66%	190.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.37%	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	62.90%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF LANCASTER, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
 SCHEDULE OF CONTRIBUTIONS
 SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

	Year Ended June 30,										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Contractually Required Contribution	\$ 595,224	570,409	493,401	472,015	403,072	347,748	360,330	334,993	320,924	\$ 281,184	
Contributions in Relation to the Contractually Required Contribution:											
Contributions from the City	568,183	543,368	466,360	444,974	376,031	347,748	360,330	334,993	320,924	281,184	
Contributions from the State	27,041	27,041	27,041	27,041	27,041	-	-	-	-	-	
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -	
City's Covered Payroll	\$3,093,681	3,127,244	2,705,052	2,737,907	2,481,968	2,512,627	2,625,241	2,570,626	2,568,885	\$2,362,887	
Contributions as a Percentage of Covered Payroll	19.24%	18.24%	18.24%	17.24%	16.24%	13.84%	13.73%	13.03%	12.49%	11.90%	

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

LAST FIVE YEARS

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service Cost	\$ 32,529	31,491	40,895	39,587	\$ 38,322
Interest	37,392	36,042	58,895	58,414	57,885
Differences Between Expected and Actual Experience	(116,109)	17,706	(506,056)	10,012	15,164
Changes of Assumptions	(31,803)	-	3,774	-	-
Benefit Payments, Including Refunds of Member Contributions	(51,100)	(62,400)	(94,501)	(101,182)	(99,316)
Net Change in Total OPEB Liability	(129,091)	22,839	(496,993)	6,831	12,055
Total OPEB Liability - Beginning of Year	812,448	789,609	1,286,602	1,279,771	1,267,716
Total OPEB Liability - End of Year (a)	<u>\$ 683,357</u>	<u>812,448</u>	<u>789,609</u>	<u>1,286,602</u>	<u>\$ 1,279,771</u>
OPEB Plan Fiduciary Net Position:					
Employer Contribution	\$ 101,100	112,400	139,501	101,182	\$ 114,316
Net Investment Income	(21,188)	33,765	26,142	12,710	14,807
Benefit Payments, Including Refunds of Member Contributions	(51,100)	(62,400)	(94,501)	(101,182)	(99,316)
Administrative Expense	(6,168)	(5,544)	-	-	(14,215)
Net Change in OPEB Plan Fiduciary Net Position	22,644	78,221	71,142	12,710	15,592
OPEB Plan Fiduciary Net Position - Beginning of Year	700,925	622,704	551,562	538,852	523,260
OPEB Plan Fiduciary Net Position - End of Year (b)	<u>\$ 723,569</u>	<u>700,925</u>	<u>622,704</u>	<u>551,562</u>	<u>\$ 538,852</u>
Net OPEB Liability (Asset) - End of Year (a) - (b)	<u>\$ (40,212)</u>	<u>111,523</u>	<u>166,905</u>	<u>735,040</u>	<u>\$ 740,919</u>
OPEB Plan Fiduciary Net Position					
as a Percentage of the Total OPEB Liability	105.88%	86.27%	78.86%	42.87%	42.11%
Covered-Employee Payroll	\$ 6,564,407	4,808,452	4,808,452	5,425,669	\$ 5,425,669
Net OPEB Liability as a Percentage of Covered-Employee Payroll	-0.61%	2.32%	3.47%	13.55%	13.66%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31st of the current year (measurement date).

The City adopted GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.

Significant Assumptions or Significant Changes in Assumptions

Discount Rate 4.75% 4.75% 4.75% 4.75% 4.75%

(1) The 12/31/20 actuarial valuation was updated for the most recent experience analysis and changes in medical trend and anticipated member participation.

CITY OF LANCASTER, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULES

SCHEDULE OF THE CITY'S CONTRIBUTIONS

LAST FIVE YEARS

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 36,449	41,308	56,790	71,726	\$ 61,650
Contributions in Relation to the Actuarially Determined Contribution	101,100	112,400	139,501	101,182	114,316
Contribution Deficiency (Excess)	<u>\$ (64,651)</u>	<u>(71,092)</u>	<u>(82,711)</u>	<u>(29,456)</u>	<u>\$ (52,666)</u>
Covered-Employee Payroll	\$ 6,564,407	4,808,452	4,808,452	5,425,669	\$ 5,425,669
Contributions as a Percentage of Covered-Employee Payroll	1.54%	2.34%	2.90%	1.86%	2.11%

Notes to Schedule:

The City adopted GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.

Valuation Date: Actuarially determined contribution rates were calculated as of December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Asset Valuation Method	Five Years Smoothed Fair Value
Inflation	2.25%
Discount Rate	4.75%
Investment Rate of Return	4.75% which includes inflation
Salary Increases	SCRS - 3.0% - 9.5%; PORS - 3.5% - 10.5% (including inflation)
Healthcare Cost Trend Rates	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Coverage Elections	40% of eligible employees will elect coverage and 30% of those will elect to cover the spouse.
Marriage Assumptions	100% of all active employees are assumed to be married with female spouses being three years younger than males.
Mortality Rates	PUB-2010 mortality tables for employees with a 135% multiplier
Implicit Subsidy	Total cost of average for pre-65 retirees is 35% higher than the average premium rate to account for implicitly subsidized costs

Significant Changes in Assumptions

(1) The 12/31/20 actuarial valuation was updated for the most recent experience analysis and changes in medical trend and anticipated member participation.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

CITY OF LANCASTER, SOUTH CAROLINA

**SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2022

	REVISED BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
General Administration:			
Mayor and Council:			
Personnel Services	\$ 78,587	77,941	\$ 646
Operating Expenses	50,250	33,948	16,302
Total Mayor and Council	128,837	111,889	16,948
City Administrator:			
Personnel Services	234,396	232,199	2,197
Operating Expenses	10,865	8,808	2,057
Total City Administrator	245,261	241,007	4,254
Building and Grounds Maintenance:			
Personnel Services	125,004	124,218	786
Operating Expenses	190,256	179,077	11,179
Total Building and Grounds Maintenance	315,260	303,295	11,965
Human Resources:			
Personnel Services	221,390	213,189	8,201
Operating Expenses	24,800	20,145	4,655
Total Human Resources	246,190	233,334	12,856
Finance:			
Personnel Services	181,005	161,600	19,405
Operating Expenses	26,165	13,499	12,666
Total Finance	207,170	175,099	32,071
Information Technology:			
Personnel Services	95,400	94,974	426
Operating Expenses	637,100	558,197	78,903
Total Information Technology	732,500	653,171	79,329
Legal Services:			
Personnel Services	31,315	30,812	503
Operating Expenses	9,260	9,008	252
Total Legal Services	40,575	39,820	755
General Expenses:			
Personnel Services	717,725	689,099	28,626
Operating Expenses	789,686	745,447	44,239
Total General Expenses	1,507,411	1,434,546	72,865
Total General Administration	\$ 3,423,204	3,192,161	\$ 231,043

(Continued)

CITY OF LANCASTER, SOUTH CAROLINA

**SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2022

	REVISED BUDGET	ACTUAL	VARIANCE
Public Safety:			
Police:			
Personnel Services	\$ 2,951,497	2,643,271	\$ 308,226
Operating Expenses	499,435	381,828	117,607
Capital Outlay	18,000	-	18,000
Total Police	<u>3,468,932</u>	<u>3,025,099</u>	<u>443,833</u>
Victims' Services:			
Personnel Services	24,303	24,192	111
Operating Expenses	3,435	351	3,084
Total Victims' Services	<u>27,738</u>	<u>24,543</u>	<u>3,195</u>
Judiciary:			
Personnel Services	317,645	304,998	12,647
Operating Expenses	95,475	28,371	67,104
Total Judiciary	<u>413,120</u>	<u>333,369</u>	<u>79,751</u>
Fire:			
Personnel Services	1,839,129	1,818,774	20,355
Operating Expenses	273,065	257,473	15,592
Total Fire	<u>2,112,194</u>	<u>2,076,247</u>	<u>35,947</u>
Total Public Safety	<u>6,021,984</u>	<u>5,459,258</u>	<u>562,726</u>
Public Works:			
Street Division:			
Personnel Services	207,390	179,258	28,132
Operating Expenses	413,900	381,595	32,305
Total Street Division	<u>621,290</u>	<u>560,853</u>	<u>60,437</u>
Vehicle Maintenance:			
Personnel Services	79,250	61,123	18,127
Operating Expenses	48,900	37,501	11,399
Total Vehicle Maintenance	<u>128,150</u>	<u>98,624</u>	<u>29,526</u>
Total Public Works	<u>749,440</u>	<u>659,477</u>	<u>89,963</u>
Code Enforcement:			
Personnel Services	235,532	230,832	4,700
Operating Expenses	49,038	33,925	15,113
Total Code Enforcement	<u>\$ 284,570</u>	<u>264,757</u>	<u>\$ 19,813</u>

(Continued)

CITY OF LANCASTER, SOUTH CAROLINA

**SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2022

	REVISED BUDGET	ACTUAL	VARIANCE
Parks and Playgrounds:			
Operating Expenses	\$ 176,785	145,122	\$ 31,663
Total Parks and Playgrounds	176,785	145,122	31,663
Community Service:			
Other Community Services:			
Operating Expenses	38,000	7,570	30,430
Total Community Services	38,000	7,570	30,430
See Lancaster:			
Operating Expenses	62,030	11,111	50,919
Total See Lancaster	62,030	11,111	50,919
Total Community Service	100,030	18,681	81,349
Capital Improvements:			
Capital Outlay	2,787,500	2,081,613	705,887
Debt Service:			
Principal	5,008	5,008	-
Interest and Fees	51	5	46
Total Debt Service	5,059	5,013	46
TOTAL EXPENDITURES	\$ 13,548,572	11,826,082	\$ 1,722,490

CITY OF LANCASTER, SOUTH CAROLINA

SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL
HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2022

	REVISED BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
Current:			
General Administration	\$ 1,239,401	609,498	\$ 629,903
TOTAL EXPENDITURES	\$ 1,239,401	609,498	\$ 629,903

CITY OF LANCASTER, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2022

	E911 Fund	Firefighters' 1% Fund	Southside Project Fund	Total Non Major Funds
ASSETS				
Cash and Cash Equivalents, Restricted	\$ 77,042	44,735	30,668	\$ 152,445
Receivables, Net:				
Other	5,149	-	-	5,149
TOTAL ASSETS	\$ 82,191	44,735	30,668	\$ 157,594
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	-	104	\$ 104
TOTAL LIABILITIES	-	-	104	104
FUND BALANCES				
Restricted For:				
E911	82,191	-	-	82,191
Firefighters' 1% Costs	-	44,735	-	44,735
Southside Housing	-	-	30,564	30,564
TOTAL FUND BALANCES	82,191	44,735	30,564	157,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 82,191	44,735	30,668	\$ 157,594

CITY OF LANCASTER, SOUTH CAROLINA

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2022

	E911	Firefighters' 1% Fund	Southside Project	Total Non Major Funds
REVENUES				
Other Income	\$ 31,618	17,523	-	\$ 49,141
Interest	-	-	9	9
TOTAL REVENUES	31,618	17,523	9	49,150
EXPENDITURES				
Current:				
Public Safety	32,550	15,614	-	48,164
TOTAL EXPENDITURES	32,550	15,614	-	48,164
NET CHANGES IN FUND BALANCES	(932)	1,909	9	986
Fund Balances, Beginning of Year	83,123	42,826	30,555	156,504
FUND BALANCES, End of Year	\$ 82,191	44,735	30,564	\$ 157,490

CITY OF LANCASTER, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
REVISED BUDGET AND ACTUAL - E911 FUND

YEAR ENDED JUNE 30, 2022

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
Other Income	\$ 34,000	31,618	\$ (2,382)
TOTAL REVENUES	34,000	31,618	(2,382)
EXPENDITURES			
Current:			
Public Safety	41,600	32,550	9,050
TOTAL EXPENDITURES	41,600	32,550	9,050
NET CHANGES IN FUND BALANCES	(7,600)	(932)	(11,432)
FUND BALANCES, Beginning of Year	83,123	83,123	-
FUND BALANCES, End of Year	\$ 75,523	82,191	\$ (11,432)

CITY OF LANCASTER, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected			\$ 110,943	\$ 110,943
Court fines and assessments remitted to State Treasurer			(62,896)	(62,896)
Total Court Fines and Assessments retained			48,047	48,047
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,714	1,714
Assessments retained			5,176	5,176
Total Surcharges and Assessments retained for victim services			\$ 6,890	\$ 6,890

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ (46,190)		\$ (46,190)
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	5,176		5,176
Victim Service Surcharges Retained by City/County Treasurer	1,714		1,714
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund	-		-
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ (39,300)		\$ (39,300)
Expenditures for Victim Service Program:	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	\$ 24,192		\$ 24,192
Operating Expenditures	351		351
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	24,543		24,543
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ (63,843)		\$ (63,843)

(This page intentionally left blank.)

STATISTICAL SECTION

(This page intentionally left blank.)

STATISTICAL SECTION

Table of Contents

This part of the City of Lancaster (“City”) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	<u>Page</u>
Financial Trends Information <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	95
Revenue Capacity Information <i>These schedules contain information to help the reader assess the City’s most significant local revenue source.</i>	100
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	105
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	110
Operating Information <i>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.</i>	112

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

(This page intentionally left blank.)

City of Lancaster, South Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Schedule 1

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net Investment in Capital Assets	\$ 14,182,421	13,866,088	14,017,881	14,025,979	15,440,991	12,916,897	12,605,765	13,572,726	13,456,484	\$ 18,639,746
Restricted for Drug Fund	-	97,188	103,533	107,104	117,809	120,996	135,336	147,993	158,191	172,457
Restricted for Tourism	422,789	458,230	536,320	489,899	556,937	709,785	1,009,216	1,308,152	1,942,267	2,481,295
Restricted for E911	-	-	37,548	38,935	39,502	36,909	74,891	77,819	83,123	82,191
Restricted to Firefighters' 1% Costs	-	-	-	-	-	-	-	-	42,826	44,735
Restricted for Southside Housing	30,573	31,221	31,878	32,389	32,807	33,131	33,355	33,442	30,555	30,564
Restricted Other	-	-	-	-	-	-	-	-	-	6,149
Unrestricted	8,808,039	9,684,200	(2,672,112)	(2,492,870)	(3,908,705)	(1,749,385)	(1,106,849)	2,857,718	3,504,912	3,412,051
Total Governmental Activities Net Position	\$ 23,443,822	24,136,927	12,055,048	12,201,436	12,279,341	12,068,333	12,751,714	17,997,850	19,218,358	\$ 24,869,188
Business-Type Activities										
Net Investment in Capital Assets	\$ 17,150,724	18,477,800	18,918,661	20,371,884	21,509,883	24,665,863	24,536,827	25,240,308	26,432,273	\$ 26,788,287
Restricted for Debt Service	1,916,813	1,845,139	1,847,080	1,496,751	1,441,869	2,623,715	3,444,394	5,127,998	5,140,971	5,160,149
Restricted - Other	-	-	-	-	-	-	-	-	2,505	4
Unrestricted	2,059,948	1,458,644	1,430,175	1,814,858	2,257,467	3,274,815	6,680,961	1,489,942	2,152,111	3,509,727
Total Business-Type Activities Net Position	\$ 21,127,485	21,781,583	22,195,916	23,683,493	25,209,219	30,564,393	34,662,182	31,858,248	33,727,860	\$ 35,458,167
Primary Government										
Net Investment in Capital Assets	\$ 31,333,145	32,343,888	32,936,542	34,397,863	36,950,874	37,582,760	37,142,592	38,813,034	39,888,757	\$ 45,428,033
Restricted for Drug Fund	-	97,188	103,533	107,104	117,809	120,996	135,336	147,993	158,191	172,457
Restricted for Debt Service	1,916,813	1,845,139	1,847,080	1,496,751	1,441,869	2,623,715	3,444,394	5,127,998	5,140,971	5,160,149
Restricted for Tourism	422,789	458,230	536,320	489,899	556,937	709,785	1,009,216	1,308,152	1,942,267	2,481,295
Restricted for E911	-	-	37,548	38,935	39,502	36,909	74,891	77,819	83,123	82,191
Restricted to Firefighters' 1% Costs	-	-	-	-	-	-	-	-	42,826	44,735
Restricted for Southside Housing	30,573	31,221	31,878	32,389	32,807	33,131	33,355	33,442	30,555	30,564
Restricted - Other	-	-	-	-	-	-	-	-	2,505	6,153
Unrestricted	10,867,987	11,142,844	(1,241,937)	(678,012)	(1,651,238)	1,525,430	5,574,112	4,347,660	5,657,023	6,921,778
Total Primary Government Net Position	\$ 44,571,307	45,918,510	34,250,964	35,884,929	37,488,560	42,632,726	47,413,896	49,856,098	52,946,218	\$ 60,327,355

City of Lancaster, South Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Schedule 2

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities										
General administration	\$ 4,205,647	4,329,293	4,771,780	4,701,706	5,041,327	4,487,906	4,230,149	4,197,222	3,820,484	\$ 4,072,866
Public safety	4,582,568	4,938,363	4,973,382	5,123,884	5,028,021	5,054,358	5,322,163	5,236,434	5,955,642	6,106,010
Public works	747,106	881,275	1,307,459	1,148,616	1,207,223	1,144,103	986,661	966,327	781,401	779,144
Code enforcement	161,030	209,902	238,756	248,533	260,213	250,374	265,707	296,811	288,431	257,510
Parks and playgrounds	112,629	114,672	129,114	129,173	191,871	150,326	167,948	114,707	123,954	283,432
Community service	91,784	121,369	135,193	97,960	106,049	150,249	201,192	175,621	262,608	18,681
Interest and other charges	26,598	12,539	4,123	13,096	13,621	9,181	6,656	3,359	3,887	5
Total governmental activities expense	9,927,362	10,607,413	11,559,807	11,462,968	11,848,325	11,246,497	11,180,476	10,990,481	11,236,407	11,517,648
Business-type activities										
Water and sewer	5,686,101	6,194,613	6,571,781	5,921,348	5,746,927	5,908,516	5,847,113	6,406,188	6,686,781	7,152,616
Solid waste	1,935,024	1,979,594	1,732,674	1,969,888	2,115,237	2,316,466	2,386,310	2,295,380	2,654,280	2,803,632
Total business-type activities expense	7,621,125	8,174,207	8,304,455	7,891,236	7,862,164	8,224,982	8,233,423	8,701,568	9,341,061	9,956,248
Total primary government expenses	\$ 17,548,487	18,781,620	19,864,262	19,354,204	19,710,489	19,471,479	19,413,899	19,692,049	20,577,468	\$ 21,473,896
Program revenues										
Governmental activities										
Charges for services:										
General administration	\$ 285,386	265,841	293,689	264,170	211,992	238,850	391,620	9,326	20,879	\$ 6,397
Public safety	312,892	328,653	336,102	255,719	270,502	192,449	148,389	295,832	369,815	405,641
Public works	-	-	-	-	-	-	-	12,050	14,936	22,902
Code enforcement	48,269	61,619	36,438	29,120	27,630	87,663	66,372	105,956	239,083	198,964
Community service	(410)	-	-	-	-	-	-	-	-	-
Operating grants and contributions	612,195	105,401	32,680	34,000	111,603	33,144	14,700	117,896	471,502	163,926
Capital grants and contributions	-	12,100	-	794,900	21,925	-	-	-	-	4,267,197
Total governmental activities program revenues	1,258,332	773,614	698,909	1,377,909	643,652	552,106	621,081	541,060	1,116,215	5,065,027
Business-type activities										
Charges for service:										
Water and sewer	5,936,167	6,284,753	6,069,645	6,516,709	6,512,979	6,649,998	8,118,698	8,204,482	8,093,927	8,128,916
Solid waste	1,746,101	1,780,594	2,054,286	1,961,532	2,260,646	2,616,924	2,788,195	2,424,529	2,692,823	3,215,398
Capital grants and contributions	-	228,949	84,488	-	490,540	4,138,210	863,062	7,959	293,521	297,666
Total business-type activities program revenues	7,682,268	8,294,296	8,208,419	8,478,241	9,264,165	13,405,132	11,769,955	10,636,970	11,080,271	11,641,980
Total primary government program revenues	\$ 8,940,600	9,067,910	8,907,328	9,856,150	9,907,817	13,957,238	12,391,036	11,178,030	12,196,486	\$ 16,707,007
Net (expense)/revenue										
Governmental activities	\$ (8,669,030)	(9,833,799)	(10,860,898)	(10,085,059)	(11,204,673)	(10,694,391)	(10,559,395)	(10,449,421)	(10,120,192)	\$ (6,452,621)
Business-type activities	61,140	120,089	(96,036)	587,005	1,402,001	5,180,150	3,536,532	1,935,402	1,739,210	1,685,732
Total primary government net expense	\$ (8,607,890)	(9,713,710)	(10,956,934)	(9,498,054)	(9,802,672)	(5,514,241)	(7,022,863)	(8,514,019)	(8,380,982)	\$ (4,766,889)

(Continued)

City of Lancaster, South Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Schedule 2

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$ 5,786,297	5,797,955	5,808,508	5,823,588	5,851,528	5,841,605	5,780,802	5,008,516	5,244,121	\$ 5,546,055
Sales tax	1,221,374	1,270,638	1,329,261	1,458,985	1,573,470	1,618,753	1,778,829	1,874,859	2,108,778	2,287,263
Business licenses	1,922,319	1,916,492	2,000,306	2,053,191	2,178,794	2,331,888	2,158,499	2,433,351	2,650,373	2,821,958
Franchise fees	746,765	820,246	835,373	828,657	793,894	785,070	776,333	725,941	660,641	650,571
Unrestricted intergovernmental	293,048	303,333	310,153	314,094	327,178	324,728	326,931	390,457	452,806	464,638
Unrestricted investment earnings	24,424	12,579	14,205	28,279	44,910	82,310	163,495	143,301	18,178	35,230
Miscellaneous	118,467	120,636	120,006	67,351	187,933	239,720	136,025	217,093	168,680	297,736
Gain on sale of capital assets	3,506	3,988	5,053	371	(31,181)	-	(30,891)	-	-	-
Transfers	-	-	(353,249)	(750,000)	-	-	-	-	-	-
Total governmental activities	10,116,200	10,245,867	10,069,616	9,824,516	10,926,526	11,224,074	11,090,023	10,793,518	11,303,577	12,103,451
Business-type activities										
Unrestricted investment earnings	7,316	4,007	3,981	8,410	21,471	62,110	137,094	111,254	17,652	32,130
Miscellaneous	105,280	519,887	109,575	94,622	95,860	112,914	79,807	51,349	112,750	12,445
Gain on sale of capital assets	40,660	10,115	43,566	47,540	6,392	-	9,356	-	-	-
Transfers	-	-	353,249	750,000	-	-	335,000	-	-	-
Total business-type activities	153,256	534,009	510,371	900,572	123,723	175,024	561,257	162,603	130,402	44,575
Change in net position										
Governmental activities	1,612,263	693,105	(502,690)	146,388	77,895	922,130	683,381	344,197	1,183,385	5,650,830
Business-type activities	214,399	654,098	414,335	1,487,577	1,525,724	5,355,174	4,097,789	2,098,005	1,869,612	1,730,307
Total primary government	\$ 1,826,662	1,347,203	(88,355)	1,633,965	1,603,619	6,277,304	4,781,170	2,442,202	3,052,997	\$ 7,381,137

City of Lancaster, South Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Schedule 3

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 5,639	5,811	7,747	15,194	13,734	20,150	33,976	38,360	26,473	\$ 27,244
Restricted	287,883	97,188	103,533	107,104	117,809	120,996	135,336	147,993	158,191	172,557
Committed	742,059	812,830	828,552	891,951	1,061,014	1,215,046	1,407,654	1,459,063	1,461,720	1,464,376
Assigned	708,411	1,488,749	1,124,483	741,601	451,528	826,000	1,903,234	1,134,703	3,061,260	3,445,004
Unassigned	6,281,788	5,275,397	4,709,112	5,245,242	6,547,119	8,060,081	7,941,406	8,545,980	7,473,633	7,084,348
Total General Fund	\$ 8,025,780	7,679,975	6,773,427	7,001,092	8,191,204	10,242,273	11,421,606	11,326,099	12,181,277	\$12,193,529
All Other Governmental Funds										
Restricted	\$ 453,978	515,835	653,027	616,530	692,221	851,633	1,178,827	1,419,413	2,098,771	\$ 2,644,934
Total All Other Governmental Funds	\$ 453,978	515,835	653,027	616,530	692,221	851,633	1,178,827	1,419,413	2,098,771	\$ 2,644,934

City of Lancaster, South Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Schedule 4

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 6,196,001	6,332,316	6,461,779	6,835,443	7,268,316	7,187,603	7,639,457	6,956,701	7,183,910	\$ 7,732,799
Fines, fees, licenses and permits	3,629,371	3,754,106	3,799,995	3,780,820	3,975,419	4,082,534	3,645,198	3,525,126	3,817,812	3,946,345
Intergovernmental	430,077	441,967	450,557	458,925	522,922	513,115	485,724	390,457	452,806	464,638
Charges for services	287,467	264,407	247,203	217,003	172,177	199,730	353,615	266,833	355,011	384,017
Grants	660,195	142,212	81,425	84,000	96,353	10,000	9,700	117,896	471,502	163,926
Interest	24,424	12,580	14,205	28,279	44,910	82,311	163,495	143,489	18,187	35,230
Other	123,973	137,061	178,776	117,791	245,762	304,072	189,376	226,301	195,367	315,104
Total revenues	11,351,508	11,084,649	11,233,940	11,522,261	12,325,859	12,379,365	12,486,565	11,626,803	12,494,595	13,042,059
Expenditures										
General administration	3,867,450	4,029,474	4,409,671	4,306,048	4,574,619	4,039,942	3,923,024	3,734,481	3,468,833	3,801,659
Public safety	4,319,397	4,626,113	4,573,953	4,606,076	4,285,783	4,347,355	4,740,010	4,655,596	5,367,717	5,507,422
Public works	648,105	737,370	1,090,126	909,222	901,866	848,827	891,253	766,537	633,373	659,477
Code enforcement	163,087	204,198	232,029	234,120	246,380	238,011	265,655	264,013	259,139	264,757
Parks and playgrounds	97,778	98,892	111,645	107,296	167,677	129,444	147,065	80,955	107,860	145,122
Community service	93,040	120,610	135,505	97,653	106,021	150,480	202,295	167,883	262,608	18,681
Capital Outlay	2,099,261	1,377,973	1,678,481	413,859	566,163	224,184	618,852	1,619,797	825,568	2,081,613
Debt service:										
Principal	150,516	161,428	12,390	130,723	177,927	181,459	185,228	189,103	68,197	5,008
Interest and fees	26,598	12,539	4,123	13,096	13,621	9,181	6,656	3,359	3,887	5
Total expenditures	11,465,232	11,368,597	12,247,923	10,818,093	11,040,057	10,168,883	10,980,038	11,481,724	10,997,182	12,483,744
Excess of revenues over (under) expenditures	(113,724)	(283,948)	(1,013,983)	704,168	1,285,802	2,210,482	1,506,527	145,079	1,497,413	558,315
Other financing sources (uses)										
Proceeds from capital lease	-	-	597,879	237,000	-	-	-	-	-	-
Transfers in	402,955	104,545	104,545	209,090	-	-	-	-	-	-
Transfers out	(402,955)	(104,545)	(457,794)	(959,090)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	244,630	(513,000)	-	-	-	-	-	-
Net change in fund balance	\$ (113,724)	(283,948)	(769,353)	191,168	1,285,802	2,210,482	1,506,527	145,079	1,497,413	\$ 558,315
Debt service as a percentage of noncapital expenditures	1.89%	1.74%	0.16%	1.38%	1.83%	1.92%	1.85%	1.95%	0.71%	0.05%

City of Lancaster, South Carolina
Tax Revenues by Source of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Schedule 5

Fiscal Year	Real Property Tax	Business License	Hospitality	Total
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
2016	3,197,003	2,049,216	845,119	6,091,338
2017	2,854,394	2,175,554	880,049	5,909,997
2018	2,700,532	2,328,188	917,479	5,946,199
2019	3,020,719	2,154,934	956,197	6,131,850
2020	2,655,630	2,433,351	957,102	6,046,083
2021	2,568,755	2,650,373	1,026,453	6,245,581
2022	\$ 2,988,048	2,821,958	1,126,028	\$ 6,936,034
Change 2013-2022	\$ (272,451)	902,674	388,441	\$ 1,018,664

City of Lancaster, South Carolina
Assessed Value and Estimated Fair 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		
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
2016	25,778,470	454,642,901	7,586,585	78,084,995	33,365,055	532,727,896	6.26%	164.4
2017	25,823,850	454,731,787	6,136,915	72,465,158	31,960,765	527,196,945	6.06%	176.4
2018	25,437,440	439,813,338	5,671,059	98,052,610	31,108,499	537,865,948	5.78%	178.2
2019	26,109,240	451,428,760	6,213,680	107,434,527	32,322,920	558,863,287	5.78%	172.9
2020	22,361,230	431,153,122	8,536,266	147,592,039	30,897,496	578,745,161	5.34%	172.9
2021	22,765,930	431,108,265	4,332,690	74,912,210	27,098,620	506,020,475	5.36%	174.7
2022	\$ 28,927,908	508,841,902	3,314,140	58,295,723	32,242,048	\$ 567,137,625	5.69%	175.9

Source: Lancaster County Auditor

Notes:

1) 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 6% since 2007.

City of Lancaster, South Carolina
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per 1,000 of assessed value)

Schedule 7

Fiscal Year	City Direct Rate	Lancaster County	USC - Lancaster	Lancaster County County School District	Total Direct & Overlapping
2013	149.70	85.10	3.80	187.00	425.60
2014	154.70	90.41	3.95	188.00	437.06
2015	156.90	92.80	4.10	192.50	446.30
2016	164.40	94.30	4.30	202.50	465.50
2017	176.40	91.20	4.30	217.50	489.40
2018	178.50	95.60	4.50	217.50	496.10
2019	172.90	101.20	4.70	219.50	498.30
2020	172.90	108.75	4.90	224.50	511.05
2021	174.70	105.10	4.90	228.50	513.20
2022	175.90	101.20	4.60	233.50	515.20

Source: Lancaster County Auditor & Lancaster County Schools

Note: 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 Tax Payers
Current Year and Nine Years Ago

Schedule 8

Taxpayer	Fiscal Year 2022			Fiscal Year 2013		
	Taxable Assessed Value	Rank	% of Total City Assessed Value	Taxable Assessed Value	Rank	% of Total City Assessed Value
Springland Associates, LLC	\$ 1,244,480	1	4.59%	\$ 1,311,140	3	3.67%
Duke Energy Carolinas, LLC	1,155,330	2	4.26%	825,550	4	2.31%
Credi Lancaster, LLC	1,023,260	3	3.78%	652,660	6	1.83%
Lancaster Telephone Company	737,512	4	2.72%			
Founders Federal Credit Union	596,251	5	2.20%			
MDR Lancer	454,500	6	1.68%			
HD Development of Maryland Inc.	413,110	7	1.52%	390,290	10	1.09%
Spectrum Southeast, LLC	393,760	8	1.45%			
Walmart Stores East, LP	318,670	9	1.18%			
Springmaid Federal Credit Union	316,640	10	1.17%	557,285	7	1.56%
Lancaster Hospital Corp				4,433,500	1	12.40%
The Gillette Company				3,758,547	2	10.51%
Cole WM Lancaster SC, LLC				809,060	5	2.26%
Jim Loen 2008, LLC				443,626	8	1.24%
Kanawha Insurance Company				439,170	9	1.23%
Total	\$ 6,653,513		24.55%	\$ 13,620,828		38.10%

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

City of Lancaster, South Carolina
Real Property Tax Levies and Collections
Last Ten Fiscal 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
2012	\$ 3,868,158	2,000,675	5,868,833	\$ 3,867,994	65.91%	1,982,698	\$ 5,850,692	99.69%
2013	3,903,659	2,194,637	6,098,296	3,945,413	64.70%	2,133,207	6,078,620	99.68%
2014	3,698,618	1,837,072	5,535,690	3,787,136	68.41%	1,725,436	5,512,572	99.58%
2015	3,632,897	1,759,287	5,392,184	3,817,073	70.79%	1,551,250	5,368,323	99.56%
2016	3,383,426	1,499,690	4,883,116	3,608,352	73.89%	1,236,459	4,844,811	99.22%
2017	2,885,258	146,297	3,031,555	2,968,649	97.92%	22,497	2,991,146	98.67%
2018	3,414,343	199,923	3,614,266	3,520,292	97.40%	49,705	3,569,997	98.78%
2019	3,348,937	(237,959)	3,110,978	2,935,535	94.36%	45,251	2,980,786	95.82%
2020	2,846,543	161,724	3,008,267	2,868,314	95.35%	44,214	2,912,528	96.82%
2021	\$ 3,083,749	114,866	3,198,615	\$ 3,098,445	96.87%	-	\$ 3,098,445	96.87%

Source: Lancaster County Auditor and Treasurer

**City of Lancaster, South Carolina
Legal Debt Margin Information
Last Ten Fiscal Years**

Schedule 10

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit (8% of assessed value)	\$ 2,554,134	2,627,325	2,558,048	2,669,204	2,556,861	2,488,680	2,585,834	2,471,800	2,167,890	\$ 2,579,364
Total net debt applicable to limit	150,000	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 2,404,134	2,627,325	2,558,048	2,669,204	2,556,861	2,488,680	2,585,834	2,471,800	2,167,890	\$ 2,579,364

Total net debt applicable to the limit
as a percentage of the debt limit

5.87%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value	\$32,242,048
Debt limit (8% of assessed value)	2,579,364
Debt applicable to limit	-
Legal debt margin without referendum	\$2,579,364

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 from the legal debt limit.

City of Lancaster, South Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 11

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds (8% Limit)	Financed Purchase Obligations	Utility Revenue Bonds	Financed Purchase Obligations	State Revolving Fund		
2013	\$ 150,000	126,585	-	2,102,155	7,182,369	9,561,109	\$ 1,085
2014	-	115,158	-	2,084,131	6,337,175	8,536,464	941
2015	-	700,647	-	1,838,722	5,522,701	8,062,070	901
2016	-	806,924	-	1,757,057	4,693,566	7,257,547	811
2017	-	628,997	-	1,436,066	4,256,119	6,321,182	692
2018	-	447,537	-	1,528,434	5,732,265	7,708,236	859
2019	-	262,309	-	1,095,844	8,780,410	10,138,563	1,105
2020	-	73,205	-	678,603	8,151,346	8,903,154	976
2021	-	5,008	-	618,030	7,500,172	8,123,210	960
2022	\$ -	-	-	366,499	6,879,412	7,245,911	\$ 821

Notes:

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

City of Lancaster, South Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Schedule 12

Fiscal Year	General Obligation Bonds	Financed Purchase Obligations	Total General Direct Debt	Percentage of Estimated Actual Taxable Value	Debt Per Capita
2013	\$ 150,000	126,585	\$ 276,585	0.05%	\$ 31
2014	-	115,158	115,158	0.02%	12.70
2015	-	700,647	700,647	0.13%	78.58
2016	-	806,924	806,924	0.15%	90.14
2017	-	628,997	628,997	0.12%	68.86
2018	-	447,537	447,537	0.08%	49.86
2019	-	262,309	262,309	0.05%	29.00
2020	-	73,205	73,205	0.00%	7.98
2021	-	5,008	5,008	0.00%	1.00
2022	\$ -	-	\$ -	0.00%	\$ -

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, 2022

Schedule 13

Governmental Unit	Net Governmental Activities Debt Outstanding	Percentage Applicable to the City (1)	Amount Applicable to the City
Direct:			
City of Lancaster	\$ -	100%	\$ -
Overlapping:			
Lancaster County	42,252,259	16.89%	7,135,192
Lancaster County School District	237,269,930	17.08%	40,527,367
	<u>279,522,189</u>		<u>47,662,559</u>
Total direct and overlapping debt	<u>\$ 279,522,189</u>		<u>\$ 47,662,559</u>

Source: Lancaster County Auditor

Notes:

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total valuation. The debt outstanding includes general obligation bonds.

City of Lancaster, South Carolina
Pledged-Revenue Coverage
Last Ten Fiscal Years

Schedule 14

Fiscal Year	Combined Utility System Revenue Bonds				
	Operating Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service (2)	Coverage
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
2016	6,575,293	4,370,069	2,205,224	493,008	4.47
2017	6,588,568	5,625,881	962,687	493,008	1.95
2018	6,770,776	4,445,937	2,324,839	632,533	3.68
2019	8,303,008	4,548,592	3,754,416	759,205	4.95
2020	8,204,482	4,772,810	3,431,672	732,072	4.69
2021	8,093,927	4,916,171	3,177,756	732,071	4.34
2022	\$ 8,128,916	5,406,215	2,722,701	\$ 695,143	3.92

Notes:

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

City of Lancaster, South Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 15

<u>Fiscal Year</u>	<u>City Population</u>	<u>County Population</u>	<u>Total County Personal Income (in thousands) (1)</u>	<u>County Per Capita Income (1)(2)</u>	<u>County Unemployment Rate (1)</u>
2013	8,813	79,089	\$ 1,588,503.00	\$ 20,085	9.9%
2014	9,068	80,458	1,681,492	20,899	7.5%
2015	8,916	83,160	1,746,609	21,003	6.7%
2016	8,952	85,842	1,883,631	21,943	5.6%
2017	9,134	89,594	2,020,076	22,647	4.8%
2018	8,976	92,550	2,270,066	24,528	4.1%
2019	9,175	95,380	2,520,417	26,425	4.1%
2020	9,119	98,012	3,057,190	31,192	10.6%
2021	8,460	96,016	5,348,952	52,999	4.6%
2022	8,829	104,577	\$ 5,755,186	\$ 55,033	3.8%

Source: Bureau of Census*/Bureau of Economic Analysis/SC Department of Employment and Workforce

(1) Some demographic information is for the County as a whole because information is not kept specific to the City of Lancaster.

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

City of Lancaster, South Carolina
Principal Employers
Current Year and Nine Years Ago

Schedule 16

Employer	Fiscal Year 2022			Fiscal Year 2013		
	Employees	Rank	% of Total County Employment (2)	Employees	Rank	% of Total County Employment (2)
Red Ventures	1,925	1	4.52%	1,600	1	4.92%
Lancaster County Schools	1,800	2	4.23%	1,569	2	4.82%
Movement Mortgage	725	3	1.70%			
MUSC (Springs Memorial Hospital)	642	4	1.51%	700	6	2.15%
Continental Tire of the Americas	610	5	1.43%	430	7	1.32%
Lancaster County (1)	535	6	1.26%	840	3	2.58%
Nutramax Laboratories	483	7	1.13%			
Cardinal Health	440	8	1.03%	800	4	2.46%
KEER America	401	9	0.94%			
Oceana Gold/Haile Gold Mine	396	10	0.93%			
Walmart				723	5	2.22%
Duracell				405	8	1.24%
URS Nuclear				400	9	1.23%
Inspiration Industries				310	10	0.95%
Total	7,957		18.68%	7,777		23.90%
Total County Labor Force (1)	42,601			32,543		

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

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

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

City of Lancaster, South Carolina
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Schedule 17

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Administration										
City Administrator	3.0	3.0	4.0	4.0	4.0	2.0	2.0	2.0	2.0	2.0
Building and Grounds Maintenance	3.0	3.0	3.0	6.0	3.0	5.0	4.0	4.0	4.0	4.0
Human Resources	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Information Technology	2.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Legal	1.0	1.0	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	0.0	0.0	0.0	0.0	0.0
See Lancaster SC	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Events Management	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Performing Arts	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Public Safety										
Police	53.5	53.5	53.5	51.5	42.0	45.0	43.0	46.0	51.5	52.5
Victims' Services	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0
Court Administration	7.0	7.0	7.0	7.0	5.0	4.0	4.0	8.0	8.0	7.5
Fire	26.0	26.0	26.0	26.0	26.0	29.0	28.0	28.0	28.0	28.0
Public Works										
Street Division	6.0	8.0	8.0	8.5	6.0	7.0	4.0	7.5	6.0	4.0
Vehicle Maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Code Enforcement										
Building, Planning & Zoning	3.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	4.0	4.0
Utilities										
Public Works Administration	5.0	4.0	4.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Water Service	10.0	10.0	10.0	10.0	9.0	8.0	11.0	11.0	11.0	11.0
Utility Billing	3.0	3.0	3.0	4.0	3.0	4.0	4.0	4.0	4.0	4.0
Wastewater Treatment	6.0	6.0	6.0	5.0	3.0	4.0	4.0	4.0	4.5	4.5
Wastewater Collection	14.0	14.0	14.0	14.0	12.0	12.0	11.0	11.0	11.0	9.0
Solid Waste										
Solid Waste Administration	0.0	0.0	0.0	1.5	2.0	2.0	2.0	1.5	3.0	3.0
Residential	12.0	11.0	11.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0
Recycling	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commercial	2.0	2.0	2.0	2.0	3.0	2.0	1.0	1.0	1.0	1.0
Transfer Station	4.0	4.0	4.0	6.0	7.0	6.0	7.0	8.0	9.0	9.0
Total FTE Employees	179.0	181.0	182.0	182.0	160.0	162.0	155.0	168.0	174.0	170.5

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.

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Legal and Executive										
<i>Council and Clerk</i>										
Ordinances Passed	8	10	12	10	7	16	10	19	18	22
Resolutions Passed	30	24	18	21	17	18	23	21	16	26
<i>Human Resources / Risk Management</i>										
Employment applications processed	471	361	141	286	144	387	314	353	233	382
New Hires (2)	17	70	16	33	40	20	23	34	31	35
Exit Interviews (2)	20	41	28	37	39	19	28	23	36	53
Training Events (2)	10	39	11	9	6	1	8	8	3	7
Workers Compensation cases	52	87	123	58	31	24	10	19	15	25
<i>Finance</i>										
Checks/Vouchers Issued	3,691	3,953	4,023	4,694	3,623	2,932	3,113	2,666	2,335	2,443
Electronic Payments Issued	4,746	4,856	4,924	4,809	4,713	4,666	5,195	5,167	5,392	5,426
<i>Information Technology (2)</i>										
Issued tickets	726	1,501	3,160	2,767	3,560	4,901	2,842	1,807	2,026	4,030
Closed tickets	683	1,440	3,085	2,781	3,599	4,835	2,798	1,719	2,015	4,026
<i>Building & Zoning</i>										
Plan Reviews	31	30	28	28	28	48	55	65	72	78
Building Inspections	2,204	3,214	2,339	2,191	1,859	2,660	2,687	1,721	2,423	2,634
Lot Clearance Inspections	3,538	3,626	3,902	4,173	4,259	4,089	4,044	3,423	3,394	3,067
Permits Issued	475	543	458	490	470	1,002	717	541	722	762
Condemned Structures at FYE	38	40	45	62	47	60	66	67	4	7
Demolitions (4)	-	-	10	10	31	8	10	5	33	5
<i>Vehicle Maintenance (3)</i>										
Preventative Maintenance - Vehicles	-	64	212	204	197	218	124	201	266	288
General Repairs - Vehicles	-	239	1,006	885	825	678	523	1,021	988	1,024
General Repairs - Equipment	-	559	438	330	392	348	309	541	582	753
Judiciary										
<i>Municipal Court</i>										
Criminal Docket total cases filed	1,364	1,214	917	1,028	883	1,127	1,050	911	877	642
DUI Docket total cases filed	107	83	77	65	47	65	45	37	34	27
Traffic Docket total cases filed	2,111	1,517	1,759	1,412	1,710	1,987	1,644	1,091	1,241	1,218
Municipal Cases	745	554	449	412	387	569	247	206	247	105
Domestic Violence Cases (5)	-	-	-	-	68	65	26	33	31	18
Security of Persons & Property										
<i>Police</i>										
Crimes against Persons	466	431	401	507	515	516	259	342	311	253
Crimes against property/society	1,277	1,183	1,209	1,363	1,173	1,311	1,015	1,227	1,251	868
Traffic citations	2,481	1,800	1,869	1,783	1,292	2,128	1,928	1,308	1,167	1,110
Narcotics cases	201	174	219	163	100	210	368	165	313	65
Average Response Time - Mins	4	4	4	3	4	4	5	59	63	5
Community Programs	90	56	62	51	83	51	80	72	97	32
Public Safety Checkpoints (4)	-	-	37	83	86	72	34	27	11	15

(Continued)

Security of Persons & Property (Continued)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Fire</i>										
Avg response time - Fire Calls	3.14	3.02	3.16	3.18	3.16	3.33	4.23	3.75	4.15	4.02
Avg response time - EMS Calls	3.23	3.18	3.27	3.20	3.06	3.09	3.72	3.69	3.80	3.57
Inspections	915	913	966	931	945	909	617	847	839	951
Education Hours	7,923	9,018	7,501	6,445	6,649	8,894	6,765	3,214	1,035	1,718
Training Hours	11,318	12,586	11,395	12,496	11,749	12,506	8,562	10,456	9,412	9,139
Fire Calls	168	175	196	198	188	373	222	199	171	280
EMS Calls	412	669	809	880	878	1,776	1,102	1,039	809	1,165
Other Calls	400	203	304	400	475	1,208	716	280	230	251
Public Works										
Water Main Breaks Repaired	274	258	328	342	386	330	206	303	320	355
Feet of Water Line Replaced/Flushed	2,043	1,448	4,866	2,269	2,562	2,251	2,963	3,382	7,344	8,511
Feet of Sewer Line Replaced/Repair	160,572	125,340	121,476	1,326,712	138,329	150,572	106,720	137,064	154,082	7,757
Sanitary Sewer Overflows	-	14	13	11	11	9	2	1	3	3
Utility Street Cuts Repaired	137	101	70	162	175	135	88	148	118	135
Miles of Roadway Swept	1,001	1,504	1,166	373	2,339	4,819	4,694	1,778	611	154
Utility Billing										
Avg Number of Water/Sewer Residential	5,038	5,042	5,075	5,169	5,205	5,227	5,258	5,258	1,324	5,307
Avg Number of Water/Sewer Commercial	840	839	812	725	693	721	718	712	177	718
Avg Number of Water/Sewer Inside City	3,837	3,852	3,859	3,864	3,859	3,912	3,948	3,938	990	4,003
Avg Number of Water/Sewer Outside City	2,041	2,029	2,028	2,030	2,039	2,036	2,028	2,034	511	2,022
Service Orders Issued	6,096	5,380	5,678	5,894	5,511	5,967	6,234	5,601	7,663	8,897
% Service Order Completed Monthly Avg	96.2%	98.0%	96.7%	91.3%	99.5%	97.3%	95.0%	98.1%	98.0%	94.1%
Avg Number of Accounts - Email Billing	125	133	143	157	165	190	213	315	566	747
Avg Number of Accounts - Auto Payment	986	981	987	990	1,004	993	994	1,011	1,038	1,054
Volume of Water Billed	362,198,300	362,904,600	350,788,600	350,264,900	356,984,200	341,936,700	334,695,300	321,370,700	316,556,700	318,668,700
Wastewater Treatment										
Millions of Gallons of Treated Wastewater	792	822	809	944	770	1,236	983	988	979	727
Average Daily Flow - MGD	2.17	2.25	2.22	2.59	2.11	3.39	2.69	2.71	2.68	2.53
Gallons Potable Water Used	195,110	1,628,210	1,208,833	64,290	82,100	75,100	93,800	108,440	91,800	224,000
Solids to the Landfill (3)	-	609	464	2,737	110	-	50	-	737	267
Permit Exceptions (3)	-	4	6	7	1	2	3	4	2	-
Sanitation										
Annual Residential Solid Waste Tonnage	2,766	2,644	2,645	2,606	2,462	2,552	1,897	2,566	2,723	3,018
Annual Commercial Solid Waste Tonnage	5,369	5,132	5,134	5,058	4,779	5,088	3,683	4,981	5,286	4,341
Annual Roadside Trash, Leaves & Brush Tonnage	2,309	2,228	1,975	4,586	5,255	7,101	1,171	2,234	2,552	1,837
Annual Recyclables Tonnage	252	384	579	3,447	4,330	6,928	881	584	849	953
Annual Independent Hauler Tonnage	21,450	23,451	28,838	24,379	19,423	24,741	25,986	27,973	23,866	21,168

Sources: Various city departments.

City of Lancaster, South Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years

Schedule 19

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	14	15	15	16	16	16	16	16	16	13

Sources: Various city departments

(This page intentionally left blank.)

COMPLIANCE SECTION

(This page intentionally left blank.)



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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*

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of Lancaster
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 (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated August 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

GREENEFINNEYCAULEY.CPA • INFO@GREENEFINNEY.COM

GREENVILLE, SC
864.232.0653

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

ANDERSON, SC
864.225.8713

ASHEVILLE, NC
828.771.0847

OPEN BY
APPOINTMENT ONLY

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.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
August 4, 2023