

**LANCASTER COUNTY
SOUTH CAROLINA**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

*Issued By
Lancaster County Finance Department*

LANCASTER COUNTY, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2005

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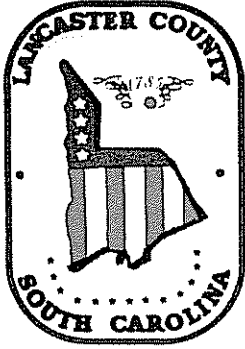
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INTRODUCTORY SECTION



October 31, 2005

To the Chairman, Members of County Council, and Citizens of Lancaster County:

The South Carolina Code of Laws requires an annual audit of the financial records and transactions of the County by independent certified public accountants. In compliance with that requirement, we herewith issue the comprehensive annual financial report of Lancaster County, South Carolina, for the year ended June 30, 2005.

The report consists of management's representations concerning the County's finances. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented herein. To provide a reasonable basis for making these assertions, management, including County Council, has established an internal control structure designed to protect the County's assets from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's internal control structure has been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The accounting firm of McAbee, Talbert, Halliday, & Co. was selected by the County Council to conduct an audit of the accompanying financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of Lancaster County for the fiscal year ended June 30, 2005, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the County's financial statements for the year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is included at the beginning of the financial section of this report.



In addition to meeting the South Carolina statutory requirements, the audit of the financial statements was designed to meet the federally mandated requirements of the Single Audit Act, as amended by the Single Audit Act of 1996, and the U.S. Office of Management and Budget's Circular A-133. These standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements applicable to the administration of federal grants. The independent auditor's reports related specifically to the Single Audit are included in the Single Audit Section.

Generally accepted accounting principles require that management provide Management's Discussion and Analysis (MD&A), which is a narrative introduction, overview, and analysis of the accompanying basic financial statements. This letter of transmittal is designed to complement MD&A which immediately follows the report of the independent auditors in the financial sections.

PROFILE OF THE GOVERNMENT

Lancaster County, South Carolina is located in the north central section of the State, and is bounded on the west by the Catawba River and Sugar Creek, on the east by Lynches River, on the South by Kershaw County, on the north by Mecklenburg and Union counties of North Carolina. The County was established in 1785. The County includes three incorporated municipalities: Lancaster, Kershaw, and Heath Springs. The City of Lancaster, the county seat, is located 37 miles south of Charlotte, North Carolina and 60 miles north of Columbia, South Carolina, the state capital.

Lancaster County operates under the Council-Administrator form of government. The County Council is comprised of seven single member districts. The Council bi-annually elects one member to serve as Chairman, one member to serve as Vice-Chairman, and one member to serve as Secretary. County Council is responsible, among other things, for passing ordinances, adopting the budget, and appointing the Administrator. Council members, who are elected on a non-partisan basis, serve four-year terms.

The County provides a number of services, primarily to residents of its unincorporated areas. These services include law enforcement, emergency medical services, fire protection, and administration of justice. The County also provides a variety of administrative services to all residents. These services include voter registration, tax assessment and collection, and health and welfare services. In addition, the County is financially accountable for a legally separate library, recreation commission and airport, all of which are reported separately within the County's financial statements. Additional information on all three of these legally separate entities can be found in Note 1A in the notes to the financial statements.

In addition to aforementioned internal controls, Lancaster County government maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions contained in the annual budget approved by County Council.

Each year, the budget process requires all County departments to submit requests for appropriations to the County Administrator. On the basis of the requests, the Finance Director prepares a draft budget. The proposed budget is presented to the County Council for review and approval. The Council holds public hearings and adopts the budget no later than June 30.

The appropriated budget is prepared by fund and function. County department heads may make certain transfers of appropriations within their own departmental budgets without approval of Council, and the County Administrator may make certain transfers between departments without approval of Council. The legal level of budgetary control is the fund level.

Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. For the general and special revenue funds, this comparison is presented on pages 47 through 49 as required supplementary information. For the debt service fund, the comparison is presented on page 53 as supplementary information. A budget-to-actual comparison for the 1999-2001 bond capital projects fund is also included as supplementary information on page 56.

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

Major industries include a major textile manufacturer, utility company, and one of the world's leading manufacturer of high-performance alkaline batteries. Located within the County is also a two-year financial institution with a current enrollment of 1064 students. The County also has a hospital that is one of the ten highest taxpayers and employs 775.

Lancaster County's close proximity to the Mecklenburg County, the Charlotte Douglas International Airport and Interstate 485 makes it an ideal place for business prospects. Lauth Property Group is developing a 90-acre tract along Hwy 521. The corporate center called, Edgewater Corporate Center, will include shops, medical offices, and possibly a grocery store. Also, included in the Edgewater Corporate Center will be HSBC Mortgage Services, a unit of the top-10 financial services firm HSBC. HSBC Mortgage will be relocating its corporate headquarters to the Edgewater Corporate Center next year with an investment of \$25,836,200. The 182,000 square foot facility will eventually employ as many as 900 by 2011.

Lancaster County has been experiencing substantial growth in residential development over the past few years. Sun City Carolina Lakes, located off Hwy 521 in the northern part of the County, is an age restricted community expected to have 3650 homes ranging in price from \$150,000 to \$350,000. There will be a public golf course and over 25 acres of land for commercial, retail, and office space.

A 308 acre planned development district located off Hwy 521 is also on the horizon. The property will include homes in the price range of \$300,000 to \$400,000 and town homes averaging \$150,000. A 40-acre portion will be designated for commercial development and a two acre portion will be donated to the County.

The Catawba Ridge Development project, which the Council approved five years ago, is still in progress. The 6,200-acre tract of property located along the Catawba River will include a business park, a retail center, a nature park, a golf course, and a variety of residential components. The County received a \$4.5 million grant from the State of South Carolina Department of Commerce to help construct some of the infrastructure. A \$13.7 million Special Assessment Revenue Bond provided infrastructure for the Edgewater District within the development. Lots are currently being marketed and sold.

Long-term Financial Planning

The County Council has begun to add more restrictions on new housing developments in the northern end and have been placing more emphasis on commercial & industrial developments. With the substantial growth in the northern end of the County, Council is also seeking ways to provide services to the citizens of this area without affecting all taxpayers. Certain developers have agreed to assist the County by providing infrastructure to these areas being developed such as: construction of a library, a new EMS station, new Sheriff's Substation, four baseball/softball fields, and two lighted soccer fields. A donation of two acres of land to expand an existing Fire station and \$100,000 per year for two years to use at the Council's discretion is also expected.

One particular development called Sun City Carolina Lakes, an age restricted community, has been designated a special tax district. The creation of the District is for the purpose of providing fire protection services and emergency medical services at a level over and above the service levels which are funded through county ad valorem taxes and other sources. An annual fee of \$75.00 will be levied per each residential unit to help fund these services.

The County is working with a few developers by approving Special Assessment Districts to provide infrastructure. The County is not obligated to repay the debt created by the districts. The debt will be paid off by the citizens who reside in those particular districts. Two Special Assessment Districts are expected to be formed in fiscal year 2006.

Plans also have been made to look at creating a Fire District in the Pleasant Valley section of the northern end of the County. This venture is to help fund a new fire station and other expenses for fire protection. The current station will have to be relocated because of a highway-widening project expected to begin in 2007.

Relevant financial policies

Cash temporarily idle during the year was invested in demand deposits, direct obligations of the United States Treasury, and repurchase agreements. The average yield on

investments was approximately 1.83%. It is the County's policy to minimize market risk while maintaining the highest possible yield.

Major Initiatives

The County is expected to receive about \$9 million in federal monies to widen major highways such as Hwy 160 & Highway 521 North creating better access to these parts of the County and allowing for better industry prospects. Construction is expected to begin in fiscal year 2007. Bicycle lanes and sidewalks are included in the preliminary plans.

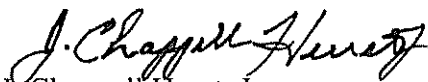
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Lancaster County for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2004. In order to be awarded a Certificate of Achievement, Lancaster County published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the comprehensive annual financial report would not have been possible without the assistance of the Finance Department staff, as well as the staffs of the County Auditor's Office and the County Treasurer's Office. The hard work and dedication of these individuals significantly contributed to the completion of this document. Moreover, the support and leadership of the County Council has been instrumental in the development of this report. We would also like to thank the accounting firm of McAbee, Talbert, Halliday, & Co., for their assistance with this project.

Respectfully submitted,

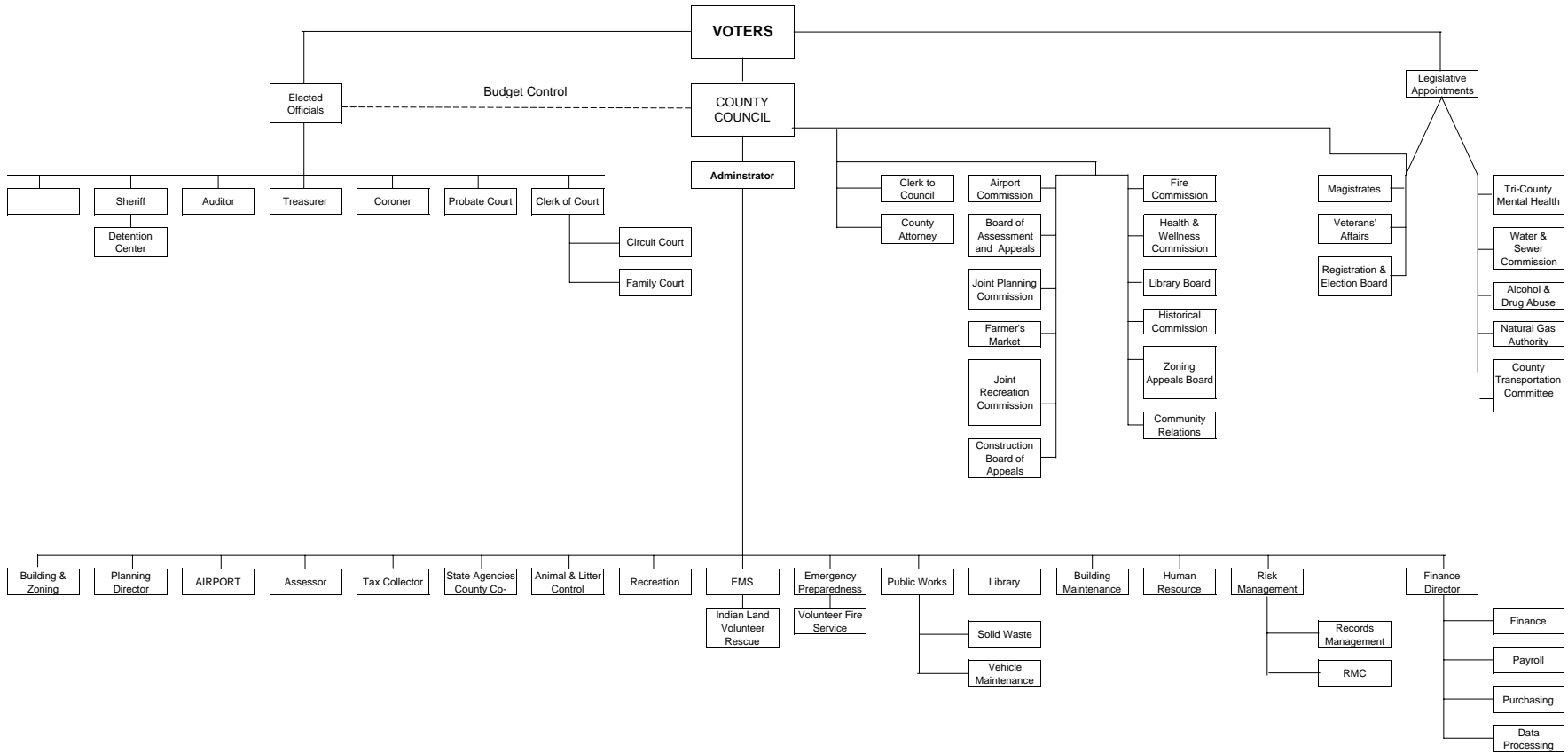


J. Chappell Hurst, Jr.
County Administrator



Veronica Thompson
Finance Director

GOVERNMENT STRUCTURE OF LANCASTER COUNTY



LANCASTER COUNTY, SOUTH CAROLINA

PRINCIPAL OFFICIALS

For the Year Ended June 30, 2005

MEMBERS OF COUNTY COUNCIL

T. Alston DeVenny, District 4, Chair
Wayne Kersey, District 7, Vice Chair
Wesley Grier, Jr., District 3, Secretary
Bryan Vaughn, District 1, Member
Fred Thomas, District 2, Member
Rudy Carter, District 5, Member
Jack Estridge, District 6, Member

ELECTED OFFICIALS

Richard Rowell, Treasurer
Johnny Cauthen, Sheriff
Sandra Estridge, Probate Judge
Jeff Hammond, Clerk of Court
Cheryl Morgan, Auditor
Michael Morris, Coroner

ADMINISTRATIVE OFFICIALS

J. Chappell Hurst, Jr., County Administrator
Veronica Thompson, Finance Director
Irene Plyler, Clerk to Council

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Lancaster County Council
Lancaster County
Lancaster, South Carolina

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lancaster County, South Carolina (the County), as of , and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lancaster County, South Carolina, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in assessing the results of our audit.

The managements' discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information as listed in the table of contents, the schedule of expenditures of federal awards, the introductory section, and the statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Spartanburg, South Carolina
October 6, 2005

LANCASTER COUNTY, SOUTH CAROLINA Management's Discussion and Analysis

As management of Lancaster County, South Carolina, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Lancaster County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal beginning on page 1 and the County's financial statements.

Financial Highlights

- Lancaster County's assets exceeded its liabilities at the close of the most recent fiscal year by \$18,377,884. Of that amount, \$6,674,834 was available to meet ongoing obligations.
- The County's net assets increased by \$926,483.
- At the close of the last fiscal year, the County's combined governmental funds reported ending fund balances of \$9,986,753, an increase of \$312,674 from the prior year, due primarily to an increase in Building Permits reported in the Licenses and permits category.
- At June 30, 2005, unreserved fund balance for the General Fund was \$5,645,672, which is 24 percent of total general fund expenditures.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to Lancaster County's basic financial statements as they are presented in the new format. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements consist of a statement of net assets and a statement of activities, which report information about the overall financial position and activities of Lancaster County government as a whole.

The *statement of activities* presents information on how the County's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the

LANCASTER COUNTY, SOUTH CAROLINA Management's Discussion and Analysis

statement of activities, regardless of when cash is received or paid. The focus of the statement of activities is on the net cost of activities provided by the County.

The *statement of net assets* presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. One can think of the County's net assets as a way a measure of financial health. Over time, increases or decreases in the County's net assets are one indicator of whether financial health is improving or deteriorating.

The government-wide financial statements include not only information about the County itself (known as the primary government), but also about the legally separate Airport, Recreation Commission and Library for which the County is financially accountable, i.e., the component units. Financial information about these component units is reported separately from the financial information presented for the primary government. Each of these entities issues its own financial statements.

The government-wide financial statements can be found on pages 24 and 25 of this report.

Fund financial statements

The fund financial statements provide more detailed information about the County's most significant funds. 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. Lancaster County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for the County's general government activities. Unlike the government-wide financial statements, governmental fund financial statements are reported using current financial resources. Revenues are recognized to the degree that they are available to finance expenditures of the fiscal period being reported.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information provided for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances are accompanied by a reconciliation that facilitates this comparison.

The County maintains seven individual governmental funds. The general fund, which is considered to be a major fund, accounts for all financial resources except those required to be accounted for in another fund. The special revenue fund, which accounts for expenditures of gas tax funds on road construction, is also considered to be a major fund. The County's remaining

LANCASTER COUNTY, SOUTH CAROLINA Management's Discussion and Analysis

five funds, (4) capital projects funds and a debt service fund, are presented as nonmajor funds.

Lancaster County adopts an annual appropriated budget for its general, debt service and special revenue funds. Project length budgets are adopted for the capital projects fund. Budgetary comparison statements have been provided for the general fund and the special revenue fund as required supplementary information. Budgetary comparisons for the debt service and capital projects funds are included as other supplementary information.

The governmental fund financial statements can be found on pages 26 through 29 of this report.

Fiduciary funds

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. The resources of fiduciary funds are not available to support the County's programs and are therefore excluded from the government-wide financial statements. The statement of fiduciary fund net assets can be found on page 30 of this report.

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 government fund financial statements. The notes to the financial statements begin on page 31.

Other information. To facilitate analysis, in addition to the basic financial statements and accompanying notes, this report presents the previously mentioned budgetary comparisons for the debt service and capital projects funds, a combining schedule of changes in agency fund net assets, information about the County's capital assets, and a schedule required by state law applicable to expenditures on behalf of victims of crime. This supplementary information begins on page 51.

Government-wide Financial Analysis

As noted earlier, the statement of net assets presents the difference between the County's assets and liabilities and, over time may serve as an indicator of its financial position. In the case of Lancaster County, assets exceeded liabilities by \$18,377,884 at the close of the most recent fiscal year.

LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

The following table presents a summary of the statement of net assets as of June 30, 2005:

Lancaster County's Net Assets		
	<u>Governmental Activities</u>	
	<u>FY 2005</u>	<u>FY 2004</u>
Current and other assets	\$14,635,498	\$13,956,660
Capital assets	20,911,738	20,140,225
Total assets	\$35,547,236	\$34,109,138
Long-term liabilities outstanding	\$14,851,909	\$14,872,623
Other liabilities	2,317,443	2,686,647
Total liabilities	\$17,169,352	\$17,559,270
Net assets:		
Invested in capital assets, net related of debt	\$8,318,341	\$7,621,420
Restricted	3,384,709	3,696,532
Unrestricted	6,674,834	5,226,610
Total net assets	\$18,377,884	\$16,549,868

By far the largest portion (45.3%) of Lancaster County's net assets reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles), less any related outstanding debt which was used to acquire those assets.

The restricted portion of Lancaster County's net assets (18.4%) represents resources that are subject to external restrictions on their use. The unrestricted portion (36.3%) may be used to meet the government's ongoing obligations. At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets.

LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

The table below summarizes the change in net assets for the County for the year ended June 30, 2005:

	<u>Governmental Activities</u>	
	<u>FY 2005</u>	<u>FY 2004</u>
Lancaster County's Changes in Net Assets		
Revenues:		
Program Revenues:		
Charges for services	\$4,389,344	\$4,231,571
Operating grants & contributions	2,877,672	2,160,808
Capital grants & contributions	305,907	8,455,964
General Revenues:		
Property taxes	14,174,358	12,796,020
Other taxes & licenses	1,132,826	1,337,740
Unrestricted grants & contributions	2,848,762	2,806,318
Unrestricted interest income	121,134	39,615
Other	156,735	9,393
Total revenues	<u>26,006,738</u>	<u>31,837,429</u>
Expenses:		
General government	6,306,575	6,327,430
Administration of justice	1,450,101	1,174,355
Public safety and law enforcement	7,501,336	7,044,593
Public works	4,073,435	2,930,478
Public health & welfare	3,706,065	3,426,390
Economic development	770,013	8,054,085
Culture & recreation	560,366	176,115
Other	0	3,646
Interest on long-term debt	712,364	747,903
Total expenses	<u>25,080,255</u>	<u>29,884,995</u>
Increase in net assets	<u>926,483</u>	<u>1,952,433</u>
Net assets- July 1, 2004- restated	<u>17,451,401</u>	<u>14,597,434</u>
Net assets- June 30, 2005	<u>\$18,377,884</u>	<u>\$16,549,868</u>

Governmental activities increased the County's net assets by \$926,483. The key element was an increase in operating grants & contributions for governmental activities of \$716,864. Of this amount, was a \$210,000 increase in reimbursements received from grants for public safety & law enforcement.

LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

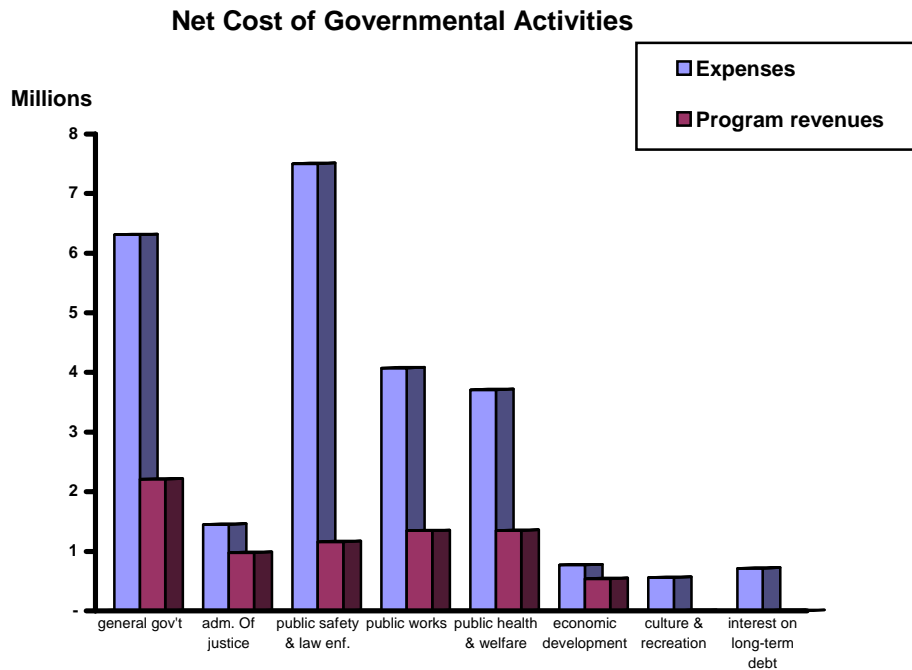
Taxes constitute the largest source of County revenues, amounting to \$14,174,348 for fiscal year 2005. Included in this figure were real property taxes of \$6,203,802. Local option sales tax, most of which is used to reduce property tax, totaled \$3,222,394.

Another large source of revenue for the County is charges for services (17%). Emergency Medical Services ambulance charges represent \$1,268,397 of charges for services.

The costs of all governmental activities were \$25,080,255 for fiscal year 2005. Providing public safety and law enforcement was the largest net expense (\$6,341,820) to the County. The Sheriff's department represented 61%, the detention center 14%, and the Fire Commission 12% of this function.

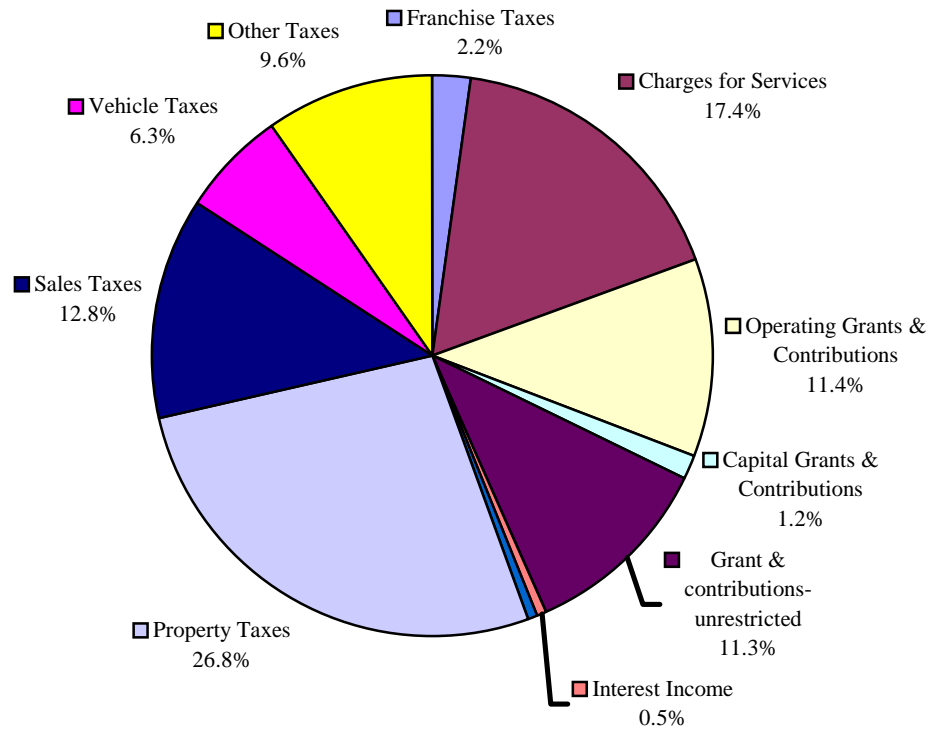
The net cost to the County for providing general government administration was \$4,098,211. This function includes non-departmental expenses such as property and liability insurance of \$462,821. Also included are various administrative functions, such as County Council, Administrator, Finance, Assessor, Auditor and Treasurer.

The public works activities for the government increased by \$1,142,957. The majority of the increase (\$722,346) was attributed to a payment match made to the SC State Department of Transportation to pave state roads within the County.



LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

Revenues by Source – Government Activities



LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

Financial Analysis of the County's Funds

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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the major governmental fund of the County. At the end of the fiscal year, Lancaster County reported an unreserved fund balance of \$5,645,672 in the general fund. Total fund balance of all the governmental funds reached \$9,986,753.

General Fund Budgetary Highlights

A budgetary comparison schedule is included for the general fund on pages 47 and 48. Actual revenues exceeded expenditure amounts by \$387,281. Actual expenditures were less than budgetary appropriations by \$343,815. Overall, revenues exceeded budgetary estimates.

There were significant differences between the original and final budgets due to the following:

- Council authorized a capital lease agreement for the upgrading of Emergency 911 equipment to become phase II compliant. The E-911 budget was increased by \$401,500 to record the expenditures.
- Council also authorized a capital lease agreement of \$2.3 million to replace and upgrade equipment for various departments. Of this amount, \$512,293 was expended for the Assessor, Auditor, Building & Zoning, Building Maintenance, Detention Center, EMS, Magistrate, and Probate Departments.
- Council authorized a capital lease agreement of \$300,000 to purchase a fire pumper for Pleasant Valley Fire Department in order to help provide improved services to the North end of the County.
- An additional \$37,000 allocated to the EMS Department to cover overages in vehicle maintenance & utilities. Also, insurance proceeds to replace a wrecked vehicle.
- An additional \$269,000 allocated to Sheriff's Department to cover overages in personnel costs and vehicle maintenance costs. A wrecked vehicle was also replaced by insurance proceeds.
- An additional \$34,800 allocated to Building Maintenance for additional building improvements (DSS bldg.) and necessary repairs.
- An additional \$130,000 was allocated to the Solid Waste Department due to increase in the volume of solid waste disposed in the County.
- An additional \$365,859 allocated to Emergency Management & Sheriff's departments to account for grants awarded during the fiscal year.

LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

Capital Assets

Lancaster County's investment in capital assets for its governmental activities as of June 30, 2005, totaled \$20,911,738, net of accumulated depreciation. This investment in capital assets includes land, buildings and building improvements, vehicles, furniture and equipment. The roads, highways and bridges (i.e., infrastructure assets) added during the fiscal year are also included. Governmental infrastructure assets acquired prior to implementing GASB 34 will be included in subsequent financial reports.

Major capital asset events during the current year included the following:

- The County received a Community Development Block Grant to construct a Senior Center in the Town of Heath Springs. The total cost of the center was \$383,128.
- Various roads were paved at a cost of \$168,364. These projects were funded by gasoline tax revenues remitted to the County from the State of South Carolina.
- The County purchased three new EMS ambulances at a cost of \$355,368 with proceeds from a lease purchase. These are to replace ambulances with high mileage.
- A recreational gym was constructed to meet the needs of taxpayers in the Kershaw area of Lancaster County. The total cost for constructing the gym was \$624,660. The County contributed \$207,000 to the Recreation Commission, while the balance was paid with donations.

Lancaster County's Capital Assets (net of depreciation)	<u>Governmental Activities</u>	
	FY 2005	FY 2004
	_____	_____
Land	\$1,176,138	\$1,161,243
Buildings & Improvements	13,068,550	12,727,148
Vehicles	2,903,937	2,703,667
Furniture & Equipment	2,561,568	2,011,010
Infrastructure	1,007,385	890,046
Construction in Progress	194,160	647,111
Total	\$20,911,738	\$20,140,225

Addition information on the County's capital assets can be found in note 3 C beginning on page 38.

LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

Debt Administration

The legal limit on the amount of general obligation bonded indebtedness that the County can incur is 8% of assessed value. At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$14,851,909. General obligation bonds constitute 67% of long-term debt and are backed by the full faith and credit of the government. The next largest long-term debt for the County is comprised of capital leases (18%).

Lancaster County's Outstanding Debt		
General Obligation and Revenue Bonds		
	<u>Governmental Activities</u>	
	FY 2005	FY 2004
General Obligation Bonds	\$ 9,975,000	\$10,325,000
Total	\$ 9,975,000	\$10,325,000

Lancaster County's total long-term debt decreased by \$20,715 during the current fiscal year. In July 2003, the County issued \$13,760,000 of special assessment debt applicable to the Edgewater Improvement District. The County is acting only as an agent and is in no manner obligated to repay the special assessment debt.

The County currently has ratings of BBB+ and A3 from Standard & Poor's Corporation and Moody's Investors Service, respectively, on general obligation bond issues.

Additional information on the County's long-term debt can be found in notes 3. F on pages 41 through 43 of this report.

Economic Factors and Next Year's Budgets and Tax Rates

- The unemployment rate for Lancaster County decreased from 11.0% a year ago to its current level of 8.20%. Statewide unemployment is at 6.3%, while the national average is 5.0%.
- The County added a number of capital assets including: three EMS Ambulances, a Fire Pumper, Heath Springs Senior Center paid by a grant, a recreational gymnasium, and a number of vehicles during the fiscal year. Consequently, the County's property & liability insurance increased by \$85,325 from fiscal year 2005 to fiscal year 2006.
- A state referendum passed in 2001 required the assessment ratio for taxation of automobiles to be reduced .75% each year until it reaches a rate of 6.00%. The current rate is 7.50%. In January of 2006, the rate will decrease to 6.75%. All things being equal, this will continue to reduce automobile personal property tax collections because it effectively reduces the County's tax base.
- Sales tax receipts for fiscal year 2005 were a slight 6% higher (\$184,184) than fiscal year 2004.

LANCASTER COUNTY, SOUTH CAROLINA
Management's Discussion and Analysis

This revenue source will need to increase substantially in the future, as it will have to be shared by an increasing number of property owners (Northern portion) for property tax reduction.

- County Council earmarked five mills specifically for capital replacement. This millage, accounted for in a separate fund, will allow the County to keep up with need to replace aging equipment. In the long run, this will also deter the County from having to borrow money to finance capital equipment.
- The SC State Budget and Control Board adjusted the employer's contribution to the Retirement System. The contribution will increase 12 percent as of July 2005. As a result, the fiscal year 2006 budget has been increased by \$75,000.
- The SC Counties Workers Compensation Trust Board has increased contributions for all members for Fiscal year 2006. This increase is due a dramatic increase in workers' comp claims of all counties. The County's premium for has increased \$200,000 for fiscal year 2006.
- The Sheriff's Department added four officers in the fiscal year 2006 budget at a cost of \$150,000. The addition of personnel is to help provide service to the growing County. Also, one personnel was added to the Detention Center's Budget due to the increase in imprisoned population.

In order to maintain the County's net assets and fund balances at current levels in the face of declining revenue and increased demands for service, County Council adopted a budget for fiscal year 2006 which includes an increase in the property tax millage rate from 70.73 mills to 76.50 mills. County Council also adopted 5.0 mills for capital replacement needs.

Requests for Information

This financial report is designed to provide a general overview of Lancaster County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to *Finance Director, Lancaster County, P O Box 1809, Lancaster, SC 29721.*

BASIC FINANCIAL STATEMENTS

LANCASTER COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2005

EXHIBIT A

	Primary Government	Component Units		
	Governmental Activities	Lancaster County Airport	Lancaster County Library	Lancaster County Recreation Commission
Assets				
Cash	\$ 8,286,100	\$ 9,436	\$ 46,152	\$ 150
Investments	557,876	-	-	-
Taxes receivable, net	465,951			
Receivables, net	4,419,453	15,170	9,654	894
Due from fiduciary funds	727	-	-	-
Due from primary government	-	-	75,650	281,238
Inventories	50,390	-	-	-
Prepaid items	51,151	-	-	-
Land held for resale	803,850	-	-	-
Capital assets, net of accumulated depreciation	20,911,738	1,517,639	-	108,028
Total assets	\$ 35,547,236	\$ 1,542,245	\$ 131,456	\$ 390,310
Liabilities				
Accounts payable and other current liabilities	\$ 1,629,862	\$ -	\$ 232	\$ -
Accrued payroll	155,498			
Accrued interest payable	233,805	-	-	-
Unearned revenue	38,661	12,000	-	-
Due to primary government	-	97,271	-	-
Due to component unit	259,617	-	-	-
Non-current liabilities:				
Due within one year	2,208,145	-	15,208	21,206
Due in more than one year	12,643,764	-	-	-
Total Liabilities	17,169,352	109,271	15,440	21,206
Net Assets				
Invested in capital assets, net of related debt	8,318,341	1,517,639	-	108,028
Restricted for :				
Property tax reduction	630,895	-	-	-
Public safety	596,299	-	-	-
Public works	1,471,904	-	-	-
Public health and welfare	130,429	-	-	-
Debt service	555,182	-	-	-
Unrestricted	6,674,834	(84,665)	116,016	261,076
Total net assets	18,377,884	1,432,974	116,016	369,104
	\$ 35,547,236	\$ 1,542,245	\$ 131,456	\$ 390,310

The accompanying notes are an integral part of these statements.

LANCASTER COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

EXHIBIT B

Functions/Programs	Net (Expense) Revenues and Changes in Net Assets							
	Expenses	Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Lancaster County Airport	Lancaster County Library	Recreation Commission
Primary government								
Government activities:								
General government administration	\$ 6,306,575	\$ 1,895,518	\$ 17,717	\$ 295,129	\$ (4,098,211)	\$ -	\$ -	\$ -
Administration of justice	1,450,101	851,113	127,275	-	(471,713)	-	-	-
Public safety and law enforcement	7,501,336	218,141	941,375	-	(6,341,820)	-	-	-
Public works	4,073,435	156,175	1,188,232	-	(2,729,028)	-	-	-
Public health and welfare	3,706,065	1,268,397	78,592	-	(2,359,076)	-	-	-
Economic development	770,013	-	524,481	10,778	(234,754)	-	-	-
Culture and recreation	560,366	-	-	-	(560,366)	-	-	-
Interest on long-term debt	712,364	-	-	-	(712,364)	-	-	-
Total primary government	\$ 25,080,255	\$ 4,389,344	\$ 2,877,672	\$ 305,907	(17,507,332)	-	-	-
Component units								
Lancaster County Airport	\$ 284,690	\$ 22,259	\$ -	\$ 316,739	\$ -	\$ 54,308	\$ -	\$ -
Lancaster County Library	819,646	40,761	42,359	-	-	(736,526)	-	-
Recreation Commission	1,466,864	623,692	-	-	-	-	(843,172)	-
	\$ 2,571,200	\$ 686,712	\$ 42,359	\$ 316,739	-	54,308	(736,526)	(843,172)
General revenues								
Property taxes					14,174,358	-	-	-
Other taxes and licenses					1,132,826	-	-	-
Grants and contributions not restricted to specific programs					2,848,762	40,000	741,817	978,598
Unrestricted interest income					121,134	-	575	-
Other					156,735	-	-	-
Total general revenues					18,433,815	40,000	742,392	978,598
Change in net assets					926,483	94,308	5,866	135,426
Net assets - beginning of year, as originally reported					16,549,868	1,338,666	110,150	233,678
Prior period adjustment					901,533	-	-	-
Net assets - beginning of year, restated					17,451,401	1,338,666	110,150	233,678
Net assets - end of year					\$ 18,377,884	\$ 1,432,974	\$ 116,016	\$ 369,104

The accompanying notes are an integral part of these statements.

LANCASTER COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

EXHIBIT C-1

	General Fund	Transportation Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,327,925	\$ 1,376,628	\$ 581,547	\$ 8,286,100
Investments	259,900	-	297,976	557,876
Property taxes receivable	75,354	-	8,145	83,499
Receivables	1,957,040	122,202	157,556	2,236,798
Due from other funds	466,714	-	-	466,714
Land held for resale	803,850	-	-	803,850
Inventories	50,390	-	-	50,390
Prepaid items	51,151	-	-	51,151
	<u>\$ 9,992,324</u>	<u>\$ 1,498,830</u>	<u>\$ 1,045,224</u>	<u>\$ 12,536,378</u>
Liabilities and Fund Balances				
Accounts payable and accrued liabilities	\$ 1,629,862	\$ -	\$ -	\$ 1,629,862
Accrued payroll	155,498	-	-	155,498
Deferred revenue	38,661	-	-	38,661
Due to other funds	-	26,926	439,061	465,987
Due to component units	259,617	-	-	259,617
	<u>2,083,638</u>	<u>26,926</u>	<u>439,061</u>	<u>2,549,625</u>
Fund Balances				
Reserved for:				
Land held for resale	803,850	-	-	803,850
Inventories	50,390	-	-	50,390
Prepaid items	51,151	-	-	51,151
Property tax reduction	630,895	-	-	630,895
E-911	299,266	-	-	299,266
DSS IV-D Incentive	130,429	-	-	130,429
Victim assistance	241,384	-	-	241,384
Drug task force	55,649	-	-	55,649
Debt service	-	-	555,182	555,182
Unreserved, reported in:				
General fund	5,645,672	-	-	5,645,672
Special revenue fund	-	1,471,904	-	1,471,904
Capital project fund	-	-	50,981	50,981
	<u>7,908,686</u>	<u>1,471,904</u>	<u>606,163</u>	<u>9,986,753</u>
	<u>\$ 9,992,324</u>	<u>\$ 1,498,830</u>	<u>\$ 1,045,224</u>	<u>\$ 12,536,378</u>

The accompanying notes are an integral part of these statements.

LANCASTER COUNTY, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

EXHIBIT C-2

Total Governmental Fund Balances	\$ 9,986,753
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,911,738
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Taxes receivable	382,452
Other receivables	2,182,655
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(233,805)
Long-term debt	<u>(14,851,909)</u>
Net Assets of Governmental Activities	<u><u>\$ 18,377,884</u></u>

The accompanying notes are an integral part of these statements.

LANCASTER COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

EXHIBIT D-1

	General Fund	Transportation Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property	\$ 13,182,936	\$ -	\$ 981,910	\$ 14,164,846
Other	1,132,826	-	-	1,132,826
Intergovernmental revenue	3,936,364	1,175,368	449,810	5,561,542
Licenses and permits	2,048,755	-	-	2,048,755
Charges for services	1,970,615	-	-	1,970,615
Fines, fees and forfeitures	950,152	-	-	950,152
Contributions and donations	393,053	-	-	393,053
Interest income	90,686	11,782	22,566	125,034
Other	346,717	-	-	346,717
Total Revenues	<u>24,052,104</u>	<u>1,187,150</u>	<u>1,454,286</u>	<u>26,693,540</u>
Expenditures				
Current				
General government administration	6,362,781	-	-	6,362,781
Administration of justice	1,297,475	-	-	1,297,475
Public safety and law enforcement	7,842,458	-	-	7,842,458
Public works	2,597,211	1,548,180	-	4,145,391
Public health and welfare	3,911,090	-	-	3,911,090
Economic development	154,973	-	-	154,973
Cultural and recreation	478,482	-	-	478,482
Capital Outlay	-	-	1,284,308	1,284,308
Debt Service				
Principal retirement	848,520	-	350,000	1,198,520
Interest	171,833	-	552,120	723,953
Total Expenditures	<u>23,664,823</u>	<u>1,548,180</u>	<u>2,186,428</u>	<u>27,399,431</u>
Excess (deficiency) of revenues over expenditures	387,281	(361,030)	(732,142)	(705,891)
Other Financing Sources (Uses)				
Proceeds from capital leases	1,203,504	-	-	1,203,504
Transfer out - component unit	-	-	(207,310)	(207,310)
Total Other Financing Sources (Uses)	<u>1,203,504</u>	<u>-</u>	<u>(207,310)</u>	<u>996,194</u>
Net Change in Fund Balances	<u>1,590,785</u>	<u>(361,030)</u>	<u>(939,452)</u>	<u>290,303</u>
Fund Balances, Beginning of Year, as originally reported	6,295,530	1,832,934	1,545,615	9,674,079
Prior period adjustment	22,371	-	-	22,371
Fund Balances, Beginning of Year	<u>6,317,901</u>	<u>1,832,934</u>	<u>1,545,615</u>	<u>9,696,450</u>
Fund Balances, End of Year	<u>\$ 7,908,686</u>	<u>\$ 1,471,904</u>	<u>\$ 606,163</u>	<u>\$ 9,986,753</u>

The accompanying notes are an integral part of these statements.

LANCASTER COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

EXHIBIT D-2

Net Change in Fund Balances - Total Governmental Funds	\$ 290,303
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$2,822,450 exceeded depreciation expense of \$1,618,223 in the current period.	1,204,227
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the difference between the proceeds received from sale of assets and the loss on sale.	(432,714)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	9,512
Other receivables	(236,181)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(1,203,504)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,198,520
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	11,589
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Payables	59,032
Landfill closure and postclosure costs	60,005
Compensated absences	(34,306)
Change in Net Assets of Governmental Activities	\$ 926,483

LANCASTER COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

EXHIBIT E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 4,556,382
Investments	3,999,059
Property taxes receivable	191,402
Due from general fund	49,379
	<u>\$ 8,796,222</u>
Liabilities	
Due to other taxing units	\$ 3,822,104
Trust funds payable	4,974,118
	<u>\$ 8,796,222</u>

The accompanying notes are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lancaster County, South Carolina, is a political subdivision of the State of South Carolina. The County operates under a Council-Administrator form of government and is governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the County is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the County.

The following are discretely presented component units:

The Lancaster County Airport Commission operates, maintains and develops the Lancaster County Airport. The Commission is governed by a seven member board, all of whom are appointed by Lancaster County Council. The Commission's budget must be approved by Lancaster County Council.

Lancaster County Library provides library services to County residents. Lancaster County Council appoints all the members of the Library's board of trustees and provides the majority of the Library's funding (70 percent during fiscal 2005). Accordingly, the Library is fiscally dependent on the County, and the County can impose its will on the Library.

The Lancaster County Recreation Commission provides a variety of recreation services to Lancaster County residents and operates and maintains the recreation facilities owned by the County and by the City of Lancaster. County Council appoints seven of the ten members of the Commission board and provides more funding than any other source (40 percent during fiscal 2005). Accordingly, the Commission is fiscally dependent on the County.

Complete financial statements for the Lancaster County Airport Commission may be obtained at its administrative offices, P. O. Box 2945, Lancaster, South Carolina 29721. Complete financial statements for the Lancaster County Library may be obtained at its main branch, 313 S. White St., Lancaster, South Carolina. Complete financial statements for the Lancaster County Recreation Commission may be obtained at its administrative offices, 206 S. Plantation Road, Lancaster, S. C. 29720. The fiscal years of all component units end on June 30.

B. Basis of Presentation

Financial statements for governments like that of Lancaster County are presented from two perspectives, the government-wide perspective and the fund perspective.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis or Presentation - Continued

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all non-fiduciary activities of the primary government and its component units. Net assets are calculated based on information on all the County's assets and liabilities, including property and equipment and long-term debt. For the most part, the effect of inter-fund activity, if any, has been removed from these statements. In these statements, governmental activities, which are normally supported by taxes and intergovernmental revenues, are distinguished from any business type activities in which the government may be engaged and which rely on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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, including depreciation of property and equipment, are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items which are not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental and fiduciary funds, groupings of accounts used to control resources that have been segregated for specific activities or objectives. Major individual governmental funds are reported as separate columns in the fund financial statements. The governmental fund balance sheet includes a reconciliation of the total fund balance for all governmental funds to total net assets of governmental activities reported in the government-wide statement of net assets. In addition, the governmental statement of revenues, expenditures and changes in fund balances also includes a reconciliation of the changes in fund balances of the governmental funds to the government-wide statement of activities.

C. Measurement Focus and Basis of Accounting

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.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement focus, basis of accounting, and financial statement presentation – continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The funds of the reporting entity are described below:

Governmental Fund

General Fund - The general fund is the government's primary operating fund and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special revenue funds accounts for specific revenues that are legally restricted to expenditure for particular purposes. The reporting entity includes one major special revenue fund, the State Road C-Fund.

Debt Service Fund - The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Capital Project Funds - Capital project funds are used to account for the acquisition and construction of major capital facilities.

Fiduciary Funds (not included in the government-wide statements)

Agency funds account for assets held by the County as an agent for other governmental units and courts in accordance with Acts of the General Assembly of South Carolina. The County's only fiduciary funds are agency funds.

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the primary government and its component units to invest in (1) obligations of the United States and its agencies, (2) general obligations of the State of South Carolina and its political subdivisions, (3) savings and loan associations if their deposits are insured by an agency of the federal government, and (4) certificates of deposit which are collaterally secured by securities of the type described at (1) and (2) held by a third party.

Investments are stated at fair value. At June 30, 2005, the fair value of the County's investments approximated cost.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

In the Statement of Net Assets, accounts receivables are stated net of their allowance for uncollectible amounts. Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, all *unearned revenue* reported in the governmental funds was for grant amounts which were drawn down prior to meeting all eligibility requirements.

Property taxes receivable represents delinquent and unpaid real and personal property tax billings less an allowance for the amounts estimated to be uncollectible.

Taxes on real property are assessed as of January 1, levied the following September, due January 15, and become delinquent March 15. Liens attach to the property at the time the taxes are levied. The levy date for motor vehicle taxes 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.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The County has elected to implement only prospective reporting of infrastructure assets. Accordingly, only infrastructure acquired or constructed after June 30, 2002, are included in capital assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Vehicles	5-15
Furniture and equipment	5-15
Public domain infrastructure	5

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The County believes the current portion of compensated absences is negligible and is therefore not reported. For the governmental activities, compensated absences are generally liquidated by the general fund.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bond payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by an outside party for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LANCASTER COUNTY, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, the debt service fund, and the special revenue fund. When projects are underway, project length budgets are adopted for the capital projects fund. All annual appropriations lapse at fiscal year end.

Each year, all County departments submit requests for appropriations to the county finance director. On the basis of the requests, the finance director prepares a draft budget. The proposed budget is presented to the County Council for review and approval. The Council holds public hearings and adopts the budget no later than June 30

The appropriated budget is prepared by fund, function, and department. County department heads may make certain transfers of appropriations within their own departmental budgets without approval of Council, and the County Administrator may make certain transfers between departments without approval of Council. The legal level of budgetary control is the fund level. Budget amounts reflected in the accompanying financial statements represent the original budgets and any revisions.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts), if any, outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk.

As of June 30, 2005, the County's deposits were as follows:

	Bank Balance	Carrying Amount
Primary Government:		
Demand deposits	\$ 13,534,078	\$ 12,823,030

Of the County's bank balance, \$268,324 was covered by FDIC insurance and \$13,239,355 was collateralized by securities held by the pledging bank's trust department or agent in the County's name.

At year end, component unit deposits were as follows:

	Bank Balance	Carrying Amount
Airport	\$ 7,775	\$ 9,436
Library	59,317	46,152
Recreation	-	-
Totals	\$ 67,092	\$ 55,588

LANCASTER COUNTY, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

Deposits - Continued

For each component unit, all of the bank balance was covered by FDIC insurance.

Investments

As of June 30, 2005, the County had the following investments:

Investment Type	Fair Value	Maturity	Rating
State Treasurer's Investment Pool	\$ 557,875	Daily	Not Rated
Wachovia – Edgewater Improvement District	4,011,912	Daily	Not Rated
	<u>\$ 4,569,787</u>		

Interest rate risk – It is the County's policy to minimize market risk while maintaining the highest possible yield.

Credit risk – The County has no formal policy on managing credit risk. The investment in the State Treasurer's investment pool is a fully collateralized fund and the underlying securities are held by a third party bank for the pool.

Custodial credit risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County minimizes credit risk by limiting investments to the types of securities allowed by law.

Concentration of credit risk – The County places no limits on the amount that may be invested in any one issuer.

Reconciliation of cash and investments to the Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 8,286,100
Investments	557,876
Petty cash	(6,660)
Agency fund cash (not included in government-wide statement)	4,556,382
Agency fund investments (not included in government-wide statement)	3,999,059
	<u>\$ 17,392,817</u>

B. Receivables

Governmental Fund accounts receivable at June 30, 2005 are summarized as follows:

	General	Debt Service	Special Revenue	Capital Projects	Total
Receivables					
Taxes	\$ 75,354	\$ 8,145	\$ -	\$ -	\$ 83,499
Accounts	569,620	-	-	2,875	572,495
Intergovernmental	1,387,420	-	122,202	154,681	1,664,303
Gross receivables	2,032,394	8,145	122,202	157,556	2,320,297
Less, allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 2,032,394</u>	<u>\$ 8,145</u>	<u>\$ 122,202</u>	<u>\$ 157,556</u>	<u>\$ 2,320,297</u>

LANCASTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets

Capital asset activity for the County and its component units for the year ended June 30, 2005 is as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,161,243	\$ 14,900	\$ (5)	\$ 1,176,138
Construction in progress	647,111	194,160	(647,111)	194,160
Total capital assets not being depreciated	1,808,354	209,060	(647,116)	1,370,298
Capital assets being depreciated:				
Buildings and improvements	16,020,767	1,088,188	(400,000)	16,708,955
Vehicles	8,253,821	921,309	(165,798)	9,009,332
Furniture and equipment	3,505,377	1,009,225	-	4,514,602
Infrastructure	936,320	168,364	-	1,104,684
Total capital assets being depreciated	28,716,285	3,187,086	(565,798)	31,337,573
Less accumulated depreciation for:				
Buildings and improvements	(3,293,619)	(421,786)	75,000	(3,640,405)
Vehicles	(5,550,154)	(686,745)	131,504	(6,105,395)
Furniture and equipment	(1,494,367)	(458,667)	-	(1,953,034)
Infrastructure	(46,274)	(51,025)	-	(97,299)
Total accumulated depreciation	(10,384,414)	(1,618,223)	206,504	(11,796,133)
Total capital assets being depreciated, net	18,331,871	1,568,863	(59,294)	19,541,440
Governmental activities capital assets, net	\$ 20,140,225	\$1,777,923	\$ (1,006,410)	\$ 20,911,738

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

Governmental activities:	
General government administration	\$ 404,966
Administration of justice	17,517
Public safety and law enforcement	653,446
Public works, including depreciation of infrastructure assets	191,213
Public health and welfare	198,630
Culture and recreation	152,451
Total depreciation expense	\$ 1,618,223

LANCASTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets - Continued

Discretely presented component units

Activity for the Airport Commission for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 166,258	\$ 115,349	\$ -	\$ 281,607
Construction in progress	-	167,681	-	167,681
Total capital assets not being depreciated	<u>166,258</u>	<u>283,030</u>	<u>-</u>	<u>449,288</u>
Capital assets being depreciated:				
Buildings and improvements	5,061,325	-	-	5,061,325
Machinery and equipment	43,950	-	-	43,950
Total capital assets being depreciated	<u>5,105,275</u>	<u>-</u>	<u>-</u>	<u>5,105,275</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,773,903)	(219,071)	-	(3,992,974)
Machinery and equipment	(43,950)	-	-	(43,950)
Total accumulated depreciation	<u>(3,817,853)</u>	<u>(219,687)</u>	<u>-</u>	<u>(4,036,924)</u>
Total capital assets being depreciated, net	<u>1,287,422</u>	<u>(219,687)</u>	<u>-</u>	<u>1,068,351</u>
Governmental activities capital assets, net	<u>\$ 1,453,680</u>	<u>\$ (219,687)</u>	<u>\$ -</u>	<u>\$ 1,517,639</u>

Activity for the Recreation Commission for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Vehicles	\$ 113,894	\$ 17,537	\$ -	\$ 131,431
Machinery and equipment	115,239	6,763	-	122,002
Total capital assets being depreciated	<u>229,133</u>	<u>24,300</u>	<u>-</u>	<u>253,433</u>
Less accumulated depreciation for:				
Vehicles	(81,880)	(11,135)	-	(93,015)
Machinery and equipment	(40,671)	(11,719)	-	(52,390)
Total accumulated depreciation	<u>(122,551)</u>	<u>(22,854)</u>	<u>-</u>	<u>(145,405)</u>
Total capital assets being depreciated, net	<u>106,582</u>	<u>1,446</u>	<u>-</u>	<u>108,028</u>
Governmental activities capital assets, net	<u>\$ 106,582</u>	<u>\$ 1,446</u>	<u>\$ -</u>	<u>\$ 108,028</u>

LANCASTER COUNTY, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS - Continued

D. Inter-fund Receivables and Payables

Inter-fund balances arise because the County Treasurer utilizes a cash pool to maximize earnings. Inter-fund balances at June 30, 2005 were:

Receivable Fund	Payable Fund	Amount
General Fund	1996 Bond Fund	\$ 127,980
General Fund	Capital Project Fund	160,229
General Fund	1999-2001 GO Bond Projects Fund	150,824
General Fund	Debt Service	30
General Fund	Special Revenue Fund	26,924
General Fund	Agency Fund – Education	727

As discussed in Note 4, the County provides cash management services to its component units. As a result, at year end, the following balances were due to and from the primary government and the component units:

Receivable Government	Payable Government	Amount
Recreation Commission	Primary Government	\$ 281,238
Primary Government	Airport Commission	97,271
Library	Primary Government	75,650

E. Leases

Operating Leases. The County leases office equipment and temporary office space to house its Magistrates Court administration. Terms of the leases require the following minimum rentals:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 13,950
Thereafter	-
Total	<u>\$ 13,950</u>

Rent paid under terms of these leases during fiscal 2005 was \$18,600.

Capital Leases. The County has entered into various lease agreements as lessee in order to finance acquisition of sanitation vehicles, ambulances and office equipment. These lease agreements include a bargain purchase options and qualify as capital leases for accounting purposes. Vehicles and equipment totaling \$5,818,048 have been purchased with proceeds from capital lease agreements.

During fiscal year 2004, the County entered into capital leases of \$875,000 and \$300,000 to finance the purchase of equipment and upgrades to the E-911 system and a fire truck. The leases established lines of credit to fund the purchases. As of June 30, 2005, advances of \$628,154 and \$285,213 have been advanced from these lines of credit, respectively. Amounts available on the lines of credit as of June 30, 2005 are \$246,846 and \$14,787, respectively.

During the year ended June 30, 2005, the County entered into a capital lease of \$2,300,000 to finance the purchase of equipment. The lease established a line of credit to fund the purchases. As of June 30, 2005, \$516,791 has been advanced on the line of credit and \$1,783,209 is still available.

LANCASTER COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS - Continued

E. Leases - Continued

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2005 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 1,361,059
2007	662,459
2008	508,939
2009	151,248
2011	73,433
2011 to 2015	<u>73,434</u>
Total minimum lease payments	2,830,572
Less, amount representing interest	<u>212,175</u>
Present value of minimum lease payments	<u>\$ 2,618,397</u>

F. Long-term Debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for acquisition and construction of major capital facilities by the general government. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as multi-year serial bonds with principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Description of Issue</u>	<u>Amount</u>
General obligation bonds, series 1996, interest at 4.55% to 5.75%, maturing 2011	\$ 1,450,000
General obligation bonds, series 1999, interest at 5.3% to 7.3%, maturing 2024	4,540,000
General obligation bonds, series 2003, interest at 4% to 6 %, maturing 2020	<u>3,985,000</u>
	<u>\$ 9,975,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 425,000	\$ 532,440	\$ 957,440
2007	435,000	509,290	944,290
2008	450,000	485,035	935,035
2009	490,000	459,610	949,610
2010	500,000	428,016	928,016
2011 to 2015	2,800,000	1,651,500	4,451,500
2016 to 2020	3,530,000	943,598	4,473,598
2021 to 2025	<u>1,345,000</u>	<u>194,085</u>	<u>1,539,085</u>
Total	<u>\$ 9,975,000</u>	<u>\$ 5,203,574</u>	<u>\$ 15,178,574</u>

LANCASTER COUNTY, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term Debt - Continued

Mortgages Payable

In 1993, the County purchased land to develop an industrial park jointly with the City of Lancaster. In order to finance this purchase, the County and the City jointly mortgaged the property. During fiscal 1997, the City withdrew from the joint venture and the county assumed total liability for the mortgages which are as follows:

Mortgage payable in annual installments of \$8,308, including interest at 5%, maturing July 2007	\$	22,625
Mortgage payable in annual installments of \$37,133 including interest at 5%, maturing July 2007		101,141
Mortgage payable in annual installments of \$37,133 including interest at 5%, maturing July 2007		101,141
		<u>\$ 224,907</u>

Annual debt service requirements to maturity for these mortgages are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 71,310	\$ 11,265	\$ 82,575
2007	74,874	7,701	82,575
2008	78,723	3,850	82,573
Total	<u>\$ 224,907</u>	<u>\$ 22,816</u>	<u>\$ 247,723</u>

Closure and Post Closure Costs of Municipal Solid Waste Landfill

On July 1, 1993, the County adopted GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Costs*, to account for closure and post closure costs associated with this landfill. The South Carolina Department of Health and Environmental Control (DHEC) requires landfill operators to provide for inspection and maintenance of the physical characteristics of the site, as well as monitoring and maintenance of the groundwater and gas monitoring systems and the leachate collection and treatment system, for a period of thirty years following the closing. DHEC also requires that operators cover the landfill with a minimum cover of a certain permeability.

The County's liability for closure and post-closure care costs is based on landfill capacity used to date. Since the landfill was closed as of June 30, 1995, the County considers it to be at 100 percent of capacity. During fiscal 2005, the County expended \$60,005 in landfill closure costs. Remaining post-closure costs are estimated at \$1,478,402 and the long-term liabilities in the statement of net assets include that amount. Post-closure care costs are based on engineering estimates and are subject to change due to inflation, deflation, technology and/or applicable laws and regulations and are reported in the general fund.

LANCASTER COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS – Continued

F. Long-term Debt – Continued

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 10,325,000	\$ -	\$ 350,000	\$ 9,975,000	\$ 425,000
Mortgages payable	292,821	-	67,914	224,907	71,310
Capital leases	2,195,499	1,203,504	780,606	2,618,397	1,258,604
Landfill closure & postclosure costs	1,538,407	-	60,005	1,478,402	55,000
Compensated absences	520,897	432,537	398,231	555,203	398,231
Long-term liabilities	<u>\$ 14,872,624</u>	<u>\$ 1,636,041</u>	<u>\$ 1,656,756</u>	<u>\$ 14,851,909</u>	<u>\$ 2,208,145</u>

G. Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State of South Carolina, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2005, there were two series of Industrial Revenue bonds outstanding with an aggregate principal amount payable of \$177,000,000.

H. Special Assessment Debt Obligations

In July 2003, the County issued \$13,760,000 of special assessment debt. This debt is applicable to the Edgewater Improvement District, which is located in the southern part of the County, and will be used to improve the area's infrastructure. The County is acting only as an agent and is in no manner obligated to repay the special assessment debt. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, the outstanding balance on this debt was \$12,532,000.

LANCASTER COUNTY, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2005

NOTE 4. OTHER INFORMATION

A. Risk Management

The County and its component units are exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job related illnesses and accidents. The County and its component units pay premiums to a public entity risk pool for workman's compensation insurance and for property and casualty coverage. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

The County and its component units are also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The County has enrolled substantially all its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board.

B. Employee Retirement Plans

Eligible employees of the County are participants in the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS), both of which are cost-sharing, multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board. SCRS and PORS provide retirement and disability benefits, annual cost-of-living adjustments life insurance benefits and survivor benefits to plan members and beneficiaries. The plans' provisions are established under Title 9 of the South Carolina Code of Laws. The South Carolina Retirement System issues a publicly available stand-alone report, which may be obtained by writing to South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211 or by calling 803-737-6800.

SCRS and PORS members are required to contribute 6% and 6.5%, respectively, of their annual covered salaries, and the County is required to contribute at an actuarially determined rate. The current rates actuarially determined are 6.7% and 10.3% respectively. The contribution requirements of the plan members and the County are established and may be amended by the South Carolina General Assembly.

The County's contributions (which equaled required contributions) to SCRS and PORS for the last three fiscal years were as follows:

		SCRS		PORS
2005	\$	471,858	\$	382,456
2004		414,900		350,415
2003		398,754		319,602

C. Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(k). Both plans administered by the South Carolina Deferred Compensation Commission. The plans permit employees to defer a portion of their salary until future years. Amounts deferred are 100 % vested and held in trust for the exclusive benefit of participants or their beneficiaries. The County makes no contributions under terms of these plans.

LANCASTER COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4. OTHER INFORMATION – Continued

D. Post-Retirement Health Insurance Benefits

During the fiscal year ended June 30, 1995, Lancaster County Council enacted an ordinance to provide post-employment health benefits to employees who retire from service or who terminate with at least 20 years of service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit under the South Carolina Retirement System to qualify for benefits. Benefits are effective at date of retirement or when the employee is eligible for retirement benefits.

The County finances these benefits on a pay-as-you-go basis through annual appropriation. During the year ended June 30, 2005, the County paid \$152,329, net of retiree contributions of \$182,800 to provide these benefits to the 66 retired employees who qualified.

E. Related Party Transactions

The County provides accounting, payroll and cash management services to two of its component units, the Lancaster County Airport Commission and the Lancaster County Recreation Commission. The County provides payroll services to the Lancaster County Development Commission. The County provides investment services to the Lancaster County Library. The County provides office space to the Development Commission. All these services are provided at no charge.

F. Commitments and Contingencies

Grant Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Litigation

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

G. Prior Period Adjustments

The County made an adjustment of \$22,371 to correct the balances in the payroll withholding liability accounts. This adjustment affects both the government-wide and the fund financial statements.

The County also made an adjustment to correct the accounts receivable balance for the EMS. Beginning net assets for governmental activities has been increased and accounts receivable have been increased by \$879,162. This adjustment only affects the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LANCASTER COUNTY, SOUTH CAROLINA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2005

SCHEDULE 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 12,323,209	\$ 12,323,209	\$ 13,182,936	\$ 859,727
Other local taxes and tariffs	1,038,000	1,038,000	1,132,826	94,826
Intergovernmental revenue	3,883,471	3,883,471	3,936,364	52,893
Licenses and permits	1,415,853	1,415,853	2,048,755	632,902
Charges for services	1,931,069	1,931,069	1,970,615	39,546
Fines, fees and forfeitures	821,000	821,000	950,152	129,152
Contributions and donations	21,675	21,675	393,053	371,378
Interest income	18,500	18,500	90,686	72,186
Other	71,300	107,300	346,717	239,417
Total Revenues	<u>21,524,077</u>	<u>21,560,077</u>	<u>24,052,104</u>	<u>2,492,027</u>
Expenditures				
Current				
General government				
Council	513,889	528,903	521,612	7,291
Administrator	235,024	236,424	236,951	(527)
Finance	519,792	519,792	501,234	18,558
Human resources	126,153	126,153	121,536	4,617
Building and zoning	534,491	566,370	563,580	2,790
Planning	257,785	262,785	260,764	2,021
Assessor	462,556	505,098	506,604	(1,506)
Auditor	203,192	207,949	204,475	3,474
Treasurer	338,692	338,692	320,854	17,838
Delinquent tax collector	148,734	148,734	124,095	24,639
Voter registration and elections	74,305	74,305	71,263	3,042
Risk management/register of deeds	273,306	273,306	263,599	9,707
Building maintenance	652,871	708,449	688,210	20,239
Vehicle maintenance	225,890	225,890	218,353	7,537
Non-departmental	796,843	796,843	791,069	5,774
Farmers' market	2,800	2,800	1,811	989
Direct assistance to other agencies	981,822	983,922	966,771	17,151
	<u>6,348,145</u>	<u>6,506,415</u>	<u>6,362,781</u>	<u>143,634</u>
Administration of justice				
Circuit court	49,700	49,700	44,951	4,749
Clerk of court	188,553	188,553	182,272	6,281
Family court	294,871	299,871	234,393	65,478
Probate court	218,308	251,624	242,983	8,641
Magistrate courts	562,936	591,601	592,876	(1,275)
	<u>1,314,368</u>	<u>1,381,349</u>	<u>1,297,475</u>	<u>83,874</u>
Public safety and law enforcement				
E-911 Communications	220,500	688,667	688,906	(239)
Coroner	111,750	111,750	106,197	5,553
Sheriff	4,070,540	4,364,826	4,470,567	(105,741)
Highway safety grant	52,695	116,729	111,918	4,811
Detention center	1,146,484	1,155,190	1,058,797	96,393
Emergency management	174,706	174,706	162,268	12,438
Homeland security grants	194,680	194,680	185,031	9,649
Emergency management grants	-	79,422	76,955	2,467
Community emergency response training grants	-	27,723	25,451	2,272
Fire commission	620,935	923,195	908,301	14,894
Rescue squad	33,700	33,700	32,798	902

LANCASTER COUNTY, SOUTH CAROLINA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2005

SCHEDULE 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Indian land rescue squad	26,000	21,000	15,269	5,731
	<u>6,651,990</u>	<u>7,891,588</u>	<u>7,842,458</u>	<u>49,130</u>
Public works				
Roads and bridges	1,071,400	1,071,400	1,019,941	51,459
Landfill	57,000	71,000	60,005	10,995
Solid waste	1,379,500	1,509,500	1,517,265	(7,765)
	<u>2,507,900</u>	<u>2,651,900</u>	<u>2,597,211</u>	<u>54,689</u>
Public health and welfare				
EMS	2,776,291	3,274,054	3,316,587	(42,533)
Animal control	219,100	219,100	212,088	7,012
Environmental health	6,025	6,025	2,801	3,224
Health services	93,100	93,100	85,011	8,089
Teen Court	166,899	166,899	127,397	39,502
Social services and food stamps	58,570	58,570	56,345	2,225
D.S.S. Family Independence	24,660	24,660	20,831	3,829
Veteran affairs	90,950	91,450	90,030	1,420
	<u>3,435,595</u>	<u>3,933,858</u>	<u>3,911,090</u>	<u>22,768</u>
Economic development				
Economic development commission	82,276	82,276	139,368	(57,092)
Catawba Ridge development	28,000	28,000	15,605	12,395
	<u>110,276</u>	<u>110,276</u>	<u>154,973</u>	<u>(44,697)</u>
Cultural and Recreation				
Recreation commission	465,972	465,972	478,482	(12,510)
	<u>465,972</u>	<u>465,972</u>	<u>478,482</u>	<u>(12,510)</u>
Debt service				
Principal retirement	1,070,280	1,067,280	848,520	218,760
Interest	-	-	171,833	(171,833)
	<u>1,070,280</u>	<u>1,067,280</u>	<u>1,020,353</u>	<u>46,927</u>
Total Expenditures	<u>21,904,526</u>	<u>24,008,638</u>	<u>23,664,823</u>	<u>343,815</u>
Excess (deficiency) of revenues over expenditures	(380,449)	(2,448,561)	387,281	2,835,842
Other Financing Sources (Uses)				
Proceeds from capital leases	-	1,309,688	1,203,504	(106,184)
Fund balance appropriated	570,000	1,104,292	-	(1,104,292)
	<u>570,000</u>	<u>2,413,980</u>	<u>1,203,504</u>	<u>(1,210,476)</u>
Net Change in Fund Balances	<u>\$ 189,551</u>	<u>\$ (34,581)</u>	<u>1,590,785</u>	<u>\$ 1,625,366</u>
Fund Balances, Beginning of Year, as originally reported			6,295,530	
Prior period adjustment			<u>22,371</u>	
Fund Balances, Beginning of Year, as restated			<u>6,317,901</u>	
Fund Balances, End of Year			<u>\$ 7,908,686</u>	

Note: The County's budget is prepared and monitored on a GAAP (generally accepted accounting principals) basis.

LANCASTER COUNTY, SOUTH CAROLINA
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2005

SCHEDULE 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 1,000,000	\$ 1,000,000	\$ 1,175,368	\$ 175,368
Interest income	6,500	6,500	11,782	5,282
Total Revenues	<u>1,006,500</u>	<u>1,006,500</u>	<u>1,187,150</u>	<u>180,650</u>
Expenditures				
Current				
Public works				
Roads and bridges	2,207,200	2,207,200	1,548,180	659,020
Total Expenditures	<u>2,207,200</u>	<u>2,207,200</u>	<u>1,548,180</u>	<u>659,020</u>
Other Financing Sources (Uses)				
Fund balance appropriated	1,200,700	1,200,700	-	(1,200,700)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(361,030)	<u>\$ (361,030)</u>
Fund Balances, Beginning of Year			<u>1,832,934</u>	
Fund Balances, End of Year			<u>\$ 1,471,904</u>	

OTHER SUPPLEMENTARY INFORMATION

LANCASTER COUNTY, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

SCHEDULE 3

	Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 547,066	\$ 34,481	\$ 581,547
Investments	-	297,976	297,976
Property taxes receivable	8,145	-	8,145
Receivables	-	157,556	157,556
	\$ 555,211	\$ 490,013	\$ 1,045,224
Liabilities and Fund Balances			
Due to other funds	\$ 29	\$ 439,032	\$ 439,061
Fund Balances:			
Reserved for:			
Debt service	555,182	-	555,182
Unreserved, reported in:			
Capital project fund	-	50,981	50,981
	555,182	50,981	606,163
	\$ 555,211	\$ 490,013	\$ 1,045,224

LANCASTER COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2005

SCHEDULE 4

	Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
Revenues			
Property taxes	\$ 981,910	\$ -	\$ 981,910
Intergovernmental	-	449,810	449,810
Interest income	9,871	12,695	22,566
Total Revenues	991,781	462,505	1,454,286
Expenditures			
Capital outlay			
General government administration	-	450,194	450,194
Administration of justice	-	147,109	147,109
Economic development	-	687,005	687,005
Debt service			
Principal retirement	350,000	-	350,000
Interest and fiscal charges	552,120	-	552,120
Total Expenditures	902,120	1,284,308	2,186,428
Other Financing Sources (Uses)			
Fund balance appropriated	-	-	-
Transfer out - component unit	-	(207,310)	(207,310)
Total Other Financing Sources (Uses)	-	(207,310)	(207,310)
Net Change in Fund Balances	89,661	(1,029,113)	(939,452)
Fund Balances, Beginning of Year	465,521	1,080,094	1,545,615
Fund Balances, End of Year	\$ 555,182	\$ 50,981	\$ 606,163

LANCASTER COUNTY, SOUTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2005

SCHEDULE 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 822,450	\$ 822,450	\$ 981,910	\$ 159,460
Interest income	1,000	1,000	9,871	8,871
Total Revenues	<u>823,450</u>	<u>823,450</u>	<u>991,781</u>	<u>168,331</u>
Expenditures				
Debt Service				
Principal retirement	350,000	350,000	350,000	-
Interest and fees	553,340	553,340	552,120	(1,220)
Total Expenditures	<u>903,340</u>	<u>903,340</u>	<u>902,120</u>	<u>(1,220)</u>
Other Financing Sources (Uses)				
Fund balance appropriated	<u>79,890</u>	<u>79,890</u>	-	<u>(79,890)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	89,661	<u>\$ 89,661</u>
Fund Balances, Beginning of Year			<u>465,521</u>	
Fund Balances, End of Year			<u>\$ 555,182</u>	

LANCASTER COUNTY, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2005

SCHEDULE 6

	1996 Bond Projects	1999-2001 Bond Projects	General Capital Projects	Edgewater Improvement District	Total
Assets					
Cash and cash equivalents	\$ -	\$ 21,628	\$ -	\$ 12,853	\$ 34,481
Investments	-	297,976	-	-	297,976
Receivables	-	2,875	154,681	-	157,556
	<u>\$ -</u>	<u>\$ 322,479</u>	<u>\$ 154,681</u>	<u>\$ 12,853</u>	<u>\$ 490,013</u>
Liabilities and Fund Balances					
Due to other funds	<u>\$ 127,980</u>	<u>\$ 150,823</u>	<u>\$ 160,229</u>	<u>\$ -</u>	<u>\$ 439,032</u>
	127,980	150,823	160,229	-	439,032
Fund Balances:					
Unreserved, reported in:					
Capital project fund	<u>(127,980)</u>	<u>171,656</u>	<u>(5,548)</u>	<u>12,853</u>	<u>50,981</u>
	<u>\$ -</u>	<u>\$ 322,479</u>	<u>\$ 154,681</u>	<u>\$ 12,853</u>	<u>\$ 490,013</u>

LANCASTER COUNTY, SOUTH CAROLINA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUNDS
 YEAR ENDED JUNE 30, 2005

SCHEDULE 7

	1996 Bond Projects	1999-2001 Bond Projects	General Capital Projects	Edgewater Improvement District	Total
Revenues					
Intergovernmental	\$ -	\$ -	\$ 449,810	\$ -	\$ 449,810
Interest	-	9,783	-	2,912	12,695
	<u>-</u>	<u>9,783</u>	<u>449,810</u>	<u>2,912</u>	<u>462,505</u>
Expenditures					
Capital Outlay					
General government administration	-	149,517	300,677	-	450,194
Administration of justice	-	147,109	-	-	147,109
Economic development	-	-	154,681	532,324	687,005
	<u>-</u>	<u>-</u>	<u>154,681</u>	<u>532,324</u>	<u>687,005</u>
Total Expenditures	<u>-</u>	<u>296,626</u>	<u>455,358</u>	<u>532,324</u>	<u>1,284,308</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>(286,843)</u>	<u>(5,548)</u>	<u>(529,412)</u>	<u>(821,803)</u>
Other Financing Sources (Uses)					
Fund balance appropriated	-	-	-	-	-
Transfer out - component unit	-	(207,310)	-	-	(207,310)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(207,310)</u>	<u>-</u>	<u>-</u>	<u>(207,310)</u>
Net Change in Fund Balances	-	(494,153)	(5,548)	(529,412)	(1,029,113)
Fund Balances, Beginning of Year	<u>(127,980)</u>	<u>665,809</u>	<u>-</u>	<u>542,265</u>	<u>1,080,094</u>
Fund Balances, End of Year	<u>\$ (127,980)</u>	<u>\$ 171,656</u>	<u>\$ (5,548)</u>	<u>\$ 12,853</u>	<u>\$ 50,981</u>

LANCASTER COUNTY, SOUTH CAROLINA
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - 1999-2001 BOND CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2005

SCHEDULE 8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 9,783	\$ 9,783
Expenditures				
Capital Outlay				
General government administration	267,690	267,690	149,517	118,173
Administration of justice	200,000	200,000	147,109	52,891
Total Expenditures	467,690	467,690	296,626	171,064
Excess (deficiency) of revenue over expenditures	(467,690)	(467,690)	(286,843)	(161,281)
Other Financing Sources (Uses)				
Fund balance appropriated	675,000	675,000	-	(675,000)
Transfer out - component unit	(207,310)	(207,310)	(207,310)	-
Total Other Financing Sources (Uses)	467,690	467,690	(207,310)	(675,000)
Net Change in Fund Balances	\$ -	\$ -	(494,153)	\$ (836,281)
Fund Balances, Beginning of Year			665,809	
Fund Balances, End of Year			\$ 171,656	

LANCASTER COUNTY, SOUTH CAROLINA
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2005

SCHEDULE 9

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Education fund				
Assets				
Cash and cash equivalents	\$ 1,432,793	\$ 34,454,949	\$ 32,306,419	\$ 3,581,323
Investments	763,930	4,856	768,786	-
Due from general fund	74,810	-	75,537	(727)
Property taxes receivable	135,192	56,210	-	191,402
	<u>\$ 2,406,725</u>	<u>\$ 34,516,015</u>	<u>\$ 33,150,742</u>	<u>\$ 3,771,998</u>
Liabilities				
Due to school district	\$ 2,315,150	\$ 33,918,320	\$ 32,503,280	\$ 3,730,190
Due to USC-L	91,575	597,695	647,462	41,808
	<u>\$ 2,406,725</u>	<u>\$ 34,516,015</u>	<u>\$ 33,150,742</u>	<u>\$ 3,771,998</u>
Clerk of court				
Assets				
Cash	\$ 215,464	\$ 327,648	\$ 303,820	\$ 239,292
Liabilities				
Due to others	\$ 215,464	\$ 327,648	\$ 303,820	\$ 239,292
Family court				
Assets				
Cash	\$ 93,438	\$ 6,015,836	\$ 6,004,643	\$ 104,631
Liabilities				
Due to others	\$ 93,438	\$ 6,015,836	\$ 6,004,643	\$ 104,631
Probate court				
Assets				
Cash	\$ 1,143	\$ 110,452	\$ 110,466	\$ 1,129
Liabilities				
Due to others	\$ 1,143	\$ 110,452	\$ 110,466	\$ 1,129
Tax collector property sold				
Assets				
Cash	\$ 215,876	\$ 1,768,668	\$ 1,497,889	\$ 486,655
Liabilities				
Due to others	\$ 215,876	\$ 1,768,668	\$ 1,497,889	\$ 486,655
Tax collector trust account				
Assets				
Cash	\$ 87,508	\$ 42,515	\$ 67,940	\$ 62,083
Liabilities				
Due to others	\$ 87,508	\$ 42,515	\$ 67,940	\$ 62,083

LANCASTER COUNTY, SOUTH CAROLINA
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2005

SCHEDULE 9

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Magistrates				
Assets				
Cash	\$ 85,809	\$ 1,176,872	\$ 1,181,412	\$ 81,269
Liabilities				
Due to others	\$ 85,809	\$ 1,176,872	\$ 1,181,412	\$ 81,269
Edgewater Improvement District				
Assets				
Investments	\$ 4,339,965	\$ 1,273,963	\$ 1,614,869	\$ 3,999,059
Liabilities				
Due to others	\$ 4,339,965	\$ 1,273,963	\$ 1,614,869	\$ 3,999,059
City of Lancaster				
Assets				
Due from general fund	\$ -	\$ 3,906,782	\$ 3,859,457	\$ 47,325
Liabilities				
Due to City of Lancaster	\$ -	\$ 3,906,782	\$ 3,859,457	\$ 47,325
Town of Kershaw				
Assets				
Due from general fund	\$ -	\$ 165,951	\$ 163,186	\$ 2,765
Liabilities				
Due to Town of Kershaw	\$ -	\$ 165,951	\$ 163,186	\$ 2,765
Marlboro County				
Assets				
Due from general fund	\$ -	\$ 10,326	\$ 10,310	\$ 16
Liabilities				
Due to Marlboro County	\$ -	\$ 10,326	\$ 10,310	\$ 16
 <u>ASSETS</u>				
Cash and cash equivalents	\$ 2,132,031	\$ 43,896,940	\$ 41,472,589	\$ 4,556,382
Investments	5,103,895	1,278,819	2,383,655	3,999,059
Property tax receivable	135,192	56,210	-	191,402
Due from general fund	74,810	4,083,059	4,108,490	49,379
Total assets	<u>\$ 7,445,928</u>	<u>\$ 49,315,028</u>	<u>\$ 47,964,734</u>	<u>\$ 8,796,222</u>
 <u>LIABILITIES</u>				
Due to other taxing units	\$ 2,406,725	\$ 38,599,074	\$ 37,183,695	\$ 3,822,104
Trust funds payable	5,039,203	10,715,954	10,781,039	4,974,118
Total liabilities	<u>\$ 7,445,928</u>	<u>\$ 49,315,028</u>	<u>\$ 47,964,734</u>	<u>\$ 8,796,222</u>

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

LANCASTER COUNTY, SOUTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF ASSETS BY FUNCTION AND ACTIVITY

SCHEDULE 10

Function and Activity	Land	Construction in Progress	Buildings and Improvements	Vehicles	Furniture and Equipment	Infrastructure	Total
General government administration							
Finance	\$ -	\$ -	\$ -	\$ 10,800	\$ -	\$ -	\$ 10,800
Building and zoning	-	-	-	68,937	5,000	-	73,937
Planning	-	-	-	-	5,000	-	5,000
Assessor	-	47,051	-	83,865	16,351	-	147,267
Auditor	-	-	-	-	25,762	-	25,762
Voter registration and elections	-	-	-	-	881,798	-	881,798
Non-departmental	668,876	-	8,065,341	-	403,447	-	9,137,664
	<u>668,876</u>	<u>47,051</u>	<u>8,065,341</u>	<u>163,602</u>	<u>1,337,358</u>	<u>-</u>	<u>10,282,228</u>
Administration of justice							
Clerk of Court	-	-	375,400	-	-	-	375,400
Probate Court	-	-	-	-	6,672	-	6,672
Family Court	7,690	-	121,600	-	-	-	129,290
Magistrate Courts	-	-	-	23,884	5,549	-	29,433
	<u>7,690</u>	<u>-</u>	<u>497,000</u>	<u>23,884</u>	<u>12,221</u>	<u>-</u>	<u>540,795</u>
Public safety and law enforcement							
E-911 Communications	-	-	-	13,200	353,588	-	366,788
Sheriff	35,000	147,109	2,000,500	1,501,483	88,632	-	3,772,724
Detention Center	-	-	-	-	37,199	-	37,199
Emergency Preparedness	-	-	116,400	64,125	88,351	-	268,876
Fire Commission	-	-	-	5,136,032	569,927	-	5,705,959
	<u>35,000</u>	<u>147,109</u>	<u>2,116,900</u>	<u>6,714,840</u>	<u>1,137,697</u>	<u>-</u>	<u>10,151,546</u>
Public works							
Roads and bridges	142,205	-	111,500	647,505	1,397,358	1,104,684	3,403,252
Public health and welfare							
EMS	32,400	-	373,017	1,321,123	424,534	-	2,151,074
Animal Control	5	-	99,000	66,680	60,840	-	226,525
Health services	3,333	-	1,043,000	-	-	-	1,046,333
	<u>35,738</u>	<u>-</u>	<u>1,515,017</u>	<u>1,387,803</u>	<u>485,374</u>	<u>-</u>	<u>3,423,932</u>
Culture and recreation	<u>286,629</u>	<u>-</u>	<u>4,403,197</u>	<u>71,698</u>	<u>144,594</u>	<u>-</u>	<u>4,906,118</u>
Total governmental funds capital assets	<u>\$ 1,176,138</u>	<u>\$ 194,160</u>	<u>\$ 16,708,955</u>	<u>\$ 9,009,332</u>	<u>\$ 4,514,602</u>	<u>\$ 1,104,684</u>	<u>\$ 32,707,871</u>

LANCASTER COUNTY, SOUTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 YEAR ENDED JUNE 30, 2005

SCHEDULE 11

Function and Activity	Beginning of Year	Additions	Deletions	End of Year
General government administration				
Finance	\$ 10,800	\$ -	\$ -	\$ 10,800
Building and zoning	53,058	20,879	-	73,937
Planning	5,000	-	-	5,000
Assessor	93,810	53,457	-	147,267
Auditor	25,762	-	-	25,762
Voter registration and elections	430,000	451,798	-	881,798
Non-departmental	8,821,234	389,845	73,415	9,137,664
	<u>9,439,664</u>	<u>915,979</u>	<u>73,415</u>	<u>10,282,228</u>
Administration of justice				
Clerk of Court	375,400	-	-	375,400
Probate Court	-	6,672	-	6,672
Family Court	129,290	-	-	129,290
Magistrate Courts	23,884	5,549	-	29,433
	<u>528,574</u>	<u>12,221</u>	<u>-</u>	<u>540,795</u>
Public safety and law enforcement				
E-911 Communications	256,141	337,301	226,654	366,788
Sheriff	3,536,382	320,140	83,798	3,772,724
Detention Center	28,500	8,699	-	37,199
Emergency Preparedness	251,415	17,461	-	268,876
Fire Commission	5,398,362	315,597	8,000	5,705,959
	<u>9,470,800</u>	<u>999,198</u>	<u>318,452</u>	<u>10,151,546</u>
Public works				
Roads and bridges	3,194,358	208,894	-	3,403,252
Public health and welfare				
EMS	1,589,880	635,194	74,000	2,151,074
Animal Control	226,525	-	-	226,525
Health services	1,046,333	-	-	1,046,333
	<u>2,862,738</u>	<u>635,194</u>	<u>74,000</u>	<u>3,423,932</u>
Culture and recreation				
	5,028,505	624,660	747,047	4,906,118
Total governmental funds capital assets	<u>\$ 30,524,639</u>	<u>\$ 3,396,146</u>	<u>\$ 1,212,914</u>	<u>\$ 32,707,871</u>

SUPPLEMENTARY INFORMATION REQUIRED BY STATE OF SOUTH CAROLINA

LANCASTER COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS
AND SURCHARGES
CLERK OF COURT AND MAGISTRATE COURT
YEAR ENDED JUNE 30, 2005

SCHEDULE 12

	Total Collections	Amount Retained by County Treasurer	Amount Remitted to State Treasurer	Amount Allocated to Victims' Services
Clerk of Court:				
Fines and fees	\$ 182,054	\$ 88,986	\$ 93,068	\$ -
Assessments	16,028	-	5,481	10,547
Surcharges	37,074	-	16,645	20,429
	<u>\$ 235,156</u>	<u>\$ 88,986</u>	<u>\$ 115,194</u>	<u>\$ 30,976</u>
Magistrate's Court:				
Fines and fees	\$ 346,670	\$ 329,760	\$ 16,910	\$ -
Assessments	372,446	26,052	303,497	42,897
Surcharges	252,888	-	217,163	35,725
	<u>\$ 972,004</u>	<u>\$ 355,812</u>	<u>\$ 537,570</u>	<u>\$ 78,622</u>
Spent on victims' services:				
From assessments and surcharges				<u>\$ 165,620</u>

STATISTICAL SECTION

LANCASTER COUNTY, SOUTH CAROLINA
 GOVERNMENT-WIDE EXPENSES BY FUNCTION (1)
 LAST THREE FISCAL YEARS
 (UNAUDITED)

Year Ended June 30	General Government	Administration of Justice	Public Safety	Public Works	Health and Welfare	(2) Economic Development	Culture and Recreation	Other	Interest on Long-term Debt	Total
2003	\$ 4,889,758	\$ 1,144,812	\$ 6,156,928	\$ 2,280,307	\$ 3,072,838	\$ 2,303,436	\$ 1,177,318	\$ 2,293	\$ 674,567	\$ 21,702,257
2004	6,327,430	1,174,355	7,044,593	2,930,478	3,426,390	8,054,085	176,115	3,646	747,903	29,884,995
2005	6,306,575	1,450,101	7,501,336	4,073,435	3,706,065	770,013	560,366	-	712,364	25,080,255

(1) Fiscal year 2003 was the initial year for implementation of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

(2) Fiscal years 2004 & 2005 includes the Edgewater Improvement District assessments and bond proceeds to fund the infrastructure improvements for which the County is acting only as an agent and is in no manner obligated to repay the special assessment debt. This information is presented in the financial statements in the Capital Projects Funds. Fiscal year 2004 expenditures were \$7,279,452 and fiscal year 2005 expenditures were \$532,324.

LANCASTER COUNTY, SOUTH CAROLINA
 GOVERNMENT-WIDE REVENUES (1)
 LAST THREE FISCAL YEARS ENDED
 (Unaudited)

Year Ended June 30	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	(2)Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Interest Income	Other		
2003	\$ 4,154,441	\$ 1,910,207	\$ 1,932,247	\$ 13,078,761	\$ 2,784,032	\$ 73,452	\$ 63,230	\$ 23,996,370	
2004	4,231,571	2,160,808	8,455,964	14,133,760	2,806,318	39,615	9,393	31,837,429	
2005	4,389,344	2,877,672	305,907	15,307,184	2,848,762	121,134	156,735	26,006,738	

(1) Fiscal year 2003 was the initial year for implementation of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

(2) Fiscal years 2004 & 2005 includes the Edgewater Improvement District assessments and bond proceeds to fund the infrastructure improvements for which the County is acting only as an agent and is in no manner obligated to repay the special assessment debt. This information is presented in the financial statements in the Capital Projects Funds. Fiscal year 2004 revenues were \$7,821,717 and fiscal year 2005 revenues were \$2,912.

LANCASTER COUNTY, SOUTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Year Ended June 30	General Government	Administration of Justice	Public Safety	Public Works	Health and Welfare	Non- Departmental	(2) Economic Development	(3) Debt Service	Capital Projects	Total
1996	\$ 3,069,359	\$ 550,620	\$ 3,735,330	\$ 3,752,714	\$ 1,606,716	\$ 221,213	\$ -	\$ 310,475	\$ 913,917	\$ 14,160,344
1997	2,871,027	766,876	4,184,848	3,540,849	1,806,820	219,815	-	320,816	2,687,639	16,398,690
1998	3,387,990	928,216	6,838,936	4,044,926	2,015,868	244,778	-	293,087	913,698	18,667,499
1999	4,435,937	933,626	5,012,579	4,086,203	2,333,747	583,586	-	285,296	-	17,670,974
2000	4,362,314	1,003,035	5,253,787	4,780,884	2,528,253	595,952	-	473,295	1,093,291	20,090,811
2001	5,567,071	1,160,533	5,379,631	4,581,991	3,002,652	707,954	-	571,277	2,821,173	23,792,282
2002	5,134,282	1,183,882	5,723,547	3,598,522	3,247,879	286,671	-	764,446	4,248,105	24,187,334
2003	7,557,616	1,118,761	6,338,620	2,750,719	3,161,380	418,706	-	830,471	1,195,909	23,372,182
2004	6,625,939	1,156,928	6,901,684	3,299,478	3,255,273	490,460	8,022,796	841,170	94,367	30,688,095
2005	7,833,328	1,444,584	7,842,458	4,145,391	3,911,090	478,482	841,978	902,120	-	27,399,431

(1) Includes general, transportation special revenue, debt service and capital projects funds

(2) Fiscal years 2004 & 2005 includes the Edgewater Improvement District assessments and bond proceeds to fund the infrastructure improvements for which the County is acting only as an agent and is in no manner obligated to repay the special assessment debt. This information is presented in the financial statements in the Capital Projects Funds. Fiscal year 2004 expenditures were \$7,279,452 and fiscal year 2005 expenditures were \$532,324.

(3) Only includes debt service for general bonded debt.

LANCASTER COUNTY, SOUTH CAROLINA
GENERAL FUND REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(Unaudited)

Year Ended June 30	Property Taxes	Inter- governmental	Licenses and Permits	Charges for Services	Fines, Fees, and Forfeitures	Other	Total
1996	\$ 7,288,392	\$ 3,716,076	\$ 341,252	\$ 1,437,346	\$ 349,259	\$ 1,351,188	\$ 14,483,513
1997	7,514,408	3,931,859	410,781	1,428,285	534,863	1,354,101	15,174,297
1998	7,588,831	4,097,196	646,342	1,683,788	623,076	1,166,456	15,805,689
1999	8,606,634	3,894,858	781,129	1,353,382	908,755	1,103,862	16,648,620
2000	9,032,753	4,507,252	849,267	1,469,200	994,417	1,074,856	17,927,745
2001	10,434,452	4,717,168	948,120	1,764,626	1,048,295	1,122,327	20,034,988
2002	10,929,340	4,118,178	1,186,811	1,924,989	969,122	1,178,634	20,307,074
2003	10,849,364	5,366,165	1,352,225	1,680,700	929,355	1,285,041	21,462,850
2004	11,943,317	4,313,555	1,608,618	1,755,095	842,430	1,140,821	21,603,836
2005	13,182,936	3,936,364	2,048,755	1,970,615	950,152	1,963,282	24,052,104

(1) Includes only general funds

LANCASTER COUNTY, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	\$ 5,509,385	\$ 4,761,548	86.4%	\$ 293,970	\$ 5,055,518	91.8%	\$ 171,450	3.1%
1997	5,588,610	4,891,994	87.6%	218,302	5,110,296	91.4%	199,418	3.6%
1998	5,950,115	5,066,248	85.2%	326,291	5,392,539	90.6%	205,924	3.5%
1999	6,203,487	5,386,745	86.8%	282,680	5,669,425	91.4%	171,450	2.8%
2000	6,866,253	5,869,665	85.5%	332,166	6,201,831	90.3%	296,005	4.3%
2001	7,882,194	6,755,854	85.7%	311,889	7,067,743	89.7%	405,264	5.1%
2002	8,099,893	6,876,086	84.8%	400,513	7,276,599	89.8%	397,106	4.9%
2003	8,183,560	7,128,132	87.1%	407,532	7,535,664	92.1%	442,382	5.4%
2004	8,939,364	7,632,219	85.4%	463,912	8,096,131	90.6%	517,987	5.8%
2005	9,887,503	8,546,987	86.4%	568,723	9,115,710	92.2%	538,172	5.4%

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

LANCASTER COUNTY, SOUTH CAROLINA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year Ended June 30	Tax Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Estimated Assessed Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated	
1996	1995	\$ 60,548,320	\$ 1,513,733,000	\$ 40,017,064	\$ 380,962,449	\$ 100,565,384	\$ 1,894,695,449	0.05308
1997	1996	61,545,020	1,538,625,500	44,098,475	419,817,482	105,643,495	1,958,442,982	0.05394
1998	1997	62,892,170	1,572,304,250	44,959,298	428,012,516	107,851,468	2,000,316,766	0.05392
1999	1998	65,609,264	1,640,231,600	48,945,512	465,881,274	114,554,776	2,106,112,874	0.05439
2000	1999	67,391,365	1,684,780,500	50,600,340	466,100,065	117,991,705	2,150,880,565	0.05485
2001	2000	86,575,525	2,164,388,125	76,739,476	787,071,549	163,315,001	2,951,459,674	0.05533
2002	2001	90,143,583	2,253,589,575	76,515,127	728,715,495	166,658,710	2,982,305,070	0.05588
2003	2002	94,097,949	2,352,448,725	71,348,521	761,050,891	165,446,470	3,113,499,616	0.05314
2004	2003	98,185,129	2,454,628,225	70,496,155	817,346,725	168,681,284	3,271,974,950	0.05155
2005	2004	103,881,998	2,597,049,950	69,500,928	881,991,472	173,382,926	3,479,041,422	0.04984

Source: Lancaster County Auditor

LANCASTER COUNTY, SOUTH CAROLINA
PROPERTY TAX MILLAGE RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Unaudited)

Tax Year Ended December 31	Lancaster County	University of S.C. Lancaster	County School District	City of Lancaster	Town of Kershaw	Town of Heath Springs	Total
1995	65.0	2.0	163.5	140.4	76.0	0.0	446.9
1996	65.0	4.0	166.5	140.4	76.0	0.0	451.9
1997	65.0	4.0	166.5	140.4	76.0	0.0	451.9
1998	67.0	4.0	190.0	144.0	76.0	0.0	481.0
1999	72.0	4.0	190.0	144.0	76.0	0.0	486.0
2000	62.0	2.0	164.0	140.1	76.0	0.0	444.1
2001	66.0	2.0	167.0	140.1	76.0	0.0	451.1
2002	67.0	2.5	172.0	142.1	77.6	0.0	461.2
2003	70.7	2.5	177.0	144.0	78.8	0.0	473.0
2004	76.5	3.5	182.0	147.0	78.8	0.0	487.8

LANCASTER COUNTY, SOUTH CAROLINA
 COMPUTATION OF LEGAL DEBT MARGIN
 June 30, 2005
 (Unaudited)

Assessed valuation as of June 30, 2005	\$ 173,382,926
Exempt merchants' inventory (1987 valuation)	697,731
	\$ 174,080,657

Debt limit without voters' approval - 8% of assessed value	\$ 13,926,453
Amount of debt applicable to debt limit	9,975,000
Legal debt margin without a referendum	\$ 3,951,453

- (1) Article Tex (X), Section Fourteen (14) of the South Carolina Constitution of 1895, as amended, provides that a city or town shall incur general obligation debt over the eight percent (8%) limit when approved by a majority vote of the qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:
- a. Those restrictions and limitations imposed in the authorization to incur such indebtedness:
 - b. The provisions of Article Tex (X), Section 14, and
 - c. Such general obligation debt shall be issued within five years of the date of such referendum and shall within forty (40) years from the time such indebtedness shall be incurred.
- (2) Business inventory is exempt from tax, but its 1987 assessed value is included in the computation of the legal debt margin.

LANCASTER COUNTY, SOUTH CAROLINA
 PERCENTAGE OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
 AND NET BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Population (A)	Assessed Value (B)	Bonded Debt (C)	Percentage of Net General Bonded Debt To Assessed Valuation	Debt Per Capita
1996	56,981	\$ 100,565,384	\$ 2,900,951	2.9%	51
1997	57,889	105,643,495	2,679,451	2.5%	46
1998	58,687	107,851,468	2,477,627	2.3%	42
1999	59,694	114,554,776	2,344,386	2.1%	39
2000	61,351	117,991,705	6,783,849	5.7%	111
2001	61,470	163,315,001	10,629,335	6.5%	173
2002	61,590	166,658,710	10,404,335	6.5%	169
2003	62,220	165,446,470	10,600,000	6.4%	170
2004	62,520	168,681,284	10,325,000	6.1%	165
2005	63,135	173,382,926	9,975,000	5.8%	158

Sources:

- (A) Estimates from the South Carolina Budget and Control Board, Research and Statistical Services Division
 Except 2000 which is based on the Census
- (B) Tax abstracts maintained by the County Auditor
- (C) County Treasurer

LANCASTER COUNTY, SOUTH CAROLINA
 PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
 TO TOTAL GENERAL GOVERNMENT EXPENDITURES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Total General Governmental Expenditures (A)	County Debt Service General Bonded Debt Expenditures	County Debt Service Expenditures as Percentage of General Fund Expenditures
1996	\$ 14,160,344	\$ 310,475	2.2%
1997	16,398,690	320,816	2.0%
1998	18,667,499	293,087	1.6%
1999	17,670,974	285,296	1.6%
2000	20,090,811	473,295	2.4%
2001	23,792,282	571,277	2.4%
2002	24,187,334	764,446	3.2%
2003	23,372,182	830,471	3.6%
2004	30,688,095	841,170	2.7%
2005	27,399,431	902,120	3.3%

(A) Includes general, transportation special revenue, debt service and capital projects funds.

LANCASTER COUNTY, SOUTH CAROLINA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 2005
 (Unaudited)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to County	Amount Applicable to County
Direct:			
Lancaster County	\$ 9,975,000	100%	\$ 9,975,000
Overlapping:			
City of Lancaster	1,080,000	100%	1,080,000
Lancaster School District	<u>33,110,000</u>	100%	<u>33,110,000</u>
	<u>34,190,000</u>		<u>34,190,000</u>
Totals	<u><u>\$ 44,165,000</u></u>		<u><u>\$ 44,165,000</u></u>

LANCASTER COUNTY, SOUTH CAROLINA
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year Ended June 30	(1)County Population	(1) Per Capita Income	(2) School Enrollment	(4) Unemployment Rate %
1996	56,981	17,290	10,585	6.50
1997	57,889	18,154	10,827	5.30
1998	58,687	18,698	10,884	4.70
1999	59,694	19,200	10,828	3.80
2000	61,351	19,968	10,805	4.70
2001	61,470	20,150	11,144	5.30
2002	61,590	20,765	10,804	6.60
2003	62,220	21,267	10,885	12.90
2004	62,520	21,513	10,888	11.00
2005	63,135	21,513	10,875	8.20

Sources:

- (1) Bureau of Census/SC Budget & Control Board Office of Research & Statistics. All are estimates except the year 2000 which was based on the census.
- (2) Based on 135-Day Enrollment Reports for Lancaster County School District Schools.
- (4) S.C. Employment Security Commission.

LANCASTER COUNTY, SOUTH CAROLINA
 NEW PROPERTY VALUE, NEW CONSTRUCTION AND BANK DEPOSITS
 LAST TEN YEARS
 (Unaudited)

Year Ended December 31	Number of Units	Commercial Value	Residential Value
1995	505	\$ 5,138,503	\$ 12,273,820
1996	578	2,069,661	11,701,309
1997	592	19,810,936	20,965,343
1998	906	34,302,853	25,740,326
1999	1020	8,387,911	22,525,780
2000	598	2,610,226	56,186,977
2001	722	18,010,832	74,436,657
2002	711	8,285,377	85,189,387
2003	822	26,665,809	96,643,631
2004	832	15,202,357	112,069,524

Source: Catawba Regional Council of Governments

LANCASTER COUNTY, SOUTH CAROLINA
 PRINCIPAL TAXPAYERS
 Year Ended June 30, 2005

Taxpayers	Assessment	Tax Paid
Springs Industries	\$ 8,665,158	\$ 2,225,060
Duke Power	6,851,530	1,789,811
Duracell	5,827,595	1,891,448
Lancaster Hospital	3,535,800	1,293,820
Springland Associates	1,883,250	684,320
Lancaster Telephone	1,685,030	521,791
Belden Wire & Cable	1,183,039	309,956
Cardinal Health 200 Inc.	924,311	242,168
Boral Bricks	829,160	200,032
Lynches River Electric	793,580	201,343
	<u>\$ 32,178,453</u>	<u>\$ 9,359,749</u>

Note: Tax paid includes amounts paid to other taxing authorities within Lancaster County.

LANCASTER COUNTY, SOUTH CAROLINA
 MISCELLANEOUS STATISTICS
 Year Ended June 30, 2005
 (Unaudited)

Date of incorporation	1785
Form of government	Council
Number of employees, excluding police:	
Classified	195
Part-time	112
Area in square miles	549.02
Population:	
Total population	63,135
Population per square mile of land area	115.00
Water area, square miles	6.3
Police protection: County	
Number of stations	3
Number of police personnel	
Full-time	96
Part-time and volunteers	28
Culture and recreation: County	
Parks	20
Fire protection: County	
Number of stations	19
Number of volunteer firemen	322
Emergency medical services: County	
Number of stations	6
Number of full-time employees	42
Number of part-time and volunteers	73
 Facilities and services not included in the reporting entity:	
Education:	
Enrollment	10,875
Number of elementary schools	11
Number of middle schools	5
Number of high schools	4
Total schools	<u>20</u>
Hospitals:	
Number of hospitals	1
Number of beds	194

SINGLE AUDIT SECTION

**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**

October 6, 2005

Lancaster County Council
Lancaster County
Lancaster, South Carolina

We have audited the financial statements of the Lancaster County, South Carolina (the County) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and County Council of Lancaster County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Spartanburg, South Carolina
October 6, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 6, 2005

Lancaster County Council
Lancaster County
Lancaster, South Carolina

Compliance

We have audited the compliance of Lancaster County (the County) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Lancaster County Council
Lancaster County

Internal Control Over Compliance - Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and County Council of Lancaster County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Spartanburg, South Carolina
October 6, 2005

LANCASTER COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Summary of Auditors' Results:

1. The audit report issued on the financial statements was unqualified.
2. The audit did not disclose any noncompliance which is material to the financial statements.
3. The compliance report for major programs was unqualified.
4. The audit did not disclose any audit findings which are required to be reported.
5. Major federal programs for Lancaster County for the fiscal year ended June 30, 2005 are:

<u>Program Name</u>	<u>CFDA Number</u>
Community Development Block Grant	14.228
Airport Improvement Grant	20.106

6. The threshold for determining Type A programs for Lancaster County was \$300,000 for the year.
7. Lancaster County qualified as a low-risk auditee under Section .530 of Circular No. A-133.

Generally Accepted Governmental Auditing Standards Findings and Questioned Costs:

1. None.

Federal Awards Findings and Questioned Costs:

1. None.

LANCASTER COUNTY, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U. S. DEPARTMENT OF JUSTICE			
Drug Court Discretionary Grant Program	16.585	2002-DC-BX-0071	\$ 125,298
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0211	17,840
Passed through S. C. Department of Public Safety			
Byrne Formula Grant - Drug Control and System Improvement	16.579	1D04044	194,048
Traffic Enforcement Unit	20.600	2H05009	73,142
Traffic Enforcement Unit	20.600	2H04016	28,721
Passed through State Law Enforcement Division			
Law Enforcement Terrorism Prevention Program	97.073	4LETP34	33,177
County Homeland Security Program	97.073	4SHSP62	163,536
Passed through SC Emergency Management Division			
Local Emergency Management Planning Grant	97.042	EMA2004GR5006	51,282
Local Emergency Management Planning Grant	97.042	5EMPG01	23,604
HMEP Planning Grant	97.020	HMESC4042120	14,734
HMEP Planning Grant	97.020	HMESC3042100	7,406
Citizens Corp Grant	97.053	4CC01	25,321
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through South Carolina Department of Social Services			
IV-D Child Support Transaction Reimbursement	93.563	N/A	80,792
IV-D Child Support Incentive Payments	93.563	N/A	32,374
IV-D Child Support Filing Fees	93.563	N/A	7,823
IV-D Child Support Service of Process Payments	93.563	N/A	10,346
County Administrative Expense	10.561	N/A	20,048
County Administrative Expense	92.645	N/A	551
County Administrative Expense	93.556	N/A	774
County Administrative Expense	93.558	N/A	23,669
County Administrative Expense	93.563	N/A	63
County Administrative Expense	93.658	N/A	2,986
County Administrative Expense	93.659	N/A	-
County Administrative Expense	93.667	N/A	11,064
County Administrative Expense	93.778	N/A	10,603
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through South Carolina Department of Commerce and Town of Heath Springs			
Community Development Block Grant	14.228	4-L-03-010	293,742
U. S. DEPARTMENT OF TRANSPORTATION			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program Grant	20.106	3-45-0034-07	164,173
Airport Improvement Program Grant	20.106	3-45-0034-08	128,857
Airport Improvement Program Grant	20.106	3-45-0034-09	6,434
TOTAL			<u>\$ 1,552,408</u>

* Major program

1. Summary of Significant Accounting Policies

Basis of Accounting

The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.