

**City of Lancaster, Pennsylvania**

Financial Statements and Required  
Supplementary Information

Year Ended December 31, 2020 with  
Independent Auditor's Report

**MaherDuessel**

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

# CITY OF LANCASTER, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2020

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## Independent Auditor's Report

**To the Honorable  
Danene Sorace, Mayor  
and Members of City Council  
City of Lancaster, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lancaster, Pennsylvania (City) as

of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, the City of Lancaster Land Bank Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority, which represent 50 percent, 24 percent, and 69 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of other auditors. 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. The financial statements of The Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, and the City of Lancaster Land Bank Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the historical pension and OPEB information, and budgetary comparison information on pages i through xii and 135 through 154 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedules of Net Cost of Operations of the City Sewer System, Direct Expenses and Costs, and Cost of Treating Each 1,000 Gallons of Sewage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Net Cost of Operations of the City Sewer System and Schedule of Direct Expenses and Costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Net Cost of Operations of the City Sewer System and Schedule of Direct Expenses and Costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Cost of Treating Each 1,000 Gallons of Sewage has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

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testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maher Duessel*

Harrisburg, Pennsylvania  
September 9, 2021



MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the City of Lancaster, Pennsylvania ("the City") provides this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2020 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. While the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, the Lancaster Downtown Investment District Authority, the City of Lancaster Land Bank Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority are all separate legal entities, they are shown in the financial statements as discretely presented component units. This overview, however, focuses on the primary government and, unless otherwise noted, these component units are not included in this discussion. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- At the end of fiscal year 2020, the liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources by \$73.089 million. The City's net position decreased by \$3.547 million (5.100 percent) during the fiscal year. The governmental activities net position decreased by \$4.413 million (3.217 percent) and the business-type activities net position increase by \$.866 million (1.281 percent).
- At the close of 2020, the City's governmental funds reported a combined ending fund balance of \$25.870 million, a decrease of \$5.812 million (18.345 percent). Of this amount, approximately \$13.213 million is legally restricted and/or unavailable to spend, and \$13.749 million is committed and/or assigned for designated projects, resulting in a credit balance of \$1.093 million for the government's discretion (unassigned fund balance) spending.
- The City's total outstanding bonded debt decreased by \$6.234 million (1.766 percent) during the current fiscal year to \$346.702 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

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

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

The **Statement of Activities** presents information showing how the City's net position changed during the current reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community planning and economic development, and public works. The business-type activities of the City include a water utility, a sewer utility, City of Lancaster Office of Promotion (LOOP), solid waste and recycling, and stormwater management.

**Fund Financial Statements** Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on major funds, rather than fund types. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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 presented 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 provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary funds** account for services for which the City charges user fees to outside customers and internal City departments. Proprietary funds utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds

to account for its water and sewer utility operations, LOOP, stormwater management, and solid waste and recycling program. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility and sewer utility, and combine LOOP, stormwater management, and the solid waste and recycling program. The water and sewer utilities are considered to be major funds of the City. The Internal Service Fund accounts for financing of insurance services provided to other funds of the City.

***Fiduciary funds*** are used to account for resources held for the benefit of parties outside the government. The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. These funds are reported using full accrual accounting. The City's fiduciary funds include the Non-Uniformed Employees' Retirement Fund, the Fire Pension Fund, the Police Pension Fund, OPEB trusts, and various private-purpose trust and custodial funds. The government-wide financial statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

**Notes to the Financial Statements** The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

**Required Supplementary Information** Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. This data includes pension plan and OPEB funding and budgetary comparisons for the general fund.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows resources at the close of December 31, 2020 by approximately \$73.089 million.

## Statement of Net Position

**Table A-1 Condensed Statement of Net Position (In Thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and Other Assets	44,007	50,783	62,565	79,208	106,572	129,991
Capital Assets and Contruction in Progress, Net of Accumulated Depreciation	89,486	81,723	327,789	314,988	417,275	396,711
Deferred Charge on Refunding, Pension, and OPEB	42,703	21,864	15,675	10,339	58,378	32,203
Total Assets & Deferred Outflows of Resources	176,196	154,370	406,029	404,535	582,225	558,905
Current and Other Liabilities	7,939	5,820	9,465	9,172	17,404	14,992
Long-Term Liabilities	264,516	250,852	319,494	319,923	584,010	570,775
Deferred Inflows for Pensions and OPEB	45,323	34,867	8,577	7,813	53,900	42,680
Total Liabilities & Deferred Inflows of Resources	317,778	291,539	337,536	336,908	655,314	628,447
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	40,400	39,009	90,559	91,662	130,959	130,671
Restricted	6,055	4,612	4,242	3,302	10,297	7,914
Unrestricted	(188,037)	(180,790)	(26,308)	(27,337)	(214,345)	(208,127)
Total Net Postions	(141,582)	(137,169)	68,493	67,627	(73,089)	(69,542)

Table A-1 is a condensed version of the statement of net position for the City.

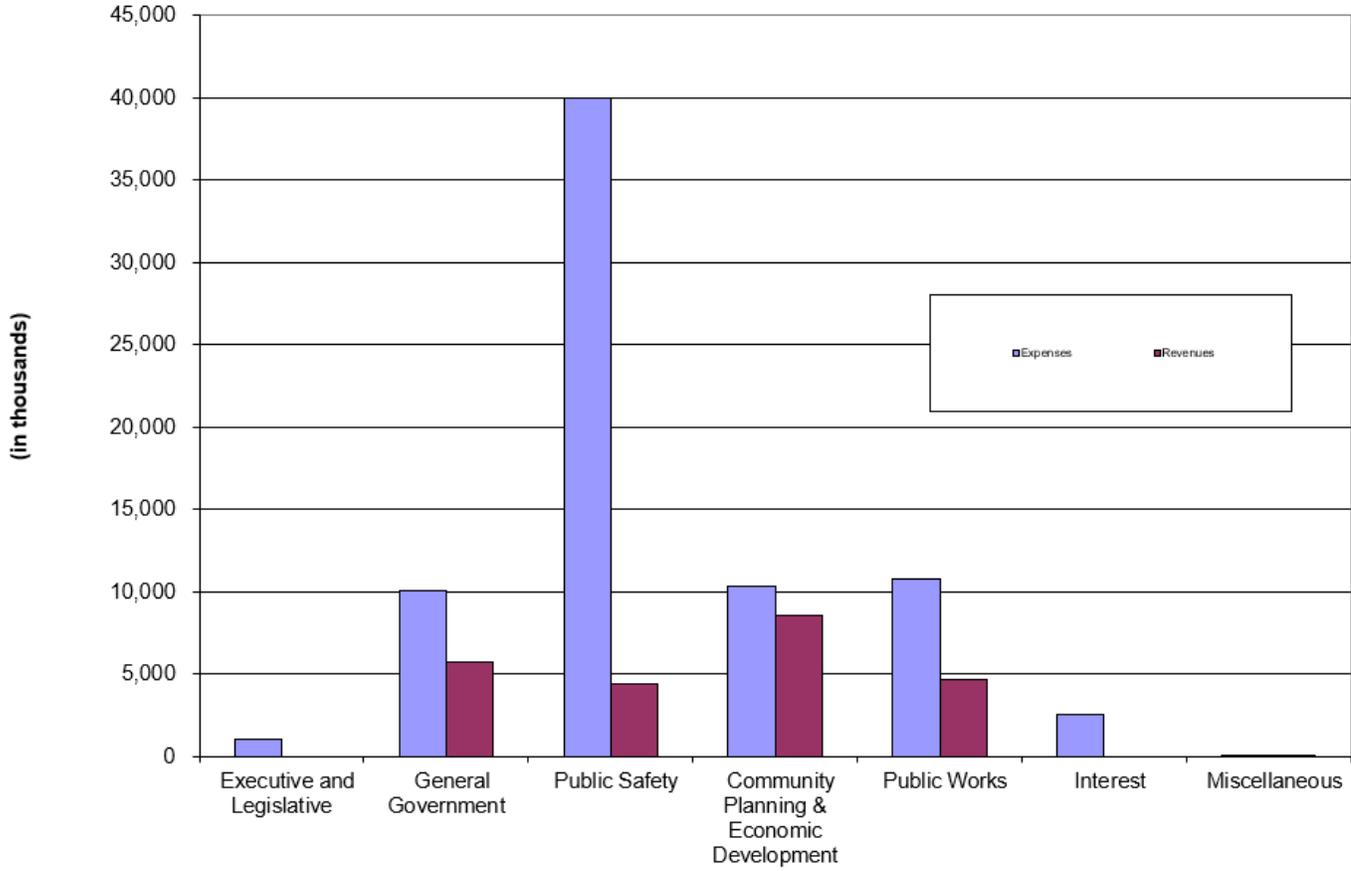
**Table A-2 Changes in Net Position Resulting from Changes in Revenues and Expenses (In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>						
Program Revenue						
Charges for services	8,506	9,149	54,915	51,252	63,421	60,401
Operating Capital Grans and Contributions	14,976	9,857	2,392	2,618	17,368	12,475
General Revenue					-	-
Property Taxes	30,264	30,607	-	-	30,264	30,607
Earned Income Tax	6,562	6,645	-	-	6,562	6,645
LST	1,491	1,648	-	-	1,491	1,648
Other Taxes	1,470	1,377	-	-	1,470	1,377
Miscellaneous	3,226	4,577	214	1,482	3,440	6,059
Intra-Entity Transfer	-	3,000	-	-	-	3,000
<b>Total Revenue</b>	<b>66,495</b>	<b>66,860</b>	<b>57,521</b>	<b>55,352</b>	<b>124,016</b>	<b>122,212</b>
<b>Expenses</b>						
Government Activities						-
Executives and Legislative	1,010	921	-	-	1,010	921
General Government	10,087	7,427	-	-	10,087	7,427
Public Safety	40,024	39,945	-	-	40,024	39,945
Community Planning & Economic Development	10,359	5,889	-	-	10,359	5,889
Public Works	10,762	11,770	-	-	10,762	11,770
Interest	2,565	2,873	-	-	2,565	2,873
Miscellaneous	72	113	-	-	72	113
Business-Type Activities						
Sewer	-	-	17,625	19,339	17,625	19,339
Water	-	-	26,091	25,037	26,091	25,037
Other	-	-	8,968	8,890	8,968	8,890
<b>Total Expenses</b>	<b>74,879</b>	<b>68,938</b>	<b>52,684</b>	<b>53,266</b>		<b>122,204</b>
Excess (Deficiency) Before Transfers	(8,384)	(2,078)	4,837	2,086	(3,547)	8
<b>Transfers</b>	<b>3,971</b>	<b>3,856</b>	<b>(3,971)</b>	<b>(3,856)</b>	<b>-</b>	<b>-</b>
Increase (decrease) in Net Positions	(4,413)	1,778	866	(1,770)	(3,547)	8
Net Position - Beginning of Year	(137,169)	(138,947)	67,627	69,397	(69,542)	(69,550)
Net Position- End of Year	(141,582)	(137,169)	68,493	67,627	(73,089)	(69,542)

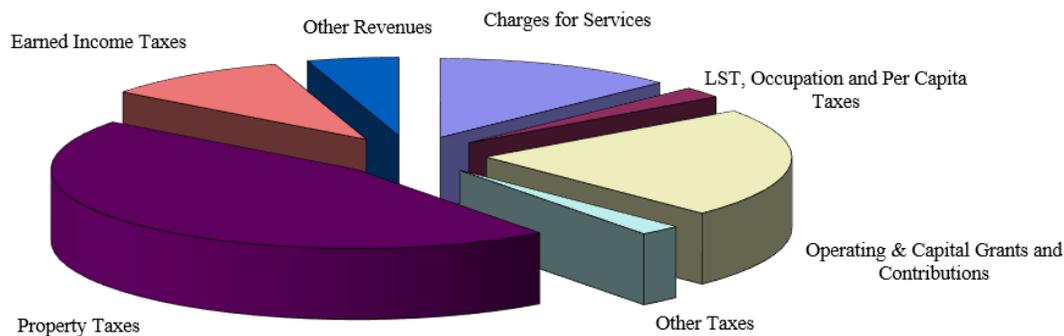
The City's total net position decreased by \$3.547 million in 2020.

## Governmental Activities

### Expenses and Program Revenues - Governmental Activities - 2020



## Revenues by Source - Governmental Activities - 2020

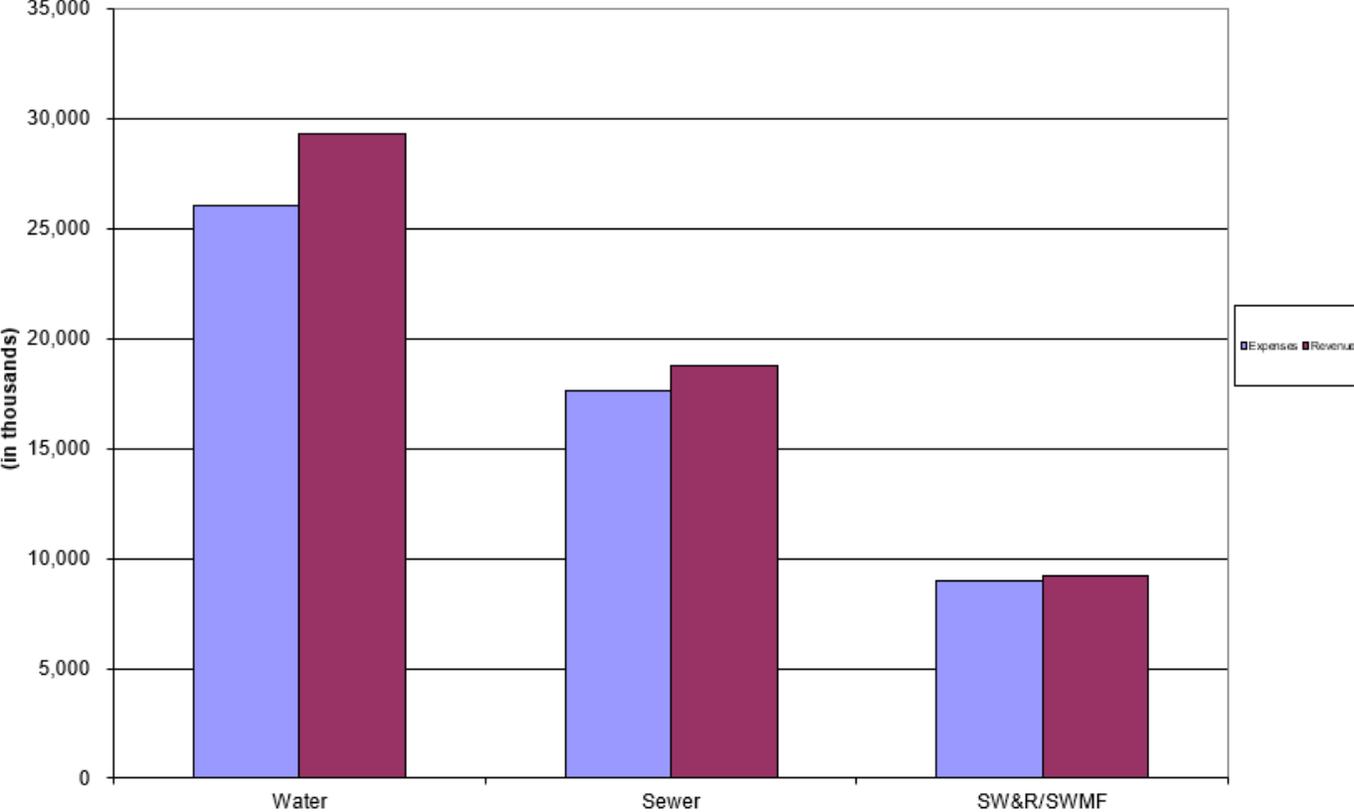


**Governmental activities.** Governmental activities decreased the City’s net position by \$4.413 million. In 2020, total revenues for governmental activities were \$66.495 million, \$.365 million or .546 percent lower than 2019. Total expenses for governmental activities, which were \$74.878 million, were \$5.940 million or 8.616 percent higher than 2019. The increase in OPEB expenses (\$3.284 million), salary, and medical expenses contributed to the higher costs.

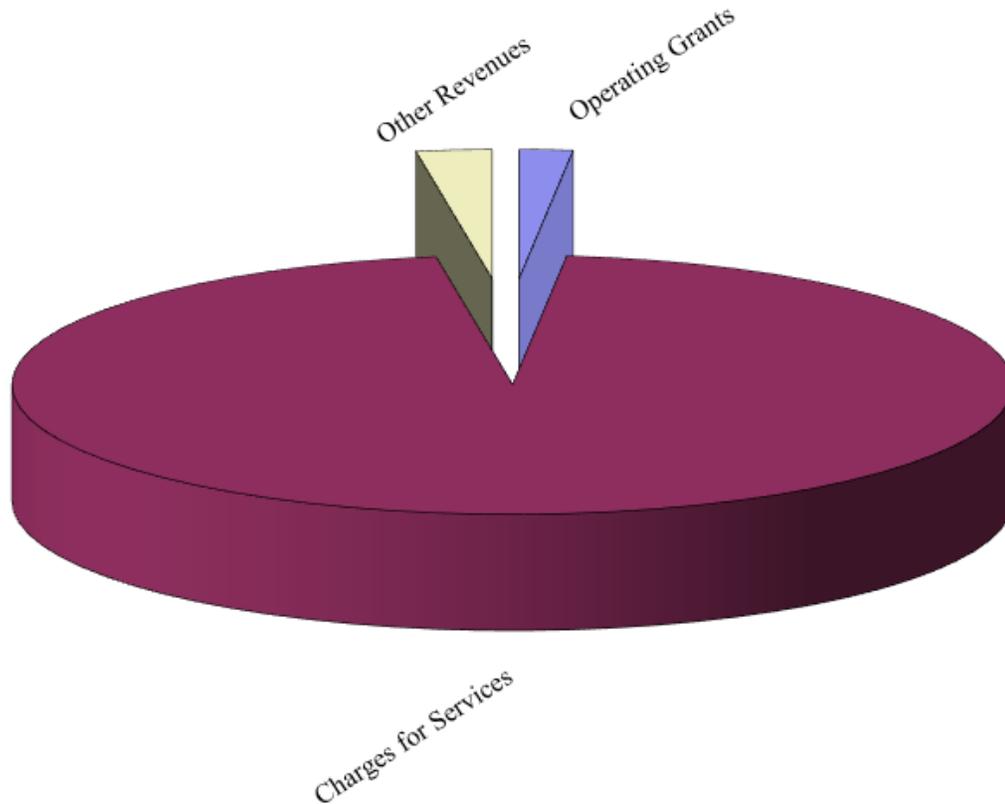
The charts on the previous page present the City's governmental expenses by function and its revenue by source. Public safety is the largest governmental expense of the City, followed by public works, general government, and community planning and economic development. General revenues such as property, earned income, and local services taxes are not shown by function because they are used to support City-wide program activities.

**Business-Type Activities**

**Expenses and Program Revenues - Business-Type Activities - 2020**



## Revenues by Source - Business-Type Activities - 2020



**Business-Type activities.** Business-type activities increased the City's net position by \$.865 million to \$68.492 million, an increase of 1.279 percent. Charges for services in the business-type activities increased \$3.663 million from the prior year due in part to sewerage and water rates were increased for inside city customers effective January 2020. Miscellaneous income decreased by \$1.268 million, a decrease of 85.56 percent, primarily due to decrease in investment activities from 2019. Expenses for water, sewer, LOOP, solid waste and recycling, and stormwater management operations decreased by \$.582 million, or 1.093 percent from 2019 due primarily to a decrease in construction activity and overall decrease in expenses in the Sewer Fund from the COVID pandemic.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance measures the City's net resources available for spending at the end of the fiscal year. Governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, and capital project funds.

At the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$25.870 million. The fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$.140 million), 2) restricted for particular purposes (\$13.073 million), 3) committed for particular purposes (\$.664 million), or 4) assigned for particular purposes (\$13.085 million).

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Water, Sewer, LOOP, Stormwater, and Solid Waste and Recycling Funds at the end of the year amounted to \$68.126 million. Net position of the LOOP, Stormwater, and Solid Waste and Recycling Funds increased by \$.236 million. Net position of the Water decreased by 1.074 million and Sewer Funds increased by \$1.046 million.

**Fiduciary Funds.** The City maintains fiduciary funds for the assets of City of Lancaster Cash Balance Pension Plan, Defined Contribution Plan, the Police Pension Plan, the Fire Pension Plan, OPEB trust, and various custodial and private-purpose trust funds. The total net position of the combined fiduciary funds is \$169.896 million. The City's employee pension plans and OPEB trusts represent 99.8 percent of that amount. During 2020, the net position of the Pension and OPEB Trust Funds increased by \$12.419 million to \$169.565 million. The change is related to the appreciation of investments compared to 2019.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The general fund budget contained \$62.706 million in appropriations, and \$59.715 million in estimated revenues, with \$2.991 million of required resources coming from the unassigned fund balance. Overall, revenues were lower than anticipated by \$.194 million. With the exception of the grant revenue of \$1.013 million over budget, revenues were under budget due to the Covid-19 pandemic impact on the economic health of the City. Grant revenue over budget was mainly due to the receipt of the Cares Act grant (\$.840 million) and the CRIZ grant (\$.180 million). Other key revenues impacted from the pandemic are as follows:

- Total tax revenues were \$.247 million under budget
- Fines and forfeitures were \$0.477 million under budget

- Rents and charges for services were \$0.321 million under budget

Expenditures in comparison to budget were reduced in virtually all operating departments by administrative actions due to the Covid-19 pandemic impact, including furloughs and delaying hiring for vacancies.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$417.274 million (net of accumulated depreciation). This investment includes land, buildings, improvements, infrastructure, vehicles, machinery and equipment. More detail about the City's capital assets is presented in Note 6 to the financial statements.

During 2020, the City expended \$3.328 million on the Culliton Park improvements, \$2.110 million on ADA ramps and street improvements, \$.510 million on traffic controller upgrades, and \$4.496 million on Fire Station 1 & 3.

During 2020, the business-type activities had the following additions:

- \$ 5.297 million sewer system additions
- \$ 15.042 million water system additions
- \$ 1.134 million stormwater system additions

**Debt administration.** At the end of 2020, the City had \$346.702 million outstanding bonded debt, compared to \$352.936 million in 2019. More detailed information about the City's long-term debt is presented in Note 10 to the financial statements.

## **ECONOMIC CONDITION AND OUTLOOK**

Through 2020, the City continued to thrive as the economic, cultural, and social hub of Lancaster County and has been recognized regionally and nationally as a model small city. This has happened despite the fiscal challenges common to many urban communities across Pennsylvania and the nation; a low-growth tax base due to the lack of open and developable land, inflationary pressures on labor costs and benefits and a high number of tax-exempt properties (28% of all assessed property value) which reduces the revenue available to support City services. The City's financial management has resulted in an A3 bond rating from Moody's, among the highest of all Pennsylvania cities. Indicators of local economic health such as Real Estate Transfer taxes and Earned Income taxes have continued to grow over a period of years. Though in 2020 Earned Income Taxes were mildly impacted (1.25% reduction vs. 2019) due to the COVID-19 pandemic, Real Estate Transfer Taxes reached their second highest level in City history despite the pandemic. A renewed focus on city living and strong private investment has created a vibrant and growing downtown business, retail, and arts environment as well as strong neighborhoods.

The City's current economic development plan, titled Building on Strength, released by the Lancaster City Alliance in June 2015 (available at <http://www.lancastercityalliance.org/building-on-strength>) noted the City's strong development and business activity since the plan was adopted. The community has made remarkable progress toward the 2030 Building on Strength goals since the plan's launch in 2015. Nearly \$800 million dollars of privately led investment has been completed since 2015, and another \$300 million is currently in the construction phase or anticipated to proceed in the coming years. Nearly two-thirds of the desired 300 new hotel rooms have been built. This includes the summer 2019 opening of the new East Tower at the Lancaster Marriott at Penn Square and the Holiday Inn Lancaster. In 2020, the City continued to experience high levels of construction and renovation activity with more than 2,200 building permits issued for projects worth a total of more than \$112,000,000. Lancaster also saw a population increase in the past decade with the 2010 U.S. Census showing a population increase of 5.3% since 2000.

The COVID-19 pandemic has presented new and unique fiscal challenges to all levels of government. While the City has not been an exception, several years of General Fund surpluses have allowed it to grow and maintain its fund balance to over \$15 million by the end of 2020 or nearly 25% of the 2020 General Fund budget. This reserve will help the City weather the fiscal impacts of the COVID-19 pandemic. Additionally, even during the pandemic, the City has continued to see new commercial and residential development proposals that would add hundreds of new residential units in the City and help to grow the City's tax base. While challenges for cities will always be present, the City of Lancaster remains a strong and vibrant city with a bright future ahead.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, or complete financial statements for the discretely presented component units, contact the Business Administrator, 120 North Duke Street, PO Box 1599, Lancaster, PA 17608-1599 (Telephone 717-291-3556).



BASIC  
FINANCIAL  
STATEMENTS

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF NET POSITION

DECEMBER 31, 2020

Assets and Deferred Outflows of Resources	Primary Government			Component	
	Governmental	Business-type	Total	Units	Total
	Activities	Activities		Total	
<b>Assets:</b>					
Cash and cash equivalents	\$ 6,913,656	\$ 900,610	\$ 7,814,266	\$ 12,544,165	\$ 20,358,431
Cash and cash equivalents - restricted	8,969,812	55,565,247	64,535,059	4,694,592	69,229,651
Investments	539,712	-	539,712	1,023,370	1,563,082
Investments - restricted	4,798	-	4,798	28,053,906	28,058,704
Receivables (net of allowance for uncollectibles):					
Taxes	3,134,591	-	3,134,591	648,711	3,783,302
Accounts	520,287	12,416,884	12,937,171	689,041	13,626,212
Notes	6,336,834	-	6,336,834	2,945,796	9,282,630
Investment income	59,740	-	59,740	-	59,740
Other	-	151,688	151,688	58,698	210,386
Internal balances	8,513,818	(8,513,818)	-	-	-
Accrued interest	-	-	-	346,132	346,132
Prepaid expenses	139,876	790,615	930,491	202,831	1,133,322
Lease rental receivable	-	-	-	48,339,373	48,339,373
Due from other governments	4,810,575	203,758	5,014,333	4,864,885	9,879,218
Due from component unit	1,213,434	-	1,213,434	-	1,213,434
Note receivable due from component unit	2,850,000	-	2,850,000	-	2,850,000
Prepaid debt insurance	-	1,050,115	1,050,115	374,365	1,424,480
Properties held for resale	-	-	-	626,585	626,585
Capital assets, not being depreciated	15,355,369	35,140,785	50,496,154	20,210,591	70,706,745
Capital assets, being depreciated, net	74,130,099	292,647,783	366,777,882	21,083,554	387,861,436
<b>Total Assets</b>	<b>133,492,601</b>	<b>390,353,667</b>	<b>523,846,268</b>	<b>146,706,595</b>	<b>670,552,863</b>
<b>Deferred Outflows of Resources:</b>					
Deferred outflows of resources for pensions	3,302,649	459,346	3,761,995	196,458	3,958,453
Deferred outflows of resources for other post-employment benefits	38,262,472	9,867,994	48,130,466	-	48,130,466
Deferred charge on refunding	1,138,062	5,347,348	6,485,410	852,235	7,337,645
<b>Total Deferred Outflows of Resources</b>	<b>42,703,183</b>	<b>15,674,688</b>	<b>58,377,871</b>	<b>1,048,693</b>	<b>59,426,564</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 176,195,784</b>	<b>\$ 406,028,355</b>	<b>\$ 582,224,139</b>	<b>\$ 147,755,288</b>	<b>\$ 729,979,427</b>

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Primary Government			Component	
	Governmental	Business-type	Total	Units	Total
	Activities	Activities		Units	
<b>Liabilities:</b>					
Accounts payable	\$ 5,153,714	\$ 7,156,161	\$ 12,309,875	\$ 731,277	\$ 13,041,152
Accrued salaries and benefits	394,854	148,130	542,984	68,558	611,542
Accrued expenses	421,234	1,663,669	2,084,903	1,981,073	4,065,976
Line of credit	-	-	-	611,737	611,737
Due to primary government	-	-	-	1,397,832	1,397,832
Unearned revenue	351,846	300,315	652,161	15,638,800	16,290,961
Other liabilities	246,669	196,577	443,246	-	443,246
Escrow - land development	1,370,328	-	1,370,328	-	1,370,328
Long-term liabilities:					
Portion due or payable within one year:					
Long-term obligations	1,005,306	677,842	1,683,148	-	1,683,148
Due to other governments	177	4,640,287	4,640,464	-	4,640,464
Convention Center Authority obligation	-	-	-	50,000	50,000
Note payable due to primary government	-	-	-	150,000	150,000
Loan payable	-	-	-	165,581	165,581
Notes payable	492,600	660,918	1,153,518	328,000	1,481,518
Bonds payable	3,125,000	6,710,000	9,835,000	4,369,282	14,204,282
Portion due or payable after one year:					
Long-term obligations	3,538,265	1,455,189	4,993,454	-	4,993,454
Net pension liability	32,582,977	1,821,066	34,404,043	94,828	34,498,871
Net other post-employment benefits liability	155,637,954	25,447,556	181,085,510	-	181,085,510
Due to lessee	-	-	-	1,013,604	1,013,604
Note payable due to primary government	-	-	-	2,700,000	2,700,000
Loan payable	-	-	-	63,019	63,019
Notes payable	7,193,017	7,180,286	14,373,303	3,247,113	17,620,416
Bonds payable	60,940,948	270,900,433	331,841,381	97,443,442	429,284,823
Total Liabilities	272,454,889	328,958,429	601,413,318	130,054,146	731,467,464
<b>Deferred Inflows of Resources:</b>					
Deferred inflows of resources for pensions	6,404,794	615,485	7,020,279	52,491	7,072,770
Deferred inflows of resources for other post-employment benefits	38,918,067	7,961,799	46,879,866	-	46,879,866
Refundable advances	-	-	-	5,262	5,262
Total Deferred Inflows of Resources	45,322,861	8,577,284	53,900,145	57,753	53,957,898
<b>Net Position:</b>					
Net investment in capital assets	40,399,999	90,559,134	130,959,133	10,900,019	141,859,152
Restricted for:					
Capital acquisition	-	4,241,758	4,241,758	-	4,241,758
Community planning and economic development	3,875,665	-	3,875,665	-	3,875,665
Public works	1,974,090	-	1,974,090	-	1,974,090
Parks and recreation	205,255	-	205,255	-	205,255
Human relations commission	250	-	250	-	250
Debt service	-	-	-	2,071,013	2,071,013
Unrestricted	(188,037,225)	(26,308,250)	(214,345,475)	4,672,357	(209,673,118)
Total Net Position	(141,581,966)	68,492,642	(73,089,324)	17,643,389	(55,445,935)
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 176,195,784</b>	<b>\$ 406,028,355</b>	<b>\$ 582,224,139</b>	<b>\$ 147,755,288</b>	<b>\$ 729,979,427</b>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

Functions/Programs:	Program Revenues			
Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>				
Governmental activities:				
Executive department	\$ 851,427	\$ -	\$ -	\$ -
Legislative department	140,914	-	-	-
Office of the City Treasurer/Controller	17,123	-	-	-
General government	10,087,150	3,289,260	2,400,392	-
Public safety	40,023,773	2,760,462	1,567,694	91,020
Community planning and economic development	10,359,027	2,412,280	6,163,350	-
Public works	10,761,730	7,169	1,910,799	2,777,816
Miscellaneous	72,238	36,778	64,698	-
Interest	2,565,169	-	-	-
Total governmental activities	74,878,551	8,505,949	12,106,933	2,868,836
Business-type activities:				
Sewer	17,625,019	17,607,350	205,123	957,251
Water	26,091,075	28,615,807	285,493	445,019
Other enterprise funds	8,968,539	8,692,229	499,465	-
Total business-type activities	52,684,633	54,915,386	990,081	1,402,270
<b>Total Primary Government</b>	<b>\$ 127,563,184</b>	<b>\$ 63,421,335</b>	<b>\$ 13,097,014</b>	<b>\$ 4,271,106</b>
<b>Component Units:</b>				
Lancaster Industrial Development Authority	\$ 23,843	\$ 20,110	\$ -	\$ -
Lancaster Recreation Commission	2,964,094	2,524,570	622,303	-
The Parking Authority of the City of Lancaster	7,684,277	6,900,207	-	596,407
Redevelopment Authority of the City of Lancaster	3,182,513	843,451	1,677,799	-
Lancaster Downtown Investment District Authority	482,306	409,799	77,151	-
City of Lancaster Land Bank Authority	19,379	15,250	-	-
City of Lancaster City Revitalization and Improvement Zone Authority	5,249,246	8,196	8,465,577	-
<b>Total Component Units</b>	<b>\$ 19,605,658</b>	<b>\$ 10,721,583</b>	<b>\$ 10,842,830</b>	<b>\$ 596,407</b>
General revenues:				
Taxes:				
Property taxes for general purposes				
Real estate transfer tax				
Earned income tax				
Local services tax				
Grants not restricted to specific programs				
Investment earnings				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
<b>Change in Net Position</b>				
<b>Net Position:</b>				
Beginning of year				
End of year				

Net (Expenses) Revenue and  
Changes in Net Position

Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	Total
\$ (851,427)	\$ -	\$ (851,427)	\$ -	\$ (851,427)
(140,914)	-	(140,914)	-	(140,914)
(17,123)	-	(17,123)	-	(17,123)
(4,397,498)	-	(4,397,498)	-	(4,397,498)
(35,604,597)	-	(35,604,597)	-	(35,604,597)
(1,783,397)	-	(1,783,397)	-	(1,783,397)
(6,065,946)	-	(6,065,946)	-	(6,065,946)
29,238	-	29,238	-	29,238
(2,565,169)	-	(2,565,169)	-	(2,565,169)
<u>(51,396,833)</u>	<u>-</u>	<u>(51,396,833)</u>	<u>-</u>	<u>(51,396,833)</u>
-	1,144,705	1,144,705	-	1,144,705
-	3,255,244	3,255,244	-	3,255,244
-	223,155	223,155	-	223,155
-	<u>4,623,104</u>	<u>4,623,104</u>	-	<u>4,623,104</u>
<u>(51,396,833)</u>	<u>4,623,104</u>	<u>(46,773,729)</u>	-	<u>(46,773,729)</u>
-	-	-	(3,733)	(3,733)
-	-	-	182,779	182,779
-	-	-	(187,663)	(187,663)
-	-	-	(661,263)	(661,263)
-	-	-	4,644	4,644
-	-	-	(4,129)	(4,129)
-	-	-	<u>3,224,527</u>	<u>3,224,527</u>
-	-	-	<u>2,555,162</u>	<u>2,555,162</u>
30,264,269	-	30,264,269	-	30,264,269
1,469,793	-	1,469,793	-	1,469,793
6,562,099	-	6,562,099	-	6,562,099
1,490,588	-	1,490,588	-	1,490,588
3,005,048	-	3,005,048	-	3,005,048
121,061	214,072	335,133	2,568,403	2,903,536
99,965	-	99,965	-	99,965
3,971,265	(3,971,265)	-	-	-
<u>46,984,088</u>	<u>(3,757,193)</u>	<u>43,226,895</u>	<u>2,568,403</u>	<u>45,795,298</u>
(4,412,745)	865,911	(3,546,834)	5,123,565	1,576,731
<u>(137,169,221)</u>	<u>67,626,731</u>	<u>(69,542,490)</u>	<u>12,519,824</u>	<u>(57,022,666)</u>
<u>\$ (141,581,966)</u>	<u>\$ 68,492,642</u>	<u>\$ (73,089,324)</u>	<u>\$ 17,643,389</u>	<u>\$ (55,445,935)</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	General Fund	Capital Projects	Miscellaneous State Grants	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 142,844	\$ -	\$ 6,017,657	\$ 6,160,501
Cash and cash equivalents - restricted	100,000	8,869,812	-	-	8,969,812
Investments	-	-	-	539,712	539,712
Investments - restricted	4,798	-	-	-	4,798
Receivables (net of allowance for uncollectibles):					
Taxes	3,134,591	-	-	-	3,134,591
Accounts	451,914	392	2,000	29,606	483,912
Investment income	-	-	-	59,740	59,740
Due from other funds	13,251,252	-	-	955,330	14,206,582
Due from other governments	1,653,867	98,334	2,066,826	991,548	4,810,575
Due from component units	1,213,434	-	-	-	1,213,434
Prepaid expenditures	139,876	-	-	-	139,876
<b>Total Assets</b>	<b>\$ 19,949,732</b>	<b>\$ 9,111,382</b>	<b>\$ 2,068,826</b>	<b>\$ 8,593,593</b>	<b>\$ 39,723,533</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 902,045	\$ 1,762,937	\$ 50,158	\$ 1,426,202	\$ 4,141,342
Due to other funds	-	330,220	1,996,230	3,000,000	5,326,450
Due to other governments	177	-	-	-	177
Accrued salaries and benefits	394,854	-	-	-	394,854
Unearned revenue	112,844	-	22,438	316,564	451,846
Other liabilities	246,669	-	-	-	246,669
Escrow - land development	1,370,328	-	-	-	1,370,328
Workers' compensation liability	214,769	-	-	-	214,769
<b>Total Liabilities</b>	<b>3,241,686</b>	<b>2,093,157</b>	<b>2,068,826</b>	<b>4,742,766</b>	<b>12,146,435</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - taxes	1,147,466	-	-	-	1,147,466
Unavailable revenue - fines, forfeitures, and other	560,085	-	-	-	560,085
<b>Total Deferred Inflows of Resources</b>	<b>1,707,551</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,707,551</b>
<b>Fund Balance:</b>					
<b>Nonspendable:</b>					
Prepaid expenditures	139,876	-	-	-	139,876
<b>Restricted for:</b>					
Capital acquisition	-	7,018,225	-	-	7,018,225
Community planning and economic development	-	-	-	3,875,665	3,875,665
Public works	-	-	-	1,974,090	1,974,090
Parks and recreation	-	-	-	205,255	205,255
Human relations commission	-	-	-	250	250
<b>Committed for:</b>					
Economic and community development	-	-	-	663,787	663,787
<b>Assigned for:</b>					
2021 budget	4,985,373	-	-	-	4,985,373
Fire station construction project	1,500,000	-	-	-	1,500,000
Debt service	5,850,000	-	-	-	5,850,000
Excess workers' compensation expenditures	750,000	-	-	-	750,000
Unassigned	1,775,246	-	-	(2,868,220)	(1,092,974)
<b>Total Fund Balance</b>	<b>15,000,495</b>	<b>7,018,225</b>	<b>-</b>	<b>3,850,827</b>	<b>25,869,547</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 19,949,732</b>	<b>\$ 9,111,382</b>	<b>\$ 2,068,826</b>	<b>\$ 8,593,593</b>	<b>\$ 39,723,533</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

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

DECEMBER 31, 2020

**Total Fund Balance - Governmental Funds** \$ 25,869,547

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 89,485,468

Some of the City's taxes, fines, forfeitures, and other revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds. 1,707,551

Notes receivable are long-term in nature and are not available to pay current period expenditures and, therefore, are not reported in the funds. 9,286,834

Deferred charges on refunding resulting from the issuance of debt are not financial resources and, therefore, are not reported in the funds. 1,138,062

Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

General obligation bonds	\$ (64,065,948)	
General obligation notes	(7,685,617)	
Accrued interest on general obligation bonds and notes	(421,234)	
Capital leases	(2,055,010)	
Compensated absences payable	(1,699,780)	
Workers' compensation liability	(574,012)	
Net pension liability, net of related deferred outflows and inflows of resources	(35,685,122)	
Net other post-employment benefits liability, net of related deferred outflows and inflows of resources	<u>(156,293,549)</u>	(268,480,272)

Internal service funds are used by management to charge the costs of insurance services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Internal service fund net position	(222,842)	
Adjustment related to proprietary funds	<u>(366,314)</u>	<u>(589,156)</u>

**Total Net Position - Governmental Activities** \$ (141,581,966)

The accompanying notes are an integral part of these financial statements.

**CITY OF LANCASTER, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

	General Fund	Capital Projects	Miscellaneous State Grants	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 39,876,361	\$ -	\$ -	\$ -	\$ 39,876,361
Intergovernmental revenues	4,190,570	390,000	6,629,481	4,069,965	15,280,016
Licenses and permits	2,333,703	-	-	-	2,333,703
Fines and forfeitures	1,673,098	-	-	-	1,673,098
Rents and charges for services	1,047,766	-	-	6,238	1,054,004
Program income	-	-	-	1,110,781	1,110,781
Investment income	1,590	32,865	-	86,606	121,061
Miscellaneous	2,567,161	120,002	-	59,281	2,746,444
Total revenues	<u>51,690,249</u>	<u>542,867</u>	<u>6,629,481</u>	<u>5,332,871</u>	<u>64,195,468</u>
<b>Expenditures:</b>					
Executive department	789,374	-	14,347	47,706	851,427
Legislative department	140,914	-	-	-	140,914
Office of the City Treasurer/ Controller	17,123	-	-	-	17,123
General government	6,440,781	-	38,612	1,200,000	7,679,393
Public safety	36,481,071	65,052	543,755	69,360	37,159,238
Community planning and economic development	3,902,807	-	4,181,555	2,898,481	10,982,843
Public works	6,051,862	101,684	1,851,212	763,767	8,768,525
Miscellaneous	-	-	-	72,238	72,238
Capital outlay	-	9,427,510	-	-	9,427,510
Debt service:					
Principal	501,667	-	-	3,207,716	3,709,383
Interest	112,722	-	-	2,744,851	2,857,573
Total expenditures	<u>54,438,321</u>	<u>9,594,246</u>	<u>6,629,481</u>	<u>11,004,119</u>	<u>81,666,167</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,748,072)</u>	<u>(9,051,379)</u>	<u>-</u>	<u>(5,671,248)</u>	<u>(17,470,699)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from issuance of debt	-	-	-	3,388,995	3,388,995
Interfund reimbursements	3,301,012	-	-	-	3,301,012
Capital leases	374,483	-	-	93,664	468,147
Sale of general capital assets	529,179	-	-	-	529,179
Transfers in	4,000,000	3,388,995	-	5,872,648	13,261,643
Transfers out	(5,849,771)	-	-	(3,440,607)	(9,290,378)
Total other financing sources (uses)	<u>2,354,903</u>	<u>3,388,995</u>	<u>-</u>	<u>5,914,700</u>	<u>11,658,598</u>
<b>Net Change in Fund Balance</b>	<u>(393,169)</u>	<u>(5,662,384)</u>	<u>-</u>	<u>243,452</u>	<u>(5,812,101)</u>
<b>Fund Balance:</b>					
Beginning of year	15,393,664	12,680,609	-	3,607,375	31,681,648
End of year	<u>\$ 15,000,495</u>	<u>\$ 7,018,225</u>	<u>\$ -</u>	<u>\$ 3,850,827</u>	<u>\$ 25,869,547</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2020

**Net Change in Fund Balance - Governmental Funds** \$ (5,812,101)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital contributions are not reported in governmental funds.

Depreciation expense	\$ (4,104,457)	
Capital outlay	11,817,084	7,712,627

Bond, note, and capital lease proceeds are reported as a financing source in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Payment of long-term liabilities	3,747,383	
Issuance of debt	(3,388,995)	
Issuance of capital leases	(468,147)	(109,759)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Change in compensated absences payable	(319,616)	
Change in workers' compensation liability	48,039	
Change in net pension liability, net of related deferred outflows and inflows of resources	1,776,398	
Change in net OPEB liability, net of related deferred outflows and inflows of resources	(5,130,418)	
Change in accrued interest on debt	20,161	
Amortization of debt premium	472,044	
Amortization of deferred charge on refunding	(199,801)	(3,333,193)

The issuance of notes receivable are reported as expenditures in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing notes receivable increases assets and does not affect the statement of activities. Similarly, repayment of principal is program income in the governmental funds, but reduces the assets in the statement of net position.

Notes receivable issued	1,391,633	
Intra-entity loan payment received	(150,000)	
Principal payments received	(1,212,292)	
Change in allowance	(306,981)	
Write-off of MAW loan receivable	(1,423,679)	(1,701,319)

Under the modified accrual basis of accounting used in the governmental funds, certain revenues are not recognized unless they are both available to pay current year expenditures and measurable. In the statement of activities, however, which is presented on the accrual basis, revenues and assets are reported regardless of when financial resources are available.

Change in unavailable tax revenue	(89,612)	
Change in unavailable fines, forfeitures, and other revenue	(111,374)	(200,986)

Internal service funds are used by management to charge the costs of insurance services to individual funds. The net revenue of certain activities of the internal service fund is reported within governmental activities.

Internal service fund change in net position	(309,137)	
Adjustment related to proprietary funds	(658,877)	(968,014)

**Change in Net Position - Governmental Activities** \$ (4,412,745)

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## BALANCE SHEET PROPRIETARY FUNDS

DECEMBER 31, 2020

Assets and Deferred Outflows of Resources	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 310	\$ 300	\$ 900,000	\$ 900,610	\$ 753,155
Cash and cash equivalents - restricted	23,223,970	25,227,856	7,113,421	55,565,247	-
Receivables (net of allowance for uncollectibles):					
Accounts	4,328,256	5,127,166	2,961,462	12,416,884	36,375
Other	102,643	5,260	43,785	151,688	-
Due from other governments	-	154,934	-	154,934	-
Prepaid expenses	10,112	775,088	5,415	790,615	-
<b>Total current assets</b>	<b>27,665,291</b>	<b>31,290,604</b>	<b>11,024,083</b>	<b>69,979,978</b>	<b>789,530</b>
Long-term assets:					
Due from other funds	-	1,500,000	-	1,500,000	-
Due from other governments	48,824	-	-	48,824	-
Prepaid debt insurance	269,554	780,561	-	1,050,115	-
Capital assets, not being depreciated	2,173,817	32,697,086	269,882	35,140,785	-
Capital assets, being depreciated, net	114,162,677	169,293,203	9,191,903	292,647,783	-
<b>Total long-term assets</b>	<b>116,654,872</b>	<b>204,270,850</b>	<b>9,461,785</b>	<b>330,387,507</b>	<b>-</b>
<b>Total Assets</b>	<b>144,320,163</b>	<b>235,561,454</b>	<b>20,485,868</b>	<b>400,367,485</b>	<b>789,530</b>
<b>Deferred Outflows of Resources:</b>					
Deferred outflows of resources for pension	163,729	242,297	53,320	459,346	-
Deferred outflows of resources for other post-employment benefits	2,675,255	5,686,205	1,506,534	9,867,994	-
Deferred charge on refunding	283,248	5,064,100	-	5,347,348	-
<b>Total Deferred Outflows of Resources</b>	<b>3,122,232</b>	<b>10,992,602</b>	<b>1,559,854</b>	<b>15,674,688</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 147,442,395</b>	<b>\$ 246,554,056</b>	<b>\$ 22,045,722</b>	<b>\$ 416,042,173</b>	<b>\$ 789,530</b>

(Continued)

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 1,710,493	\$ 4,460,249	\$ 985,419	\$ 7,156,161	\$ -
Claims payable	-	-	-	-	1,012,372
Accrued salaries and benefits	49,725	75,418	22,987	148,130	-
Accrued expenses	366,935	1,218,870	77,864	1,663,669	-
Other liabilities	-	-	196,577	196,577	-
Due to other funds	4,048,708	5,192,845	1,138,579	10,380,132	-
Due to other governments	4,640,287	-	-	4,640,287	-
Unearned revenue	178,060	-	122,255	300,315	-
Compensated absences, current portion	36,671	30,449	5,933	73,053	-
Capital lease, current portion	348,279	136,081	120,429	604,789	-
Notes payable, current portion	263,868	42,400	354,650	660,918	-
Bonds payable, current portion	2,470,000	4,045,000	195,000	6,710,000	-
Total current liabilities	14,113,026	15,201,312	3,219,693	32,534,031	1,012,372
Long-term liabilities:					
Compensated absences	122,697	101,879	37,104	261,680	-
Workers' compensation liability	-	600	-	600	-
Net pension liability	617,706	1,027,051	176,309	1,821,066	-
Net other post-employment benefits liability	9,779,409	11,759,618	3,908,529	25,447,556	-
Capital lease	673,590	310,770	208,549	1,192,909	-
Notes payable	3,823,051	326,800	3,030,435	7,180,286	-
Bonds payable	54,532,896	204,608,229	11,759,308	270,900,433	-
Total long-term liabilities	69,549,349	218,134,947	19,120,234	306,804,530	-
Total Liabilities	83,662,375	233,336,259	22,339,927	339,338,561	1,012,372
<b>Deferred Inflows of Resources:</b>					
Deferred inflows of resources for pension	203,332	305,114	107,039	615,485	-
Deferred inflows of resources for other post-employment benefits	2,204,797	5,633,383	123,619	7,961,799	-
Total Deferred Inflows of Resources	2,408,129	5,938,497	230,658	8,577,284	-
<b>Net Position:</b>					
Net investment in capital assets	68,941,132	20,711,167	906,835	90,559,134	-
Restricted	4,241,758	-	-	4,241,758	-
Unrestricted	(11,810,999)	(13,431,867)	(1,431,698)	(26,674,564)	(222,842)
Total Net Position	61,371,891	7,279,300	(524,863)	68,126,328	(222,842)
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 147,442,395</b>	<b>\$ 246,554,056</b>	<b>\$ 22,045,722</b>	<b>\$ 416,042,173</b>	<b>\$ 789,530</b>
Total net position of enterprise funds				\$ 68,126,328	
Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time.				366,314	
Net position of business-type activities				<u>\$ 68,492,642</u>	

(Concluded)

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
<b>Operating Revenues:</b>					
Charges for services	\$ 17,071,016	\$ 28,186,794	\$ 8,634,085	\$ 53,891,895	\$ 12,862,872
Miscellaneous	536,334	429,013	58,144	1,023,491	-
Total operating revenues	<u>17,607,350</u>	<u>28,615,807</u>	<u>8,692,229</u>	<u>54,915,386</u>	<u>12,862,872</u>
<b>Operating Expenses:</b>					
Sewage pumping stations	1,276,979	-	-	1,276,979	-
Susquehanna treatment plant	-	2,741,995	-	2,741,995	-
Conestoga treatment plant	-	2,589,170	-	2,589,170	-
Collection system	1,448,271	-	919,521	2,367,792	-
Hauling and tipping	-	-	3,706,831	3,706,831	-
Transmission and distribution	-	1,523,392	-	1,523,392	-
Meters and meter labor	-	725,101	-	725,101	-
Laboratory	-	318,781	-	318,781	-
Sewage treatment plant	4,592,527	-	-	4,592,527	-
Administration	3,829,525	5,968,632	2,559,863	12,358,020	-
Grounds maintenance	23,393	394,288	284,333	702,014	-
Street cleaning	-	-	620,901	620,901	-
Wastewater and green initiatives	-	-	543	543	-
Health insurance claims	-	-	-	-	12,405,443
Insurance premiums	-	-	-	-	766,678
Special events	-	-	91,402	91,402	-
Depreciation expense	4,244,714	4,175,492	321,658	8,741,864	-
Total operating expenses	<u>15,415,409</u>	<u>18,436,851</u>	<u>8,505,052</u>	<u>42,357,312</u>	<u>13,172,121</u>
<b>Operating Income (Loss)</b>	<u>2,191,941</u>	<u>10,178,956</u>	<u>187,177</u>	<u>12,558,074</u>	<u>(309,249)</u>
<b>Nonoperating Revenues (Expenses):</b>					
State pension contribution	205,123	285,493	104,085	594,701	-
Investment income	61,217	124,691	28,164	214,072	112
Intergovernmental revenue	-	-	395,380	395,380	-
Amortization expense	(18,388)	(51,721)	-	(70,109)	-
Interest expense	(2,351,511)	(8,056,677)	(507,901)	(10,916,089)	-
Total nonoperating revenues (expenses)	<u>(2,103,559)</u>	<u>(7,698,214)</u>	<u>19,728</u>	<u>(9,782,045)</u>	<u>112</u>
Income (loss) before transfers and capital contributions	88,382	2,480,742	206,905	2,776,029	(309,137)
Transfers in (out)	-	(4,000,000)	28,735	(3,971,265)	-
Capital contributions	957,251	445,019	-	1,402,270	-
<b>Change in Net Position</b>	<u>1,045,633</u>	<u>(1,074,239)</u>	<u>235,640</u>	<u>207,034</u>	<u>(309,137)</u>
<b>Net Position:</b>					
Beginning of year	60,326,258	8,353,539	(760,503)		86,295
End of year	<u>\$ 61,371,891</u>	<u>\$ 7,279,300</u>	<u>\$ (524,863)</u>		<u>\$ (222,842)</u>
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds				<u>658,877</u>	
Changes in net position of business-type activities				<u>\$ 865,911</u>	

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
<b>Cash Flows From Operating Activities:</b>					
Cash received from users	\$ 16,741,193	\$ 27,914,654	\$ 8,474,653	\$ 53,130,500	\$ 12,874,773
Cash paid to suppliers	(8,174,763)	(8,918,914)	(5,892,466)	(22,986,143)	(13,221,013)
Cash paid to employees	(2,990,461)	(4,725,144)	(1,691,900)	(9,407,505)	-
Net cash provided by (used in) operating activities	5,575,969	14,270,596	890,287	20,736,852	(346,240)
<b>Cash Flows From Investing Activities:</b>					
Investment income received	61,217	124,691	28,164	214,072	112
Net cash provided by investing activities	61,217	124,691	28,164	214,072	112
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Principal payments on capital leases	(378,917)	(186,092)	(148,958)	(713,967)	-
Principal payments on notes payable	(261,244)	(41,200)	(351,684)	(654,128)	-
Principal payments on bonds payable	(2,365,000)	(3,210,000)	(225,000)	(5,800,000)	-
Interest paid	(2,562,954)	(8,097,775)	(522,207)	(11,182,936)	-
Acquisition of capital assets	(4,250,339)	(14,040,254)	(2,070,673)	(20,361,266)	-
Net change in escrow deposits	1,572,677	-	37,431	1,610,108	-
Net cash used in capital and related financing activities	(8,245,777)	(25,575,321)	(3,281,091)	(37,102,189)	-
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfer in (out)	-	(4,000,000)	28,735	(3,971,265)	-
Due to (from) other funds	(4,769)	392,845	710,276	1,098,352	-
State pension contribution	205,123	285,493	104,085	594,701	-
Intergovernmental revenue	-	-	395,380	395,380	-
Net cash provided by (used in) noncapital financing activities	200,354	(3,321,662)	1,238,476	(1,882,832)	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,408,237)	(14,501,696)	(1,124,164)	(18,034,097)	(346,128)
<b>Cash and Cash Equivalents:</b>					
Beginning of year	25,632,517	39,729,852	9,137,585	74,499,954	1,099,283
End of year	\$ 23,224,280	\$ 25,228,156	\$ 8,013,421	\$ 56,465,857	\$ 753,155

(Continued)

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2020  
(Continued)

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
<b>Reconciliation of Operating Income (Loss) to Net</b>					
<b>Cash Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ 2,191,941	\$ 10,178,956	\$ 187,177	\$ 12,558,074	\$ (309,249)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	4,244,714	4,175,492	321,658	8,741,864	-
Amortization	(298,406)	(362,098)	(162,024)	(822,528)	-
(Increase) decrease in assets and deferred outflows of resources:					
Receivables	(870,774)	(701,153)	(217,576)	(1,789,503)	11,901
Due from other governments	4,617	(154,934)	-	(150,317)	-
Deferred outflows of resources for pension	(2,836)	(1,804)	3,564	(1,076)	-
Deferred outflows of resources for other post-employment benefits	(1,854,575)	(3,456,751)	(1,329,246)	(6,640,572)	-
Prepaid expenses	(3,143)	43,167	(1,154)	38,870	-
Increase (decrease) in liabilities and deferred inflows of resources:					
Accounts payable	(225,683)	1,001,625	227,570	1,003,512	-
Claims payable	-	-	-	-	(48,892)
Accrued expenses	(53,036)	(100,829)	(39,423)	(193,288)	-
Compensated absences	36,431	29,016	5,810	71,257	-
Workers' compensation liability	-	(15,404)	-	(15,404)	-
Net pension liability	(90,684)	(135,535)	(47,622)	(273,841)	-
Net other post-employment benefits liability	2,179,178	1,721,669	2,015,852	5,916,699	-
Deferred inflows of resources for pension	60,174	93,492	30,070	183,736	-
Deferred inflows of resources for other post-employment benefits	258,051	1,955,687	(104,369)	2,109,369	-
Total adjustments	3,384,028	4,091,640	703,110	8,178,778	(36,991)
Net cash provided by (used in) operating activities	<u>\$ 5,575,969</u>	<u>\$ 14,270,596</u>	<u>\$ 890,287</u>	<u>\$ 20,736,852</u>	<u>\$ (346,240)</u>
<b>Noncash Capital Financing Activities:</b>					
Issuance of capital lease	<u>\$ 868,243</u>	<u>\$ 338,175</u>	<u>\$ 74,666</u>	<u>\$ 1,281,084</u>	<u>\$ -</u>
Developers' contribution	<u>\$ -</u>	<u>\$ 445,019</u>	<u>\$ -</u>	<u>\$ 445,019</u>	<u>\$ -</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2020

	Pension and OPEB Trust Funds	Private- Purpose Trust Funds	Custodial Fund
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 11,581
Investments	169,520,582	330,981	-
Receivables:			
Accounts	-	-	61,616
Investment income	365,463	-	-
<b>Total Assets</b>	169,886,045	330,981	73,197
<b>Liabilities</b>			
Benefits payable	321,477	-	11,581
Other liabilities	-	-	61,616
<b>Total Liabilities</b>	321,477	-	\$ 73,197
<b>Net Position</b>			
Restricted for pension and OPEB benefits and other purposes	\$ 169,564,568	\$ 330,981	

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2020

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Fund
<b>Additions:</b>			
<hr/>			
Contributions:			
Employees	\$ 2,030,089	\$ -	\$ -
Employer	8,383,297	-	-
	<u>10,413,386</u>	<u>-</u>	<u>-</u>
Total contributions			
Taxes collected on behalf of the Lancaster Downtown Investment District	<u>-</u>	<u>-</u>	<u>353,140</u>
Investment income:			
Net appreciation in fair value of investments	12,410,594	36,708	-
Interest and dividends	3,501,913	-	-
	<u>15,912,507</u>	<u>36,708</u>	<u>-</u>
Total investment income			
Less: investment expenses	<u>(673,477)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>15,239,030</u>	<u>36,708</u>	<u>-</u>
Total additions	<u>25,652,416</u>	<u>36,708</u>	<u>353,140</u>
<b>Deductions:</b>			
<hr/>			
Benefits	13,136,658	3,059	-
Administrative expenses	97,109	-	-
Taxes remitted to the Lancaster Downtown Investment District	<u>-</u>	<u>-</u>	<u>353,140</u>
Total deductions	<u>13,233,767</u>	<u>3,059</u>	<u>353,140</u>
<b>Change in Net Position</b>	<u>12,418,649</u>	<u>33,649</u>	<u>-</u>
<b>Net Position:</b>			
<hr/>			
Beginning of year	<u>157,145,919</u>	<u>297,332</u>	<u>-</u>
End of year	<u>\$ 169,564,568</u>	<u>\$ 330,981</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## BALANCE SHEET COMPONENT UNITS

DECEMBER 31, 2020

	Lancaster Industrial Development Authority	Lancaster Recreation Commission	The Parking Authority of the City of Lancaster	Redevelopment Authority of the City of Lancaster	Lancaster Downtown Investment District Authority *	City of Lancaster Land Bank Authority	City of Lancaster City Revitalization and Zone Authority	Total Component Units
<b>Assets and Deferred Outflows of Resources</b>								
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ 374,803	\$ 1,270,315	\$ 3,773,066	\$ 1,222,927	\$ 228,943	\$ 160,219	\$ 5,513,892	\$ 12,544,165
Cash and cash equivalents - restricted	-	-	-	4,270,995	-	-	-	4,270,995
Investments	-	-	212,797	-	-	810,573	-	1,023,370
Investments - restricted	-	-	28,053,906	-	-	-	-	28,053,906
Receivables (net of allowance for uncollectibles)								
Taxes	-	-	-	648,711	-	-	-	648,711
Accounts	-	64,076	620,714	-	901	-	3,350	689,041
Other	-	-	-	-	58,698	-	-	58,698
Accrued interest	-	-	-	346,132	-	-	-	346,132
Current portion:								
Lease rental receivable	-	-	-	3,835,380	-	-	-	3,835,380
Due from other government:								
Notes receivable	-	-	-	682,073	-	-	-	682,073
Notes receivable	-	-	-	73,069	-	-	-	73,069
Properties held for resale	-	-	-	626,585	-	-	-	626,585
Prepaid expenses	-	-	180,203	-	22,628	-	-	202,831
Total current assets	<u>374,803</u>	<u>1,334,391</u>	<u>32,840,686</u>	<u>11,705,872</u>	<u>311,170</u>	<u>970,792</u>	<u>5,517,242</u>	<u>53,054,956</u>
Long-term assets:								
Restricted cash - debt service	-	-	-	-	-	-	423,597	423,597
Lease rental receivable	-	-	-	44,503,993	-	-	-	44,503,993
Due from other governments	-	-	-	4,182,812	-	-	-	4,182,812
Notes receivable	200,000	-	-	1,452,438	-	-	1,220,289	2,872,727
Capital assets, not being depreciated	-	6,445	19,443,626	760,520	-	-	-	20,210,591
Capital assets, being depreciated, net	-	216,502	20,867,052	-	-	-	-	21,083,554
Prepaid debt insurance	-	-	374,365	-	-	-	-	374,365
Total long-term assets	<u>200,000</u>	<u>222,947</u>	<u>40,685,043</u>	<u>50,899,763</u>	<u>-</u>	<u>-</u>	<u>1,643,886</u>	<u>93,651,639</u>
Total Assets	<u>574,803</u>	<u>1,557,338</u>	<u>73,525,729</u>	<u>62,605,635</u>	<u>311,170</u>	<u>970,792</u>	<u>7,161,128</u>	<u>146,706,595</u>
<b>Deferred Outflows of Resources</b>								
Deferred charge on refunding	-	-	852,235	-	-	-	-	852,235
Deferred outflows of resources for pension	-	-	196,458	-	-	-	-	196,458
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>1,048,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,048,693</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 574,803</u>	<u>\$ 1,557,338</u>	<u>\$ 74,574,422</u>	<u>\$ 62,605,635</u>	<u>\$ 311,170</u>	<u>\$ 970,792</u>	<u>\$ 7,161,128</u>	<u>\$ 147,755,288</u>

(Continued)

\* - As of April 30, 2020

	Lancaster Industrial Development Authority	Lancaster Recreation Commission	The Parking Authority of the City of Lancaster	Redevelopment Authority of the City of Lancaster	Lancaster Downtown Investment District Authority *	City of Lancaster Land Bank Authority	City of Lancaster City Revitalization and Improvement Zone Authority	Total Component Units
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>								
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	\$ -	\$ 52,635	\$ 453,320	\$ 122,386	\$ -	\$ 2,542	\$ 100,394	\$ 731,277
Accrued salaries and benefits	-	-	68,558	-	-	-	-	68,558
Accrued expenses	-	112,306	1,360,774	507,204	-	-	789	1,981,073
Line of credit	-	-	-	611,737	-	-	-	611,737
Due to primary government, current portion	-	-	606,273	791,559	-	-	-	1,397,832
Current portion, loan	-	165,581	-	-	-	-	-	165,581
Note payable due to primary government, current portion	-	-	150,000	-	-	-	-	150,000
Unearned revenue	-	-	117,250	2,092,409	11,300	-	-	2,220,959
Convention Center Authority obligation, current portion	-	-	-	50,000	-	-	-	50,000
Notes payable, current portion	-	-	-	328,000	-	-	-	328,000
Bonds payable, current portion	-	-	1,505,000	2,864,282	-	-	-	4,369,282
<b>Total current liabilities</b>	<b>-</b>	<b>330,522</b>	<b>4,261,175</b>	<b>7,367,577</b>	<b>11,300</b>	<b>2,542</b>	<b>101,183</b>	<b>12,074,299</b>
Long-term liabilities:								
Unearned revenue	-	-	-	13,417,841	-	-	-	13,417,841
Note payable due to primary government	-	-	2,700,000	-	-	-	-	2,700,000
Due to lessee	-	-	-	1,013,604	-	-	-	1,013,604
Net pension liability	-	-	94,828	-	-	-	-	94,828
Loan payable	-	63,019	-	-	-	-	-	63,019
Notes payable	-	-	-	2,760,333	-	-	486,780	3,247,113
Bonds payable	-	-	53,993,444	43,449,998	-	-	-	97,443,442
<b>Total long-term liabilities</b>	<b>-</b>	<b>63,019</b>	<b>56,788,272</b>	<b>60,641,776</b>	<b>-</b>	<b>-</b>	<b>486,780</b>	<b>117,979,847</b>
<b>Total Liabilities</b>	<b>-</b>	<b>393,541</b>	<b>61,049,447</b>	<b>68,009,353</b>	<b>11,300</b>	<b>2,542</b>	<b>587,963</b>	<b>130,054,146</b>
<b>Deferred Inflows of Resources:</b>								
Deferred inflows of resources								
for pension	-	-	52,491	-	-	-	-	52,491
Refundable advances	-	5,262	-	-	-	-	-	5,262
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>5,262</b>	<b>52,491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,753</b>
<b>Net Position:</b>								
Net investment in capital assets	-	222,947	9,916,552	760,520	-	-	-	10,900,019
Restricted - debt service	-	-	-	2,071,013	-	-	-	2,071,013
Unrestricted	574,803	935,588	3,555,932	(8,235,251)	299,870	968,250	6,573,165	4,672,357
<b>Total Net Position</b>	<b>574,803</b>	<b>1,158,535</b>	<b>13,472,484</b>	<b>(5,403,718)</b>	<b>299,870</b>	<b>968,250</b>	<b>6,573,165</b>	<b>17,643,389</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 574,803</b>	<b>\$ 1,557,338</b>	<b>\$ 74,574,422</b>	<b>\$ 62,605,635</b>	<b>\$ 311,170</b>	<b>\$ 970,792</b>	<b>\$ 7,161,128</b>	<b>\$ 147,755,288</b>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## STATEMENT OF ACTIVITIES COMPONENT UNITS

YEAR ENDED DECEMBER 31, 2020

	Program Revenues			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lancaster Industrial Development Authority	\$ 23,843	\$ 20,110	\$ -	\$ -
Lancaster Recreation Commission	2,964,094	2,524,570	622,303	-
The Parking Authority of the City of Lancaster	7,684,277	6,900,207	-	596,407
Redevelopment Authority of the City of Lancaster	3,182,513	843,451	1,677,799	-
Lancaster Downtown Investment District Authority *	482,306	409,799	77,151	-
City of Lancaster Land Bank Authority	19,379	15,250	-	-
City of Lancaster City Revitalization and Improvement Zone Authority	5,249,246	8,196	8,465,577	-
Total component units	\$ 19,605,658	\$ 10,721,583	\$ 10,842,830	\$ 596,407
General revenues:				
Investment earnings				
Total general revenues				
<b>Change in Net Position</b>				
<b>Net Position:</b>				
Beginning of year, as restated				
End of year				

\* - Year ended April 30, 2020

Net (Expenses) Revenue and  
Changes in Net Position

Lancaster Industrial Development Authority	Lancaster Recreation Commission	The Parking Authority of the City of Lancaster	Redevelopment Authority of the City of Lancaster	Lancaster Downtown Investment District Authority *	City of Lancaster Land Bank Authority	City of Lancaster Revitalization and Improvement Zone Authority	Total
\$ (3,733)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,733)
-	182,779	-	-	-	-	-	182,779
-	-	(187,663)	-	-	-	-	(187,663)
-	-	-	(661,263)	-	-	-	(661,263)
-	-	-	-	4,644	-	-	4,644
-	-	-	-	-	(4,129)	-	(4,129)
-	-	-	-	-	-	3,224,527	3,224,527
(3,733)	182,779	(187,663)	(661,263)	4,644	(4,129)	3,224,527	2,555,162
-	1,881	285,830	2,181,400	-	5,492	93,800	2,568,403
-	-	-	-	-	-	-	-
-	1,881	285,830	2,181,400	-	5,492	93,800	2,568,403
(3,733)	184,660	98,167	1,520,137	4,644	1,363	3,318,327	5,123,565
578,536	973,875	13,374,317	(6,923,855)	295,226	966,887	3,254,838	12,519,824
<u>\$ 574,803</u>	<u>\$ 1,158,535</u>	<u>\$13,472,484</u>	<u>\$ (5,403,718)</u>	<u>\$ 299,870</u>	<u>\$ 968,250</u>	<u>\$ 6,573,165</u>	<u>\$ 17,643,389</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 1. Summary of Significant Accounting Policies

The City of Lancaster, Pennsylvania (the “City”) was incorporated as a Borough on May 1, 1782. The City operates under the Optional Third Class City Charter Law. The governing body consists of an elected City Council (seven members), an elected Mayor, Controller, and Treasurer. The daily operations and management of the City are carried out by department directors, bureau chiefs, and elected officials of the City headed by the Mayor. Department directors and elected officials oversee the following departments: executive, legislative, administrative services, public safety, community planning and economic development, and public works.

The following is a summary of the City’s significant accounting policies.

#### **A. Reporting Entity**

The criteria used by the City to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria:

The City is financially accountable for:

- Organizations that make up its legal entity.
- Legally separate organizations, if City officials appoint a voting majority of the organization’s governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City as defined below:

*Impose its will* – If the City can significantly influence the programs, projects, or activities, or the level of services performed or provided by, the organization.

*Financial benefit or burden* – If the City (1) is entitled to the organization’s resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the City.

### ***Component Units***

A component unit is a legally separate entity that satisfies at least one of the following criteria: 1) elected officials of a primary government are financially accountable for the entity; or 2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.

The following are the discretely presented component units of the City:

#### *Lancaster Industrial Development Authority (LIDA)*

LIDA consists of five members who are appointed to five-year terms by the Mayor with approval of City Council. These terms are arranged so that only one term expires each year. LIDA acts as liaison for securing tax-free loans for industrial and commercial development in Lancaster County. LIDA operates on a fiscal year ending December 31.

#### *Lancaster Recreation Commission (Commission)*

The Commission has an eleven-member Board consisting of two Lancaster School District Board members, two City Council members, one City employee, one Lancaster School District employee, one Lancaster Township employee, one Lancaster Township resident, and three at-large City residents appointed by City Council. The Commission is generally responsible for policies, rules, and regulations relating to public recreation programs. The Commission operates on a fiscal year ending December 31.

As a member of the Commission, the City is required to make a quarterly contribution to the Commission. For the year ended December 31, 2020, the City contributed \$305,656 to the Commission, which was reported as an expenditure of the General Fund.

#### *The Parking Authority of the City of Lancaster (Parking Authority)*

The Parking Authority Board is comprised of five members, the majority of whom must be city residents, appointed by the Mayor to serve a term of five years. The terms are staggered so that only one term expires each year. The Board is charged with the duty to acquire, construct, improve, and maintain parking projects; to conduct research of

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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parking problems; to establish a permanent coordinated system of parking facilities; and to borrow money and issue bonds as required. The Parking Authority also enforces all on-street and off-street parking regulations of the City. The Parking Authority operates on a fiscal year ending December 31.

During the year ended December 31, 2020, the City paid the Parking Authority \$165,549 for employee parking.

On June 23, 2016, the City and the Parking Authority entered into an Agreement, with the commencement date of January 1, 2017, whereby the Parking Authority will enforce all on-street and off-street parking regulations of the City. The term of the Agreement is three years and may be extended upon agreement by the City and the Parking Authority. In accordance with the Agreement, the Parking Authority shall receive 10% of gross parking enforcement revenue. The Parking Authority is required to annually pay a minimum guaranteed amount of \$500,000 to the City and the City receives the remaining net income for parking enforcement, as defined in Exhibit A of the Agreement. Amounts due to the City, as calculated in accordance with Exhibit A of the Agreement, were \$1,284,031 for the year ended December 31, 2020. Of this amount, \$606,273 was outstanding and due to the City as of December 31, 2020.

Eighteen months after the date of the Agreement, the City and Parking Authority agree to meet and review the performance of the Parking Authority and the formula established in Exhibit A of the Agreement. After such meeting, both the City and the Parking Authority have the option to terminate the Agreement upon five months' written notice. On October 22, 2019, the City and the Parking Authority agreed to extend the Agreement for an additional three-year period to December 31, 2022.

The Parking Authority's beginning net position was restated by \$505,513 to account for miscalculation of accrued interest and interest expense on newly issued debt during the year ended December 31, 2019.

### *Redevelopment Authority of the City of Lancaster (Redevelopment Authority)*

The Redevelopment Authority consists of five city residents who are appointed by the Mayor to serve a term of five years. The purpose of the Redevelopment Authority is to: 1) promote the elimination of blighted areas and supply decent housing; 2) replan such areas that are certified by the Lancaster City Planning Commission; 3) contract with private, corporate, or governmental entities for the redevelopment of blighted commercial, industrial, or residential areas; 4) acquire properties in blighted areas by purchase, gift, or eminent domain; and 5) contract with private, corporate, or

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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governmental entities desiring to provide funding for the redevelopment of commercial, industrial, or residential properties. The Redevelopment Authority operates on a fiscal year ending December 31.

### *Lancaster Downtown Investment District Authority (LDIDA)*

LDIDA consists of nine to eleven members who are appointed to five-year terms by the Mayor with the approval of City Council. LDIDA is a non-profit municipal authority, which is dedicated to the continued economic vitality of downtown Lancaster. LDIDA operates on a fiscal year ending April 30.

### *City of Lancaster Land Bank Authority (LLBA)*

The LLBA board consists of seven members, five of which are appointed by the Mayor while the remaining two members are appointed by City Council. The LLBA was created to facilitate the return of vacant, abandoned, and tax delinquent land/properties to productive use. The LLBA operates on a fiscal year ending December 31.

### *City of Lancaster City Revitalization and Improvement Zone Authority (CRIZ)*

The CRIZ board consists of nine voting members. Six members of the board are nominated by the State Senator representing the City and three members are nominated by the Mayor. All nine appointments must be approved by City Council. The purpose of the CRIZ is to acquire, hold, construct, improve, maintain, own, finance and lease, industrial, specialized or commercial development projects for purposes of administering, providing financing for, and undertaking all other activities related to the City Revitalization and Improvement Zone of the City (Zone). The Zone consists of approximately 130 acres in downtown Lancaster and in selected areas in the remaining parts of the City. Certain qualified state and local tax revenues are provided to the CRIZ for the repayment of debt service on bonds and loans issued for the acquisition, improvement, and development of qualified capital improvements within the Zone. The CRIZ operates on a fiscal year ending December 31.

During the year ended December 31, 2020, the City received a grant in the amount of \$300,000 from CRIZ for the Ewell Plaza construction project.

The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Separately published financial statements of the above component units are available for public inspection in the Mayor's office.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Related Organizations***

Related organizations are not component units, yet there is some form of accountability, other than financial accountability, that exists between the primary government and the related organization because of the appointment authority. The following are related organizations to the City:

#### *Lancaster Municipal Authority*

The seven members of this Lancaster Municipal Authority are appointed by the Mayor with City Council approval to serve a term of five years. The Board is responsible for conducting all business necessary to finance and complete capital improvements required for operating a sewer system. The Lancaster Municipal Authority is currently inactive.

#### *Metropolitan Lancaster Authority*

The Metropolitan Lancaster Authority consists of seven members who are appointed to five-year terms by the Mayor with City Council approval. The Board has the authority to acquire, hold, construct, improve, maintain, operate, own, and lease (either in the capacity of lessor or lessee) waterworks, water supply works, and water distribution systems for the City and other authorized areas in Lancaster County. The Metropolitan Lancaster Authority is currently inactive.

#### *Lancaster Airport Authority (Airport Authority)*

The Airport Authority was created by joint resolution of the Council of the City and the Board of Commissioners of the County of Lancaster in June 1950. The Airport Authority was created for the purpose of acquiring, holding, improving, maintaining, operating, owning, and leasing the Lancaster Municipal Airport and all facilities necessary for its operation.

The Board is comprised of five members who are appointed to five-year terms with only one member's term expiring each year. Two of the Board members are appointed by the Mayor and approved by City Council; an additional two are appointed by the Board of Commissioners of the County of Lancaster; and the fifth member is appointed by the City and the County of Lancaster jointly.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### *Lancaster Higher Education Authority*

The Lancaster Higher Education Authority (LHEA) has five Board members who serve for five-year terms of office. Members are appointed by the Mayor with City Council approval. LHEA is organized for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, or leasing buildings and facilities for private, non-profit, non-sectarian colleges and universities, state-related universities, and community colleges.

### *Housing Authority of the City of Lancaster (Housing Authority)*

The Housing Authority Board consists of five members who are appointed for five-year terms by the Mayor with City Council approval. These terms are arranged so that only one term expires each year. The Board is entrusted with ensuring that standard, low-cost housing is available for low-income persons.

### *Lancaster County Convention Center Authority (Convention Center Authority)*

The Convention Center Authority was created jointly by City Council, and the Board of Commissioners of the County of Lancaster, in September 1999. The Convention Center Authority was created for the purpose of constructing a convention center in the City.

The Board is comprised of seven members who serve two, three, or four-year terms of office. Three of the Board members are appointed by the Mayor with City Council approval; an additional three are appointed by the Board of Commissioners of the County of Lancaster; and the seventh member appointment shall alternate between the City and the County of Lancaster.

### *Lancaster Emergency Municipal Services Association (LEMSA)*

The LEMSA Board consists of thirteen trustees, of which one is appointed by the City. LEMSA's mission is to provide comprehensive, skillful, cost-effective emergency and non-emergency health care services to the Lancaster community while continuing to evolve with changing health care needs. During the year ended December 31, 2020, the City contributed \$150,000 to LEMSA.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***B. Basis of Presentation, Basis of Accounting***

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

##### ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from its legally separate discretely presented component units.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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 period. 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, pension, other post-employment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are recognized as revenue if they are both measurable and available.

The City reports the following major governmental funds:

### *General Fund*

This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

### *Capital Projects*

This fund accounts for the acquisition, construction, and improvement of major general capital assets.

### *Miscellaneous State Grants*

This fund accounts for state grants received by the City.

The City reports the following major proprietary funds:

The City operates two major enterprise funds: The Sewer Fund and the Water Fund account for the provision of water and sewer services to residents within the City's service area.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Additionally, the City reports the following fund types:

### *Internal Service Fund*

This fund accounts for the financing of insurance services provided to the other funds of the City.

### *Pension and Other Post-Employment Benefit (OPEB) Trust Funds*

These funds account for the resources that are required to be held in trust for the members and beneficiaries of the City's defined benefit pension, defined contribution pension, and OPEB plans.

### *Private-Purpose Trust Fund*

This fund is used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

### *Custodial Fund*

This fund accounts for monies held by the City as an agent for other governmental units.

Component units are accounted for as follows:

The discretely presented component units are accounted for as enterprise funds. As such, they account for the activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Services from such activities are provided to outside parties. LIDA is presented on the modified cash basis of accounting, which is a special purpose framework other than accounting principles generally accepted in the United States of America. However, the effect of this departure is immaterial to the discretely presented component units as a whole.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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and services. The Water and Sewer Funds also recognize, as operating revenue, the portion of tap fees intended to recover the cost of certain prior capital outlays. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### ***C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity***

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits, and interest-bearing bank deposits.

For the purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### ***Investments***

Investments are stated at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

#### ***Loans Receivable***

Loans receivable related to governmental funds are recorded as expenditures when issued and loan principal payments related to governmental funds are reflected as program income when received.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Property Taxes***

Property taxes are recognized as receivables in the year levied. In governmental funds, revenue is reported as unavailable unless the taxes are received within sixty days subsequent to year-end.

### ***Interfund Receivables and Payables***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

Since one of the City's component units reports on an April 30 fiscal year-end and is included in the City's December 31 financial statement, amounts due to/from component units/primary government may not net to zero. Other differences may be the result of application of accounting principles generally accepted in the United States of America regarding contingent liabilities and receivables.

### ***Unavailable/Unearned Revenue***

Unavailable revenue is recorded for governmental fund receivables that are not both measurable and available. Unavailable revenue consists of real estate taxes, earned income taxes, local services taxes, certain fines, forfeitures, and other revenue. Collections of such types of revenue sources are recognized as revenue in the year in which they are measurable and available (within 60 days of year-end).

Inflows that do not yet meet the criteria for revenue recognition, such as grant revenues collected in advance, are recorded as unearned revenue for both the government-wide and the governmental fund financial statements. For the Parking Authority, parking fees, contract parking income, and lease rental revenue are recognized in the period when such revenues pertain. Any amounts collected in advance of such periods are reflected in the statement of net position or balance sheet as unearned revenue.

### ***Deferred Inflows and Outflows of Resources for Pensions and Other Post-Employment Benefits (OPEB)***

In conjunction with pension and OPEB accounting requirements, the effect of the differences in the expected and actual experience, the difference between projected and actual earnings on pension plan and OPEB investments, changes of assumptions, and Parking Authority contributions subsequent to the measurement date are recorded as deferred inflows or outflows of resources related to pensions and OPEB on the government-

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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wide financial statements, proprietary fund balance sheet, and component units balance sheet. These amounts are determined based on actuarial valuations performed for the pension and OPEB plans.

### ***Long-Term Obligations***

Long-term obligations, such as bonds and notes, are recorded at the fund level in the proprietary funds and at the government-wide level for the governmental and business-type activities. Amounts payable within one year are classified as current liabilities on the proprietary fund's balance sheet and the government-wide statement of net position.

### ***Fund Balance***

In the fund financial statements, fund balance of governmental funds is classified in five separate categories. The five categories, and their general meaning, are as follows:

- **Nonspendable** – This category represents funds that are not in spendable form and includes such items as prepaid expenditures and inventory.
- **Restricted** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- **Committed** – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by City Council. Such commitment is made via a resolution by City Council and must be made prior to the end of the year. Removal of this commitment requires a resolution by City Council.
- **Assigned** – This category represents intentions of the Mayor to use the funds for specific purposes. Through a resolution of City Council, the Mayor or his/her designee has been delegated the responsibility to assign funds.
- **Unassigned** – This category represents all other funds not otherwise defined.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Net Position***

Net position of the government-wide and proprietary funds is categorized as net investment in capital assets, restricted, or unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent amount. The restricted category represents the balance of assets restricted by requirements of bonds and other externally imposed constraints or by legislation in excess of the related liabilities of resources payable from restricted assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### ***Capital Assets***

Capital assets of the primary government, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, dams, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years for general capital assets and other enterprise funds and one year for Sewer Fund and Water Fund capital assets. Such assets are recorded at estimated historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that the City would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is computed on a straight-line basis, with the exception of the Sewer Fund and Water Fund, which use the composite remaining life method using the average life term of group assets.

Useful lives are as follows:

General Fund and other enterprise funds capital assets:

Land improvements	20 years
Buildings	50 years
Machinery, equipment, and vehicles	3 - 20 years
Infrastructure	10 - 20 years

Sewer Fund capital assets:

Sewer system	55 - 65 years
Equipment and vehicles	4 - 40 years

Water Fund capital assets:

Water system	20 - 110 years
Equipment and vehicles	3 - 40 years

The Commission's policy is to capitalize all capital assets at a cost in excess of \$500.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Capital assets are defined by the Parking Authority as assets with a useful life in excess of one year and an initial individual cost of more than \$5,000. Estimated useful lives assigned to the various assets are as follows:

Parking garages, lots, rental complex, and administrative building	10 - 40 years
Office furnishings and equipment	5 - 10 years
Equipment	7 - 10 years
Vehicles	5 years

The Redevelopment Authority's capital assets with useful lives of more than one year are stated at historical cost. The Redevelopment Authority generally capitalizes assets with a cost of \$5,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method over their useful lives. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings	40 years
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### ***D. Other Policies***

#### ***Budgetary Data***

In August of each year, all bureau chiefs of the City submit requests for appropriation to the Mayor so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past years, current year estimates, and requested appropriations for the next fiscal year.

Before November 30, the proposed budget is presented to City Council for review. City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The budget must be approved by City Council by the end of December. Any changes in the budget must be within the revenues and reserves estimated as available by the Mayor, or the revenue estimated may be changed by an affirmative vote of a majority of the City Council. All unencumbered budget appropriations lapse at the end of each fiscal year.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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The City adopts annual budgets for the General Fund, certain Special Revenue Funds, and the Enterprise Funds. Budgets are adopted on a project basis for the majority of special revenue funds. Budgets for capital project funds are adopted on a multi-year basis.

### ***Property Taxes***

Property taxes are levied as of January 1, on property values assessed as of the same date. Due to the pandemic during the year ended December 31, 2020, City Council approved an Ordinance extending the 2% early payment discount period through August 31 and late payment penalties (10%) were eliminated for 2020. On December 31 of the current year, the bill becomes delinquent and is turned over to the County of Lancaster Tax Claim Bureau for collection.

The City real estate tax rate maximums are provided for in the Third Class City Code. The City may assess up to 25 mills for general governmental purposes. In addition, the millage may be increased to pay for the interest and principal on City indebtedness by an unspecified amount.

In 2020, the City assessed 11.70 mills for general government purposes.

### ***Tax Abatements***

The City's tax abatements are authorized by City Council ordinance. Under the Local Economic Revitalization Tax Assistance (LERTA) program, recipients are eligible for property tax abatement on certain improvements to deteriorated residential or commercial property and new construction of residential structures in deteriorated areas. Deteriorated property must be certified by a health, housing, or building inspection agency as unfit for human habitation. Improvements must increase the assessed property value by more than \$25,000 and make the property habitable.

The City's tax abatement agreements do not contain recapture provisions for non-compliance. There were no amounts received or receivable from other governments in association with the forgone taxes. The City did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

During 2020, the City's LERTA property tax abatements totaled \$424,733.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***CRIZ Tax Revenue***

The CRIZ receives tax revenue through state and local taxes. Currently, there are seven eligible state taxes and two out of four eligible local taxes used to calculate revenue, which is received from the State.

### ***Compensated Absences***

The City allows nonuniformed employees and uniformed police officers to accumulate up to a maximum of 200 hours and uniformed firefighters to accumulate up to a maximum of 480 hours of compensatory time. The compensatory time is paid to the employee at termination. The accumulated hours are multiplied by the employee's current salary rate to determine the aggregate cost. As of December 31, 2020, the aggregate cost to the City for the accumulated compensatory time has been estimated at \$1,216,637 and \$185,126 for governmental activities and business-type activities, respectively.

The City allows nonuniformed union and nonunion employees to accumulate up to a maximum of 200 and 360 days of sick leave, respectively. Upon retirement, at age sixty-two, after twenty years of service, the employee would be paid \$10 per day for unused sick leave up to a maximum of 120 days. The City allows firefighters to accumulate up to 297 days of sick leave. Upon retirement, the employee would be paid \$20 per day for unused sick leave up to 150 days. The City allows police officers to accumulate up to 500 days of sick leave and effective August 8, 2008, new police hires only accumulate up to 297 days. Upon retirement, the employee would be paid \$10 per day for unused sick leave, to a maximum of 40% of the accrued sick leave. As of December 31, 2020, the aggregate cost to the City for accumulated vested sick days has been estimated at \$102,978 and \$9,272 for governmental activities and business-type activities, respectively.

The City typically allows employees to accumulate up to a maximum of five vacation days each year. Due to the COVID-19 pandemic, however, employees were allowed to roll over ten vacation days for 2020. Vacation days are paid to the employee at termination. The accumulated days are multiplied by the employee's current salary rate to determine the aggregate cost. As of December 31, 2020, the aggregate cost to the City for accumulated vacation days has been estimated at \$380,165 and \$140,335 for governmental activities and business-type activities, respectively.

The liability for compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Retirement and OPEB Plans***

The City sponsors and administers four pension plans, which cover nonuniformed and uniformed employees. The Plans consist of three defined benefit plans and one defined contribution plan covering substantially all employees. The City sponsors and administers three OPEB plans, which cover substantially all employees.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

### ***Pending Pronouncements***

In June of 2017, the Governmental Accounting Standards Board (GASB) GASB issued Statement No. 87, "*Leases.*" This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for the City's December 31, 2022 financial statements.

In March of 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates (IBORs).*" The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of IBORs, most notably the scheduled elimination of the London Interbank Offered Rate (LIBOR). The Statement provides exceptions to existing hedge and lease accounting when a financial instrument is terminated or amended as a result of replacing the rate. The Statement also provides alternative benchmark interest rates for use in evaluating the effectiveness of interest rate swaps. The provisions of this Statement are effective for the City's December 31, 2022 financial statements.

In March of 2020, the GASB issued Statement No. 94, "*Public-Private Partnerships and Availability Payment Arrangements.*" The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) in which a government compensates an operator of a nonfinancial asset for services for a period of time in an exchange transaction. The provisions of this Statement are effective for the City's December 31, 2023 financial statements.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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In May of 2020, the GASB issued Statement No. 96, *“Subscription-Based Information Technology Arrangements.”* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The provisions of this Statement are effective for the City’s December 31, 2023 financial statements.

In June of 2020, the GASB issued Statement No. 97, *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.”* The primary objectives of this Statement are to: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the City’s December 31, 2022 financial statements.

The effect of implementation of these Statements has not yet been determined.

## 2. Deposits and Investments

### Primary Government

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury obligations, other short-term U.S. and Pennsylvania government obligations, short-term commercial paper issued by a public corporation, banker’s acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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The deposit and investment policy of the City adheres to state statutes, the Third Class City Code, and prudent business practice.

The City maintains a cash and investment pool that is available for use by all funds with the exception of the Pension and OPEB Trust Funds. At December 31, 2020, the book balance of the pooled funds was \$63,015,753 and the bank balance was \$63,408,943.

### **A. Deposits**

**Custodial credit risk.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, the City's book balance was \$72,360,906 and the bank balance was \$73,632,948. Of the bank balance, \$585,216 was covered by federal depository insurance and the remaining \$73,047,732 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

Cash and cash equivalents:	
Governmental activities:	
Unrestricted	\$ 6,913,656
Restricted	8,969,812
Business-type activities:	
Unrestricted	900,610
Restricted	55,565,247
Fiduciary funds	11,581
Total cash and cash equivalents	<u>\$ 72,360,906</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### ***B. Investments***

Investments consist of the following as of December 31, 2020:

	Level 1	Level 2	Total
Money market funds	\$ 14,378,240	\$ -	\$ 14,378,240
Mutual funds:			
Equity	2,626,996	-	2,626,996
Fixed income	239,703	-	239,703
Balanced	9,286,647	-	9,286,647
Common stock:			
Energy	5,867,355	-	5,867,355
Information technology	24,954,796	-	24,954,796
Consumer discretionary	8,813,677	-	8,813,677
Consumer staples	10,530,384	-	10,530,384
Industrials	4,185,318	-	4,185,318
Financials	7,534,536	-	7,534,536
Healthcare	14,570,737	-	14,570,737
Utilities	5,262,949	-	5,262,949
Telecom service	13,625,295	-	13,625,295
Exchange-traded funds:			
Equity	1,582,211	-	1,582,211
U.S. government obligations	33,988,635	-	33,988,635
U.S. government agency obligations	21,502	-	21,502
Corporate bonds:			
Domestic	-	9,107,519	9,107,519
Foreign	-	3,819,573	3,819,573
Total investments	\$ 157,468,981	\$ 12,927,092	\$ 170,396,073

Investments	
Governmental activities:	
Unrestricted	\$ 539,712
Restricted	4,798
Fiduciary funds	169,851,563
Total investments	\$ 170,396,073

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Corporate bonds are valued utilizing several points for price calculation, including quantity, bid/ask spread, historical comparisons, pricing models, and matrices. The valuation techniques used reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, the issuer, credit rating, coupon rate, time left until maturity, and special redemption features. Due to the valuation process used, corporate bonds are within Level 2 of the fair value hierarchy.

**Custodial credit risk.** Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The City does not have an investment policy for custodial credit risk. Investments of the City are held by the counterparty, with \$158,820,795 held in the City's name or in the name of the City's multiple Pension Plans and \$11,575,278 registered in the name of the Trustee.

**Concentration of credit risk.** The City places no limit on the amount the City may invest in any one issuer. At December 31, 2020, none of the City's investments with a single issuer were in excess of five percent of the City's portfolio.

**Credit risk.** The City does not have a formal policy that would limit its investment choices with regard to credit risk. The City's investments had the following level of exposure to credit risk as of December 31, 2020:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 143,378,240	Unrated
U.S. government agency obligations	21,502	Unrated
Corporate bonds	1,446,615	Unrated
Corporate bonds	1,780,496	AAA
Corporate bonds	1,756,170	AA
Corporate bonds	2,814,493	AA-
Corporate bonds	1,149,525	A+
Corporate bonds	3,979,793	A-

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

The following is a list of the City's investments and their related average maturities:

	Fair Value	Investment Maturity			
		2021	2022-2026	2027-2031	2032+
Money market funds	\$ 14,378,240	\$ 14,378,240	\$ -	\$ -	\$ -
U.S. government obligations	21,502	-	919	20,583	-
U.S. government agency obligations	33,988,635	-	31,400,560	2,588,075	-
Corporate bonds	12,927,092	-	2,905,696	8,272,650	1,748,746
	<u>\$ 61,315,469</u>	<u>\$ 14,378,240</u>	<u>\$ 34,307,175</u>	<u>\$ 10,881,308</u>	<u>\$ 1,748,746</u>

### **C. Restricted Cash, Cash Equivalents, and Investments**

#### **Governmental Activities**

As of December 31, 2020, the City had restricted cash and cash equivalents of \$8,969,812, which represents \$100,000 restricted for the payment of workers' compensation claims, and \$8,869,812 restricted for various City projects.

#### **Business-Type Activities**

As of December 31, 2020, the City had cash and cash equivalents of \$55,565,247 restricted for various sewer, water, and stormwater projects.

#### **Component Units**

##### *LIDA*

**Custodial credit risk.** Custodial credit risk is the risk that, in the event of a bank failure, LIDA's deposits may not be returned. LIDA does not have a formal deposit policy for custodial credit risk. At December 31, 2020, LIDA's total bank deposits were \$377,184 (including cash and cash equivalents and certificates of deposit) and the carrying value was \$374,803. The deposits that were not covered by depository insurance amounted to \$127,184 and were collateralized with securities held by the pledging financial institution, but not in LIDA's name.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### *Commission*

The carrying amount of the Commission's deposits was \$1,270,315 as of December 31, 2020. The bank balance totaled \$1,289,954 as of December 31, 2020.

**Custodial credit risk.** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act No. 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

The bank balance of the Commission's cash deposits is categorized as follows to give an indication of the level of risk assumed by the Commission at December 31, 2020:

Insured	\$ 521,201
Collateralized:	
Collateral held by pledging bank's trust department not in the Commission's name	<u>768,753</u>
Total	<u><u>\$ 1,289,954</u></u>

### *Parking Authority*

#### **A. Deposits**

The Parking Authority's available cash is invested in demand deposit accounts and petty cash. The carrying amounts of the cash deposits at December 31, 2020 consist of the following:

Cash Deposits:	
Cash and cash equivalents	\$ 3,753,402
Petty cash	<u>19,664</u>
	<u><u>\$ 3,773,066</u></u>

**Custodial credit risk.** Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority has custodial credit risk on cash deposits. The Parking Authority has a deposit policy for custodial risk that

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

As of December 31, 2020, the Parking Authority's cash deposits were \$3,773,066. The bank balance as of December 31, 2020 was \$3,859,076. At December 31, 2020, \$250,000 was covered by federal depository insurance and \$3,609,076 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

In July 2017, the Parking Authority Board approved a Board Restricted Cash Reserve Policy (Policy) as a reserve fund to be designated for uses approved by the Board. The Policy sets a target reserve amount of \$3,000,000, with the initial \$500,000 funded by accumulated liquid net assets as the beginning balance, and the remaining \$2,500,000 to be funded over the next five years in increments of \$500,000 per year through funding strategies incorporated into the Parking Authority's annual operating budget.

### ***B. Investments***

The Parking Authority is permitted to invest its funds as defined in the Pennsylvania Parking Authorities Law. Authorized types of investments include U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. Investment income is recognized when earned.

As of December 31, 2020, the Parking Authority had the following investments:

Investments	Fair Value	Level
Unrestricted:		
Money market funds	<u>\$ 212,797</u>	1
Restricted:		
Money market funds	\$ 21,299,095	1
Negotiable certificates of deposit	6,454,811	2
Government agency fixed income	<u>300,000</u>	2
Total restricted investments	<u>\$ 28,053,906</u>	

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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***Custodial credit risk.*** Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Parking Authority does not have a formal policy that would limit its investment choices with regard to custodial credit risk. At December 31, 2020, all investments of the Parking Authority are held by the financial institution's trust department or agency, in the Parking Authority's name.

***Concentration of credit risk.*** The Parking Authority places no limits on the amount it may invest in any one issuer.

***Credit risk.*** The Parking Authority does not have a formal policy that would limit its investment choices with regard to credit risk. As of December 31, 2020, the Parking Authority's investments in the money market funds were rated AAA, the government agency fixed income fund was rate AA+, and the negotiable certificates of deposit were not rated.

***Interest rate risk.*** As a means of managing its exposure to fair value losses arising from changes in interest rates, the Parking Authority's investment policy permits investments with a maturity date in excess of 18 months, provided market conditions and projected use of funds warrant a longer term. At December 31, 2020, the Parking Authority's investments had average maturities of less than one year.

### ***C. Restricted Cash, Cash Equivalents, and Investments***

The terms of the bond indentures require that certain assets be restricted in favor of the bondholders and for capital projects. Restricted assets represent monies held or receivable by the independent trustee.

#### ***Redevelopment Authority***

Under Section 7.1 of the Municipality Authorities Act, the Redevelopment Authority is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, or (d) certain other high-quality bank and corporate instruments.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

### **A. Deposits**

**Custodial credit risk.** Custodial credit risk is the risk that in the event of a bank failure, the Redevelopment Authority's deposits may not be returned to it. The Redevelopment Authority has a policy for custodial credit risk that permits deposits, which are not insured, to be collateralized by the depository institution. As of December 31, 2020, \$2,044,566 of the Redevelopment Authority's bank balance of \$2,966,568 was exposed to custodial credit risk.

Uninsured and collateral held by the pledging bank's trust department not in the Redevelopment Authority's name	<u>\$ 2,044,566</u>
Reconciliation to financial statements:	
Uninsured amount above	\$ 2,044,566
Insured amount	922,002
Outstanding checks	(1,375)
Money market fund shown as cash and cash equivalents	<u>2,528,729</u>
	<u>\$ 5,493,922</u>
Cash and cash equivalent - unrestricted per financial statements	\$ 1,222,927
Cash and cash equivalent - restricted per financial statements	<u>4,270,995</u>
Total cash per financial statements	<u>\$ 5,493,922</u>

### **B. Restrictions**

Restrictions on cash and cash equivalents pertain to future redevelopment purposes as stipulated in grant agreements, future debt service requirements as per certain loan and bond documents, and other miscellaneous purposes.

### **C. Investments**

As of December 31, 2020, the Redevelopment Authority held investments in the GS Financial Square Treasury Obligations money market fund with a fair value of \$2,528,729, which is included as cash and cash equivalents - restricted in the financial statements. The

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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money market fund, which is categorized as Level 1, is valued based on prices quoted in active markets for those securities.

**Interest Rate Risk and Credit Risk.** The Redevelopment Authority invests certain bond and note proceeds required to be kept on deposit as a result of the Guaranteed Special Revenue Bonds, Series of 2005 Special Revenue Indenture and the Tax Increment Notes Trust Indenture (Note 10). The guidelines set forth in these indentures limit the Redevelopment Authority's interest rate and credit risk by limiting investment choices to certain U.S. government and other select high-grade investments and certain maturities. There are no requirements pertaining to investment diversification to limit exposure to custodial credit risk. At December 31, 2020, 100% of the Redevelopment Authority's investments are in the GS Financial Square Treasury Obligations money market fund and are rated AAAM by Standard & Poor's.

### *LDIDA*

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term United States and Pennsylvania government obligations, certain high-quality bank and corporate investments, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of LDIDA adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of LDIDA.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, LDIDA's deposits may not be returned to it. LDIDA does not have a policy for custodial credit risk. As of April 30, 2020, none of LDIDA's bank balance was exposed to custodial credit risk.

### *LLBA*

#### **A. Deposits**

Under section 2007.11 of the Pennsylvania Land Bank Act, LLBA is permitted to invest its monies at the discretion of the Board in instruments, obligations, securities, or property determined proper by the Board and to name and use depositories for its money. LLBA

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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adopted a formal investment policy during 2018. LLBA's cash is deposited in a bank account with a financial institution where balances customarily exceed FDIC limits.

**Custodial credit risk.** Custodial credit risk is the risk that in the event of a bank failure, LLBA's deposits may not be returned to it. LLBA does not have a policy for custodial credit risk. As of December 31, 2020, none of LLBA's bank balance of \$160,219 was exposed to custodial credit risk and full \$160,219 was insured.

### **B. Investments**

The Pennsylvania Local Government Investment Trust (PLGIT) PRIME is a 2a7-like pool. The amortized cost, which approximate fair value of the pool, is determined by the pool's share prices. LLBA has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independent auditor.

At December 31, 2020, LLBA held investments valued at amortized cost of \$810,573 in PLGIT PRIME, which has an average maturity of less than 30 days. LLBA's investments in the PLGIT account are subject to a one-day holding period. LLBA is limited to two withdrawals per calendar month from the PLGIT PRIME account.

**Interest rate risk.** LLBA has adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy only places limits on sovereign debt instruments, which can have maturities that are limited to a maximum of fifteen years.

**Credit risk.** LLBA has adopted a formal investment policy that limits its investment choices to investments of or backed by the U.S Government, or its agents and instrumentalities, shares of registered investment companies that invest in obligations of or backed by the U.S. Government, and sovereign debt instruments that meet certain requirements and are permitted investments of the State Employees' Retirement System. As of December 31, 2020, LLBA has investments of \$810,573, which are subject to credit risk. PLGIT PRIME has a credit rating of AAAM by Standard and Poor's at December 31, 2020.

**Concentration of credit risk.** LLBA places no limit on the amount they may invest in any one issuer other than for sovereign debt instruments, which cannot exceed more than 2% of the market value of LLBA's assets at the time of investment. At December 31, 2020, there were no concentrations for LLBA's investments.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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***Custodial credit risk.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, LLBA will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. LLBA does not have a formal investment policy regarding custodial credit risk but sets broader guidelines regarding diversification. LLBA does not have investments subject to custodial credit risk at December 31, 2020.

### *CRIZ*

The Authority Code, Section 902.1, authorizes investments in U.S. Treasury bills, savings accounts, obligations of the United States or its agencies, and shares of investment companies registered under the Investment Company Act of 1940. Act 72 requires all governmental deposits not insured by the Federal Deposit Insurance Corporation be collateralized by the financial institution.

Custodial credit risk is the risk that, in the event of a bank failure, the CRIZ's deposits may not be returned. The CRIZ does not have a deposit policy for custodial credit risk. At December 31, 2020, the CRIZ's total bank deposits were \$5,937,489. The deposits not covered by depository insurance were collateralized with securities held by the pledging financial institution, but not in the CRIZ's name.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### 3. Receivables

#### Primary Government

#### **Governmental Activities**

Receivables as of December 31, 2020, for the City's governmental activities, individual major governmental funds, non-major funds in the aggregate, and applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects	Miscellaneous State Grants	Non-major funds	Internal Services Fund	Governmental Activities
Taxes, gross	\$ 3,134,591	\$ -	\$ -	\$ -	\$ -	\$ 3,134,591
Allowance for uncollectibles	-	-	-	-	-	-
Taxes, net	3,134,591	-	-	-	-	3,134,591
Accounts, gross	451,914	392	2,000	29,606	36,375	520,287
Allowance for uncollectibles	-	-	-	-	-	-
Accounts, net	451,914	392	2,000	29,606	36,375	520,287
Notes, gross	300,000	-	-	7,623,123	-	7,923,123
Allowance for uncollectibles	(300,000)	-	-	(7,623,123)	-	(1,586,289)
Notes, net	-	-	-	-	-	6,336,834
Notes due from component unit, gross	2,850,000	-	-	-	-	2,850,000
Allowance for uncollectibles	(2,850,000)	-	-	-	-	-
Notes due from component unit, net	-	-	-	-	-	2,850,000
Investment income	-	-	-	59,740	-	59,740
Total receivables	<u>\$ 3,586,505</u>	<u>\$ 392</u>	<u>\$ 2,000</u>	<u>\$ 89,346</u>	<u>\$ 36,375</u>	<u>\$ 12,901,452</u>

#### **Notes Receivable**

In April 2017, the City entered into a Loan Agreement with MAW Communications (MAW) in the principal amount of \$1.5 million. The loan was made from the LanCity Connect Special Revenue Fund, which was established during the year ended December 31, 2017 through General Fund appropriations in the amount of \$1.5 million. The loan was to be repaid with monthly payments of \$14,671 over 13 years, which includes a 7% annual interest rate. The purpose of the loan was to assist MAW with the upfront costs in relation to the LanCity Connect Initiative, which provides high-speed fiber optic internet to City residents. The loan was secured with MAW assets, including the fiber optic network.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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As a result of loan nonpayment and other contractual issues, the City sent MAW a Notice of Non-financial Default with respect to the Municipal Carrier Agreement and with respect to payments on the loan during the year ended December 31, 2020. Arbitration was scheduled to commence December 2, 2020; however, a Letter of Intent was signed by the City and MAW on November 24, 2020, both agreeing to terminate arbitration and business relationships. The Letter of Intent defined the intended nature of the Final Settlement Agreement to be signed in 2021, which in addition to transferring all MAW's assets in the City's network to the City and outlining transfer of network operations, also stipulated that both parties agree to settlement in the amount of \$2,700,000, of which \$1,500,000 will be applied to the outstanding loan owed by MAW to the City and the remaining \$1,200,000 will be paid by the City to MAW at the time of closing. The \$1,200,000 was paid by the City upon settlement in March 2021 and is included as accounts payable as of December 31, 2020, in the LanCity Connect Special Revenue Fund (a non-major governmental fund).

As a result of the signed Letter of Intent referenced in the preceding paragraph, the outstanding note receivable due from MAW in the amount of \$1,423,679 was uncollectible as of December 31, 2020.

In June 2019, the Redevelopment Authority entered into a purchase and sale agreement with Lancaster Equity, Inc. The Redevelopment Authority sold the property at 100 South Queen Street to Lancaster Equity, Inc. for \$800,000 through a secured mortgage and non-interest bearing note. \$300,000 was paid at closing, and the remaining \$500,000 is due over a two-year period. In October 2019, the Redevelopment Authority assigned the full sale proceeds to the City. The remaining note receivable due as of December 31, 2020 was \$300,000.

As of December 31, 2020, the City has outstanding program loans (notes receivable) aggregating \$7,623,123. These various program loans bear interest at rates ranging from 0% to 7%, maturing over terms of one to 30 years, through 2040.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

A summary of notes receivable activity for the year ended December 31, 2020 is as follows:

Balance January 1, 2020	New Loans Issued	Forgiveness/ Write-offs/ Principal Receipts	Balance December 31, 2020
\$ 7,888,153	\$ 1,391,633	\$ (2,942,952)	\$ 6,336,834

In addition, as of December 31, 2020, there were \$1,586,289 in loans that are forgivable over a period of time, subject to the terms of the loan agreement. The City does not expect to receive any payments on these loans. Therefore, an allowance for doubtful accounts has been established in the fund and the government-wide financial statements at 100% of the note receivable balance.

### ***Business-Type Activities***

Receivables and allowances for uncollectible accounts for the City's business-type activities, including individual major funds and non-major fund are as follows:

	Sewer Fund	Water Fund	Other Enterprise Funds	Total
Receivables:				
Accounts, gross	\$ 4,328,256	\$ 5,127,166	\$ 2,961,462	\$ 12,416,884
Allowances for uncollectibles	-	-	-	-
Accounts, net	4,328,256	5,127,166	2,961,462	12,416,884
Other, gross	102,643	5,260	43,785	151,688
Allowances for uncollectibles	-	-	-	-
Other, net	102,643	5,260	43,785	151,688
Total receivables	\$ 4,430,899	\$ 5,132,426	\$ 3,005,247	\$ 12,568,572

### **Component Units**

#### *LIDA*

LIDA loaned \$100,000 to The Lancaster County Redevelopment Authority for the baseball stadium project, at 3%, with all accrued interest and principal due June 30, 2025. The loan was made on September 2, 2005, and the note is secured by a guaranty from the County of Lancaster.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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LIDA loaned \$100,000 to the Lancaster Housing Opportunity Partnership to further its activities in support of its goals as a nonprofit organization engaged in community economic development, at 1%, with all accrued interest and principal due November 1, 2018. The loan was made on November 1, 2013. At the time of maturity, the loan was extended for an additional five years. Accrued interest and principal will be due October 1, 2023.

### *Parking Authority*

Accounts receivable are stated at outstanding balances. With the exception of accrued parking enforcement revenue, which is adjusted for estimated uncollectible amounts, the Parking Authority considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged-off accounts are recorded when received. As of December 31, 2020, the Parking Authority's allowance for uncollectible accrued parking enforcement revenue was \$1,069,935.

During the year ended December 31, 2018, the Parking Authority and the CRIZ entered into a contract whereby CRIZ agreed to grant \$1,000,000 to the Parking Authority for the purchase of property at 151 North Queen Street. In April 2019, the CRIZ's board approved to increase funding by an additional \$200,000 for the property purchase. The property purchase is for the purpose of constructing a building which will house the Lancaster Public Library, retail space, and an approximately 300 space public parking garage. In addition to funding the property purchase, the contract also provides up to 100% of the annual increment created by the tenants of 101 North Queen Street, the Hotel Lancaster, and tenants of the retail space of the project to the Parking Authority to pay future debt service payments on one or more bonds to be issued by the Parking Authority in order to construct the building. Such CRIZ payments shall continue until the future bonds are retired or the Commonwealth of Pennsylvania City Revitalization and Improvement Zone program ends, whichever is first to occur. CRIZ reasonably estimates that upon completion of the project, the amount of the annual increment to be received by the Parking Authority shall be \$2,000,000. On or before October 30 of each year, CRIZ shall certify in writing to the Parking Authority the amount of the annual increment that the Parking Authority shall receive for that year. During the year ended December 31, 2020, CRIZ contributions totaled \$596,407.

### *Redevelopment Authority*

The Redevelopment Authority's receivables relate to grants receivables, notes receivables, due from lessee, lease rental receivables, and delinquent real estate tax claims purchased

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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from the City. The delinquent real estate tax receivables are recorded at carrying value, including base, penalty, and interest, offset by commission payable. Notes receivables and due from the lessee are recorded at carrying value. The Redevelopment Authority reduces the receivable for delinquent real estate tax claims by an allowance for doubtful accounts as determined based on the Redevelopment Authority's best estimate.

### ***Accounts Receivable***

Annually, the Redevelopment Authority purchases the delinquent real estate tax claims of the City. During the year ended December 31, 2020, the Redevelopment Authority purchased the full amount of delinquent real estate tax claims from the City for the year 2019 with a total carrying value of \$1,193,998 for total consideration of \$1,112,455. The City's continuing involvement with the delinquent real estate tax receivables is effectively terminated.

In the event that this annual cycle of purchasing delinquent tax claims would be discontinued, the Redevelopment Authority would essentially return any accumulated cash balances to the City. Therefore, the Redevelopment Authority records a payable to the City in the amount of \$231,474 as of December 31, 2020, which reflects the cumulative positive results of the tax claim collections. Under certain circumstances, the City has the right or the obligation to repurchase all or a portion of the delinquent tax claims from the Redevelopment Authority.

### ***Lease Rental Receivable***

The Redevelopment Authority has entered into a lease agreement with Penn Square Partners (PSP) as further outlined in Note 16 for the hotel unit of the Penn Square Hotel and Convention Center. The Redevelopment Authority classifies this lease as a capital lease and utilizes direct financing lease accounting.

The lease rental receivable represents the discounted future minimum lease payments, which are comprised of base rent and minimum participation rent. The base rental payments are required to be used to meet debt service requirements on the Series of 2005 and 2017B Taxable Bonds. The discount rate is the interest rate applicable to the Series of 2005 and 2017B Taxable Bonds, the proceeds of which were used to finance the underlying hotel construction costs. The imputed interest income of \$13,142,227 as of December 31, 2020 is presented as part of unearned revenue. With respect to the second hotel tower, any project costs incurred to date that were financed by the Series 2017B Taxable Bond proceeds and amounts advances by the lessee is included in the determination of the future minimum lease payments.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### Future Minimum Rental Payments:

The following schedule represents the future minimum rental payments due to the Redevelopment Authority as of December 31, 2020:

2021	\$ 3,835,380
2022	4,869,024
2023	4,926,338
2024	6,206,533
2025	2,746,740
2026-2029	<u>25,755,358</u>
Total	<u>\$ 48,339,373</u>

### *Due from Other Governments*

A summary of grants receivable due from other governmental units at December 31, 2020 follows:

Commonwealth of Pennsylvania:	
Infrastructure and Facilities Improvement Program Grant	\$ 4,864,885
Current portion	<u>682,073</u>
Long-term portion	<u>\$ 4,182,812</u>

Grants receivables related to the Infrastructure and Facilities Improvement Program are restricted for debt service payments related to the Guaranteed Special Revenue Bonds, Series of 2005 Special Revenue Indenture and First Supplemental Indenture (Note 10). The grant funds are payable over a twenty-year period to mirror the debt service on aforementioned bonds. The grants receivable has been discounted utilizing the interest rate underlying the associated bond issues and is presented at its present value.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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A summary of interest due from other governmental units which has been accrued on grants at December 31, 2020 follows:

Commonwealth of Pennsylvania:	
Interest accrued on Infrastructure and Facilities Improvement Program Grant, carried at present value	\$ 341,738
Other accrued interest	<u>4,394</u>
Total	<u>\$ 346,132</u>

### **Notes Receivable**

Notes receivable at December 31, 2020 were as follows:

Note receivable from Lancaster Press Partners, originally due December 2017 and extended through December 2020. The loan has one scheduled payment at maturity for principal and interest of 1.50% through December 31, 2015 and 2.00% starting January 1, 2016 until June 30, 2019. Starting July 1, 2019 until February 28, 2020, the applicable rate will be equal to the Wall Street Journal Prime Rate plus 0.5%. From March 1, 2020 through March 31, 2021, the applicable rate is 1.50%. From April 1, 2021, until maturity, the applicable rate will be 3.25%. The loan is secured by a mortgage on property at 401-403 North Prince Street and at 37 and 39 West Lemon Street. Earlier principal payments are required when condominium units at this location are sold.

\$ 855,298

Note receivable from PSP. This loan of originally \$2,250,000 accrued interest at 2.00% through November 2007. Beginning December 2007, the loan became payable in monthly installments of \$15,539 including interest at 2.00%. In November 2017, the loan was extended through June 2029, payable in monthly installments of \$7,150 including interest at 2.00%. This loan is secured by a mortgage on the leasehold interest held by PSP in the site of the Penn Square Hotel.

670,209

1,525,507

73,069

Current portion

Long-term portion

\$ 1,452,438

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### *LDIDA*

LDIDA issues assessments to property owners within the district. The bills are mailed at the beginning of the fiscal year with the following terms:

2% discount period	May 1 to September 30
Face amount period	October 1 to April 30

The 10% penalty period was waived for the year ending April 30, 2021. In addition, some of LDIDA's administrative and business improvement services to benefit the City's Downtown Investment District have been postponed or temporarily suspended. Authority management is monitoring the evolving situation and adapting operations and decision-making as necessary.

### *CRIZ*

On February 28, 2019, the CRIZ entered into a participation agreement with Community First Fund (CFF), by purchasing \$1,500,000 of a \$4,800,000 loan made by CFF to Square Development, L.P. (Square). Under the terms of this participation agreement, interest is paid monthly from CFF beginning March 15, 2019 at 7.0% per annum on the CRIZ's portion of the outstanding principal using a 360-day year. Monthly principal payments are scheduled to begin in 2020, with a final maturity and balloon payment of remaining outstanding principal due June 15, 2028. CFF is only required to remit payment of interest and principal to the CRIZ as collected from Square. No collateral is held by the CRIZ from CFF or Square in regard to this participation agreement. During 2020, the CRIZ's participation in the loan was reduced to \$1,250,000 with principal payments scheduled to begin in 2022. The outstanding principal balance of this participation agreement at December 31, 2020 was \$1,220,289 and is classified as notes receivable on the balance sheet. Interest earned was \$93,800 during 2020.

## **4. Delinquent Tax Lien Receivables**

In January 2020, the City sold the full amount of delinquent real estate tax lien receivables for the 2019 tax year. The delinquent real estate tax lien receivables are the total assessed value of real estate taxes, plus any applicable penalties, less collections received from the County. Since the City's continuing involvement with the delinquent real estate tax liens is effectively terminated, these transactions were treated as a sale, as opposed to a

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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collateralized borrowing. The full amount received by the City for this sale was \$1,033,852 and the revenue was recognized in the year of sale.

In January 2021, the City sold the full amount of delinquent real estate tax lien receivables for the 2020 tax year. The full amount received by the City for this sale was \$1,071,137 and the revenue was recognized in the year of sale.

### 5. Properties Held for Resale

#### **Component Unit**

##### *Redevelopment Authority*

Within the scope of its organizational purpose, the Redevelopment Authority acquires through purchase, gift, or eminent domain, blighted properties and in turn, sells these properties to private, corporate, or governmental entities for rehabilitation. After rehabilitation, the goal is for the properties to be occupied by low or moderate income families, preferably as the owner. The properties are classified as assets of the Redevelopment Authority upon acquisition and until they are resold for rehabilitation. The properties are carried at the lower of the just compensation paid or payable for them or fair market value. At times, properties are transferred from the City. Those properties are recorded at the City's carrying value. When other costs, such as property improvements, environmental remediation, or delinquent taxes are deemed to be material, they are also included in the value of the properties held for resale.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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As of December 31, 2020, the following properties were held for resale:

316 Beaver Street	\$	-
423 East Strawberry Street		-
156 Juniata Avenue		8,500
759 Manor Street		17,000
529 Locust Street		24,000
547 South Prince Street		17,000
230 Hazel Street *		-
580 South Prince Street *		465,938
639 Stevens Avenue *		10,754
643 Stevens Avenue *		11,796
617 Stevens Avenue *		41,954
640 South Franklin Street *		22,133
152 Juniata Avenue *		910
1361 South Duke Street *		6,600
		<u>6,600</u>
	\$	<u>626,585</u>

\*These properties were conveyed to the Redevelopment Authority from the City.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### 6. Capital Assets

#### Primary Government

Capital asset activity for the year ended December 31, 2020 is as follows:

	<u>December 31, 2019</u>	<u>Increase/ Transfers In</u>	<u>Decrease/ Transfers Out</u>	<u>December 31, 2020</u>
Governmental activities				
Capital assets not being depreciated:				
Land, easements, right of ways	\$ 8,098,802	\$ -	\$ -	\$ 8,098,802
Construction in progress	<u>1,178,508</u>	<u>6,791,617</u>	<u>(713,558)</u>	<u>7,256,567</u>
Total capital assets not being depreciated	<u>9,277,310</u>	<u>6,791,617</u>	<u>(713,558)</u>	<u>15,355,369</u>
Capital assets being depreciated:				
Land improvements	15,219,145	1,374,406	-	16,593,551
Buildings	44,335,044	1,079,457	-	45,414,501
Machinery and equipment	5,812,514	51,438	-	5,863,952
Vehicles	8,221,119	613,418	(203,801)	8,630,736
Infrastructure	<u>57,575,255</u>	<u>2,620,306</u>	<u>-</u>	<u>60,195,561</u>
Total capital assets being depreciated	<u>131,163,077</u>	<u>5,739,025</u>	<u>(203,801)</u>	<u>136,698,301</u>
Less accumulated depreciation for:				
Land improvements	(7,190,350)	(720,099)	-	(7,910,449)
Buildings	(9,724,746)	(878,861)	-	(10,603,607)
Machinery and equipment	(4,240,356)	(377,647)	-	(4,618,003)
Vehicles	(4,892,487)	(363,979)	203,801	(5,052,665)
Infrastructure	<u>(32,619,607)</u>	<u>(1,763,871)</u>	<u>-</u>	<u>(34,383,478)</u>
Total accumulated depreciation	<u>(58,667,546)</u>	<u>(4,104,457)</u>	<u>203,801</u>	<u>(62,568,202)</u>
Total capital assets being depreciated, net	<u>72,495,531</u>	<u>1,634,568</u>	<u>-</u>	<u>74,130,099</u>
Governmental activities, capital assets, net	<u>\$ 81,772,841</u>	<u>\$ 8,426,185</u>	<u>\$ (713,558)</u>	<u>\$ 89,485,468</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 169,995
Public safety	643,682
Community planning and economic development	32,108
Public works	<u>3,258,672</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,104,457</u></u>

	<u>December 31,</u> <u>2019</u>	<u>Increase/ Transfers In</u>	<u>Decrease/ Transfers Out</u>	<u>December 31,</u> <u>2020</u>
Business-type activities:				
Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 1,484,824	\$ -	\$ -	\$ 1,484,824
Construction in progress	<u>553,368</u>	<u>431,077</u>	<u>(295,452)</u>	<u>688,993</u>
Total capital assets not being depreciated	<u>2,038,192</u>	<u>431,077</u>	<u>(295,452)</u>	<u>2,173,817</u>
Capital assets being depreciated:				
Sewer system	195,046,485	4,190,560	-	199,237,045
Equipment and vehicles	<u>4,042,349</u>	<u>971,193</u>	<u>(23,840)</u>	<u>4,989,702</u>
Total capital assets being depreciated	<u>199,088,834</u>	<u>5,161,753</u>	<u>(23,840)</u>	<u>204,226,747</u>
Less accumulated depreciation for:				
Sewer system	(84,103,706)	(3,893,952)	-	(87,997,658)
Equipment and vehicles	<u>(1,739,490)</u>	<u>(350,762)</u>	<u>23,840</u>	<u>(2,066,412)</u>
Total accumulated depreciation	<u>(85,843,196)</u>	<u>(4,244,714)</u>	<u>23,840</u>	<u>(90,064,070)</u>
Total capital assets being depreciated, net	<u>113,245,638</u>	<u>917,039</u>	<u>-</u>	<u>114,162,677</u>
Sewer Fund capital assets, net	<u>115,283,830</u>	<u>1,348,116</u>	<u>(295,452)</u>	<u>116,336,494</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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	<u>December 31, 2019</u>	<u>Increase/ Transfers In</u>	<u>Decrease/ Transfers Out</u>	<u>December 31, 2020</u>
Water Fund:				
Capital assets not being depreciated:				
Land	1,070,600	-	-	1,070,600
Construction in progress	<u>21,541,425</u>	<u>11,711,194</u>	<u>(1,626,133)</u>	<u>31,626,486</u>
Total capital assets not being depreciated	<u>22,612,025</u>	<u>11,711,194</u>	<u>(1,626,133)</u>	<u>32,697,086</u>
Capital assets being depreciated:				
Water system	228,990,973	4,409,178	-	233,400,151
Equipment and vehicles	<u>6,350,311</u>	<u>547,757</u>	<u>(92,520)</u>	<u>6,805,548</u>
Total capital assets being depreciated	<u>235,341,284</u>	<u>4,956,935</u>	<u>(92,520)</u>	<u>240,205,699</u>
Less accumulated depreciation for:				
Water system	(63,599,115)	(3,258,300)	-	(66,857,415)
Equipment and vehicles	<u>(3,230,410)</u>	<u>(917,191)</u>	<u>92,520</u>	<u>(4,055,081)</u>
Total accumulated depreciation	<u>(66,829,525)</u>	<u>(4,175,491)</u>	<u>92,520</u>	<u>(70,912,496)</u>
Total capital assets being depreciated, net	<u>168,511,759</u>	<u>781,444</u>	<u>-</u>	<u>169,293,203</u>
Water Fund capital assets, net	<u>191,123,784</u>	<u>12,492,638</u>	<u>(1,626,133)</u>	<u>201,990,289</u>

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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	December 31, 2019	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2020
Other enterprise funds:				
Capital assets not being depreciated:				
Land	177,200	-	-	177,200
Construction in progress	203,807	-	(111,125)	92,682
Total capital assets not being depreciated	381,007	-	(111,125)	269,882
Capital assets being depreciated:				
Buildings	503,902	15,500	-	519,402
Infrastructure	6,993,546	1,180,212	-	8,173,758
Equipment and vehicles	1,633,440	118,943	-	1,752,383
Total capital assets being depreciated	9,130,888	1,314,655	-	10,445,543
Less accumulated depreciation for:				
Buildings	(84,154)	(5,318)	-	(89,472)
Infrastructure	(312,937)	(178,915)	-	(491,852)
Equipment and vehicles	(534,891)	(137,425)	-	(672,316)
Total accumulated depreciation	(931,982)	(321,658)	-	(1,253,640)
Total other enterprise funds capital assets, net	8,198,906	992,997	-	9,191,903
Other enterprise funds capital assets, net	8,579,913	992,997	(111,125)	9,461,785
Business-type activities capital assets, net	\$ 314,987,527	\$ 14,833,751	\$ (2,032,710)	\$ 327,788,568

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### Component Units

#### *Commission*

Major classifications of capital assets and their respective depreciable lives consist of the following as of December 31, 2020:

	December 31, 2019	Additions/ Transfers In	Deletions/ Transfers Out	December 31, 2020	Depreciable Lives
Capital assets not being depreciated:					
Construction in progress	\$ 6,445	\$ -	\$ (6,445)	\$ -	
Total capital assets not being depreciated	<u>6,445</u>	<u>-</u>	<u>(6,445)</u>	<u>-</u>	
Capital assets being depreciated:					
Equipment	162,003	-	-	162,003	3 - 10 years
Furniture and improvements	236,524	-	6,445	242,969	5 - 15 years
Vehicles	94,407	-	-	94,407	5 - 10 years
Capital improvements	<u>192,609</u>	<u>-</u>	<u>-</u>	<u>192,609</u>	5 - 15 years
Total capital assets being depreciated	685,543	-	6,445	691,988	
Accumulated depreciation	<u>(423,360)</u>	<u>(45,681)</u>	<u>-</u>	<u>(469,041)</u>	
Capital assets being depreciated, net	<u>262,183</u>	<u>(45,681)</u>	<u>6,445</u>	<u>222,947</u>	
Total capital assets	<u>\$ 268,628</u>	<u>\$ (45,681)</u>	<u>\$ -</u>	<u>\$ 222,947</u>	

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### *Parking Authority*

Capital asset activity for the year ended December 31, 2020 is as follows:

	December 31, 2019	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Construction in process	\$ 3,522,014	\$ 10,178,158	\$ (68,366)	\$ 13,631,806
Land	5,743,454	68,366	-	5,811,820
Total capital assets not being depreciated	<u>9,265,468</u>	<u>10,246,524</u>	<u>(68,366)</u>	<u>19,443,626</u>
Capital assets being depreciated:				
Parking garages, lots, and rental complex	45,268,026	-	-	45,268,026
Office furnishings and equipment	134,396	-	(12,630)	121,766
Equipment	3,784,129	108,338	(30,785)	3,861,682
Vehicles	294,174	-	(46,950)	247,224
Total capital assets being depreciated	<u>49,480,725</u>	<u>108,338</u>	<u>(90,365)</u>	<u>49,498,698</u>
Less accumulated depreciation for:				
Parking garages, lots, and rental complex	(23,688,202)	(1,171,246)	-	(24,859,448)
Office furnishings and equipment	(81,660)	(12,923)	12,630	(81,953)
Equipment	(3,262,321)	(269,806)	30,785	(3,501,342)
Vehicles	(187,219)	(43,185)	41,501	(188,903)
Total accumulated depreciation	<u>(27,219,402)</u>	<u>(1,497,160)</u>	<u>84,916</u>	<u>(28,631,646)</u>
Total capital assets being depreciated, net	<u>22,261,323</u>	<u>(1,388,822)</u>	<u>(5,449)</u>	<u>20,867,052</u>
Total capital assets, net	<u>\$ 31,526,791</u>	<u>\$ 8,857,702</u>	<u>\$ (73,815)</u>	<u>\$ 40,310,678</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### *Redevelopment Authority*

Capital asset activity for the year ended December 31, 2020 is as follows:

	December 31, 2019	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Land and improvements	\$ 20,300	\$ -	\$ -	\$ 20,300
Construction in progress	496,750	243,470	-	740,220
Total capital assets not being depreciated	<u>\$ 517,050</u>	<u>\$ 243,470</u>	<u>\$ -</u>	<u>\$ 760,520</u>

## 7. Line of Credit and Loan Payable

### Component Units

#### *Commission*

The Commission has a renewable \$250,000 line of credit agreement with PNC Bank, National Association. The line bears interest at a variable rate, which was 4.25% at December 31, 2020. There were no borrowings on the line of credit as of December 31, 2020.

On May 1, 2020, the Commission received loan proceeds in the amount of \$228,600 under the Paycheck Protection Program, which was established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The Paycheck Protection Program provides loans to qualifying businesses, which are forgivable after a covered period as long as the borrower meets the specified eligibility requirements.

The Commission met the Paycheck Protection Program's loan forgiveness requirements and, therefore, applied for forgiveness January 2021. When legal release is received, the Commission will record the amount forgiven as forgiveness income within its financial statements. If any portion of the Commission's Paycheck Protection Program loan is not forgiven, the Commission will be required to repay that portion, plus 1% interest, over two years in installments with the repayments term beginning at the time that the SBA remits the amount forgiven to the Commission's lender. On March 9, 2021, the Commission

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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received legal release from the SBA and, therefore, will record the amount forgiven, \$228,600, as forgiveness income in its 2021 financial statements.

Subsequent to year-end, the Commission applied for and received a second Paycheck Protection Program loan from the SBA in the amount of \$435,075. The terms are identical to the first round, except any unforgiven portion of the loan is payable over five years.

During 2020, the Commission received additional funding from the Pennsylvania Office of Child Development and Early Learning under the CARES Act in the amount of \$313,600, which is included in children's services revenue in the financial statements.

### *Redevelopment Authority*

The Redevelopment Authority entered into a \$1,550,000 revolving line of credit agreement with a bank, which is secured by the Redevelopment Authority's interest in the City's delinquent tax receivables. Interest accrues at a variable rate measured by interest rates on corporate loans at large U.S. Money Center Commercial Banks as published in the Money Rates column of the Wall Street Journal, Eastern Editions. The rate shall not exceed 8.00% per annum or fall below 4.75% per annum for the year ended December 31, 2020. The interest rate was 4.75% as of December 31, 2020. Interest payments are due monthly. Principal payments are due quarterly based on availability of funds from the collection of delinquent tax receivables. The line will expire on March 5, 2024. During the year ended December 31, 2020, the Redevelopment Authority borrowed on this note to facilitate the purchase of delinquent real estate tax claims from the City (Note 3).

Short-term debt activity for the year ended December 31, 2020 was as follows:

	January 1, 2020	Additions	Reduction	December 31, 2020
Line of credit - delinquent real estate taxes	<u>\$ 543,918</u>	<u>\$ 1,094,381</u>	<u>\$ 1,026,562</u>	<u>\$ 611,737</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 8. Due to/from the Primary Government/Component Unit

#### *Due from Component Unit*

On June 19, 2019, the Parking Authority purchased the North Queen Street Garage from the Redevelopment Authority through the issuance of a \$3,000,000 unsecured note payable.

During the year ended December 31, 2019, the Redevelopment Authority assigned the \$3,000,000 outstanding note payable to the City. The Parking Authority will make an annual payment in the amount of \$150,000 over a 20-year period, beginning in 2020, to satisfy the unsecured note payable to the City. See below for the note maturity schedule as of December 31, 2020:

2021	\$	150,000
2022		150,000
2023		150,000
2024		150,000
2025		150,000
2026-2030		750,000
2031-2035		750,000
2036-2039		600,000
		<hr/>
	\$	<u>2,850,000</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### **Component Unit**

#### *Redevelopment Authority*

As of December 31, 2020, the following amounts were due to the primary government:

Accumulated gain on tax collections (Note 3)	\$ 231,474
Amounts due for conveyed properties	<u>560,085</u>
	<u>\$ 791,559</u>

As discussed in Note 3, the City conveyed no properties to the Redevelopment Authority during the year ended December 31, 2020. The expectation for conveyed properties is that the Redevelopment Authority will sell these properties and pass the proceeds back to the City. The Redevelopment Authority sold one property and assigned the proceeds back to the City during the year ended December 31, 2020, that had a carrying value of \$91,374. Sales of proceeds of \$80,000 were immediately assigned to the City and, therefore, are not recognized as proceeds from property sales by the Redevelopment Authority.

## **9. Unearned Revenue**

### **Component Unit**

#### *Redevelopment Authority*

A summary of unearned revenue at December 31, 2020 follows:

Unearned grant revenue	\$ 2,368,023
Unearned interest income - capital lease (Note 3)	<u>13,142,227</u>
	15,510,250
Current portion	<u>2,092,409</u>
Long-term portion	<u>\$ 13,417,841</u>

Unearned grant revenue consists of grant funds received from a governmental agency. In accordance with the grant agreement, portions of these funds have been loaned to third parties and will be repaid to the Redevelopment Authority over an agreed-upon period. Upon the return of these funds to the Redevelopment Authority, the principal and interest

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

earned on the returned funds must be continuously used for making loans to third parties with the objective of the elimination of blighted areas in the City.

### 10. Long-term Obligations

#### Primary Government

A summary of bonds and notes payable outstanding as of December 31, 2020 is as follows:

Date of Issue/Maturity	Amount of Original Issue	Description and Interest Rates	Balance Outstanding December 31, 2020
2011/2041	\$ 38,860,000	General Obligation Bonds	\$ 30,575,000
2014/2044	42,490,000	General Obligation Bonds	37,140,000
2015/2034	11,840,000	General Obligation Bonds	9,385,000
2016/2046	118,820,000	General Obligation Bonds	109,445,000
2016/2036	11,560,000	General Obligation Bonds	10,690,000
2018/2048	113,325,000	General Obligation Bonds	112,990,000
2019/2029	22,140,000	General Obligation Bonds	20,950,000
			331,175,000
Direct Borrowings:			
2013/2035	7,000,000	Note Payable to Financing Agency	3,385,085
2014/2037	5,500,000	Note Payable to Financing Agency	4,086,919
2015/2028	6,950,000	General Obligation Note	4,615,000
2019/2039	9,040,000	General Obligation Note, Series A	3,439,817
			15,526,821
Total			\$ 346,701,821

#### ***Bonds Payable***

In 1998, the City issued \$61,915,000 of general obligation bonds, bearing interest at rates ranging from 3.60% to 5.05%. The proceeds of the bond issuance were used to (i) finance the acquisition of the Water System through the refunding of the Metropolitan Lancaster Authority's outstanding: (a) Water Revenue Bonds, Series of 1990; (b) Water Revenue Bonds, Series of 1992; (c) Water Project Notes, Series of 1997; and (d) Water Revenue Notes, Series of 1998, (ii) to finance the acquisition of the Sewer System through the refunding of the Lancaster Municipal Authority's outstanding (a) Sewer Revenue Bonds,

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Series of 1987; (b) Sewer Revenue Bonds, Series of 1991; and (c) Sewer Project Notes, Series of 1996; and (iii) to finance the refunding of a portion of the City's outstanding General Obligation Bonds, Series of 1996. These bonds were currently refunded through the issuance of General Obligation Notes, Series of 2009.

In 2003, the City issued \$9,995,000 of general obligation bonds, bearing interest at rates ranging from 2.00% to 4.45%. The proceeds of the bond issuance were used to fund the construction and equipping of a new police station and water fund transmission and distribution projects. These bonds were currently refunded through the issuance of General Obligation Bonds, Series of 2010.

In 2006, the City issued \$13,455,000 of general obligation bonds, bearing interest at rates ranging from 5.00% to 5.59%. The proceeds of the bond issuance were used to fund the unfunded actuarial accrued liability associated with fire and police pension. These bonds were advance refunded through the issuance of General Obligation Bonds, Series of 2015.

In 2007, the City issued \$125,315,000 of general obligation bonds, bearing interest at rates from 4.00% to 5.00%. The proceeds of the bond issuance were used to fund general municipal projects, upgrades and improvements to the City's sewer system, the current refunding of the 2004 notes payable, and the water system membrane project. The debt service on these bonds was paid by the General Fund, Sewer Fund, and Water Fund. These bonds were advance refunded through the issuance of General Obligation Bonds, Series of 2016.

In 2010, the City issued \$8,635,000 of general obligation bonds, bearing interest at rates ranging from 2.00% to 4.00%. The proceeds of the bond issuance were used to currently refund the General Obligation Bonds, Series of 2003. These bonds were currently refunded through the issuance of General Obligation Note, Series of 2015.

In 2011, the City issued \$38,860,000 of general obligation bonds, bearing interest at rates from 1.75% to 5.00%. The proceeds of the bond issuance were used for improvements and upgrades to the water treatment and distribution facilities, upgrades and improvements to the wastewater treatment and collection facilities, and other capital projects. The debt service on these bonds is paid by the General Fund, Sewer Fund, and Water Fund.

In 2014, the City issued \$42,490,000 of general obligation bonds, bearing interest at rates ranging from 3.00% to 5.00%. The proceeds of the bond issuance were used for the purposes of financing improvements and upgrades to water treatment facilities, improving and upgrading wastewater treatment and collection facilities, and other miscellaneous

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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capital projects. The debt service on these bonds is paid by the General Fund, Sewer Fund, Water Fund, and Stormwater Fund, an other enterprise fund.

In 2015, the City issued \$11,840,000 of general obligation bonds, bearing interest at rates ranging from .85% to 4.30%. The proceeds of the bond issuance were used to advance refund the General Obligation Bonds, Series of 2006. The debt service on these bonds is paid by the General Fund.

In 2016, the City issued \$118,820,000 of general obligation bonds, bearing interest at rates ranging from 3.00% to 5.00%. The proceeds of the bond issuance were used to advance refund the General Obligation Bonds, Series of 2007. The debt service on these bonds is paid by the General Fund, Sewer Fund, and Water Fund.

In 2016, the City issued \$11,560,000 of general obligation bonds, Series A of 2016, bearing interest at rates ranging from 2.25% to 5.00%. The proceeds of the bond issuance will be used for the acquisition, construction, equipping and furnishing of various City facilities and infrastructure. The debt service on these bonds is paid by the General Fund.

In 2018, the City issued \$113,325,000 of general obligation bonds bearing interest at rates ranging from 2.00% to 5.00%. The proceeds of the bond issuance will be used to for general municipal projects including upgrades and improvements to the City's sewer system, the City's water system, and the City's stormwater system. The debt service on these bonds is paid by the General Fund, Sewer Fund, Water Fund, and Stormwater Fund, an other enterprise fund.

In 2019, the City issued \$22,140,000 of general obligation bonds, bearing interest at 5.00%. The proceeds of the bond issuance were used to currently refund the General Obligation Notes, Series of 2009. The debt service on these bonds is paid by the General Fund, Sewer Fund, and Water Fund.

### ***Notes Payable***

In 2009, the City issued \$43,990,000 of general obligation notes, bearing interest at rates ranging from 2.50% to 4.875%. The proceeds of the note issuance were used to currently refund the City's outstanding General Obligation Bonds, Series A of 1998, and to pay the termination costs of the Swaption agreement with Wachovia Bank. The debt service on these notes is paid by the General Fund, Sewer Fund, and Water Fund. These notes were currently refunded through the issuance of General Obligation Bonds, Series of 2019.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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In 2013, the City issued a direct borrowing \$7,000,000 Guaranteed Revenue Note of 2012. This is a Pennvest drawdown loan that is for the construction of a series of green infrastructure source control practices, including porous pavement in parking lots, paths, alleys, and streets; infiltration and bio-retention systems; green roofs; rain gardens and rain barrels in order to capture storm water runoff, various other green infrastructure improvements throughout the City, and other ongoing capital improvement projects of the City. Pennvest has a lien and security interest in all gross revenues generated or produced by the wastewater treatment system. In the event of default, the entire unpaid principal and accrued interest shall become due and payable immediately. This note bears interest at a rate of 1.495% for the first five years and 2.965% thereafter. As of December 31, 2020, \$5,170,705 was drawn down on this note. The debt service on this note is paid by the Stormwater Fund, an other enterprise fund.

In 2014, the City issued a direct borrowing \$5,500,000 Guaranteed Revenue Note of 2014. This is a Pennvest loan for the construction of a preliminary treatment facility and diversion chamber. Pennvest has a lien and security interest in all gross revenues generated or produced by the wastewater treatment system. In the event of default, the entire unpaid principal and accrued interest shall become due and payable immediately. The note bears interest at a rate of 1.00% for the first five years and 1.74% thereafter. As of December 31, 2020, \$5,054,872 was drawn down on this note. The debt service on this note is paid by the Sewer Fund.

In 2015, the City issued a direct borrowing general obligation note in the amount of \$6,950,000, bearing a fixed interest rate of 2.41%. The proceeds of the note issuance were used to currently refund the City's outstanding General Obligation Bonds, Series of 2010. The debt service on this note is paid by the General Fund and Water Fund.

In 2019, the City issued a direct borrowing general obligation note Series A of 2019 in the amount of \$9,040,000, bearing interest at a fixed rate of 2.82% through November 1, 2029 and then bearing interest at a variable rate equal to 79% of Wall Street Journal Prime with a minimum rate of 2.50% and maximum of 5.00% until maturity in 2039. This is a loan for capital projects. The note is available for draw down through November 1, 2021 and annual principal payments commence on November 1, 2021. As of December 31, 2020, \$3,439,817 was drawn down on this note. The debt service on this note is paid by the Capital Projects Fund.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Bonds and Notes Payable***

A summary of principal and interest maturities on governmental activities bonds and notes payable is as follows:

<u>Year Ending December 31,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2021	\$ 3,617,600	\$ 2,696,856	\$ 6,314,456
2022	3,851,400	2,551,098	6,402,498
2023	4,005,600	2,398,158	6,403,758
2024	4,154,400	2,246,591	6,400,991
2025	4,333,600	2,069,972	6,403,572
2026-2030	22,158,200	7,446,484	29,604,684
2031-2035	12,489,817	3,987,757	16,477,574
2036-2040	8,590,000	2,086,344	10,676,344
2041-2043	5,530,000	448,200	5,978,200
	<u>\$ 68,730,617</u>	<u>\$ 25,931,460</u>	<u>\$ 94,662,077</u>

A summary of principal and interest maturities on business-type activities bonds and notes payable is as follows:

<u>Year Ending December 31,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2021	\$ 7,370,918	\$ 10,978,280	\$ 18,349,198
2022	7,697,183	10,672,745	18,369,928
2023	8,055,612	10,313,054	18,368,666
2024	8,407,675	9,960,881	18,368,556
2025	7,609,758	9,627,765	17,237,523
2026-2030	39,746,161	43,336,283	83,082,444
2031-2035	44,973,897	35,514,129	80,488,026
2036-2040	51,940,000	26,794,205	78,734,205
2041-2045	61,335,000	15,600,178	76,935,178
2046-2048	40,835,000	3,309,600	44,144,600
	<u>\$ 277,971,204</u>	<u>\$ 176,107,120</u>	<u>\$ 454,078,324</u>

The City has pledged its full faith, credit, and taxing power on all bonds and notes payable.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Capital Leases***

#### *Governmental Activities*

In 2016 through 2020, the City purchased multiple vehicles and equipment under long-term lease agreements that are classified as capital leases. The assets were purchased from the General Fund and non-major governmental funds. As of December 31, 2020, the assets are included as governmental activities in the government-wide financial statements at a cost of \$2,959,424 and accumulated depreciation of \$460,528.

The future minimum payments under the capital leases and the present value of the minimum lease payments at December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ 492,555
2022	457,266
2023	398,226
2024	340,154
2025	162,498
2026-2030	<u>521,966</u>
Total minimum lease payments	2,372,665
Less: amount representing interest	<u>(317,655)</u>
Present value of future minimum lease payments	<u><u>\$ 2,055,010</u></u>

#### *Business-type Activities*

In 2016 through 2020, the City purchased multiple vehicles and equipment under long-term lease agreements that are classified as capital leases. A majority of these assets were purchased from the Sewer Fund, Water Fund, and Stormwater Fund, an other enterprise fund. As of December 31, 2020, the assets are included as business-type activities in the government-wide financial statements at a cost of \$3,065,426 and accumulated depreciation of \$449,397.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The future minimum payments under the capital leases and the present value of the minimum lease payments at December 31, 2020 are as follows:

Year Ending December 31,	Total
2021	\$ 663,745
2022	591,423
2023	375,894
2024	296,965
Total minimum lease payments	1,928,027
Less: amount representing interest	(130,329)
Present value of future minimum lease payments	\$ 1,797,698

Changes in long-term obligations for the year ended December 31, 2020 are as follows:

	December 31, 2019	Increase	Decrease	December 31, 2020	Amount Due Within One Year
Governmental activities:					
Bonds payable	\$ 63,740,000	\$ -	\$ (2,695,000)	\$ 61,045,000	\$ 3,125,000
Unamortized premium	3,492,992	-	(472,044)	3,020,948	-
Notes payable	4,770,422	3,388,995	(473,800)	7,685,617	492,600
Compensated absences	1,380,164	3,428,296	(3,108,680)	1,699,780	391,119
Capital leases	2,165,446	468,147	(578,583)	2,055,010	399,418
Workers' compensation payable	971,196	281,110	(463,525)	788,781	214,769
Total governmental activities	\$ 76,520,220	\$ 7,566,548	\$ (7,791,632)	\$ 76,295,136	\$ 4,622,906

	December 31, 2019	Increase	Decrease	December 31, 2020	Amount Due Within One Year
Business-type activities:					
Bonds payable	\$ 275,930,000	\$ -	\$ (5,800,000)	\$ 270,130,000	\$ 6,710,000
Unamortized premium	8,336,389	(855,956)	-	7,480,433	-
Notes payable	8,495,332	-	(654,128)	7,841,204	660,918
Compensated absences	263,476	1,703,996	(1,632,739)	334,733	73,053
Capital leases	1,230,581	1,281,083	(713,966)	1,797,698	604,789
Workers' compensation payable	16,004	-	(15,404)	600	-
Total business-type activities	\$ 294,271,782	\$ 2,129,123	\$ (8,816,237)	\$ 287,584,668	\$ 8,048,760

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Compensated absences and workers' compensation claims typically have been liquidated in the General Fund and the Enterprise Funds.

### **Component Units**

#### *Parking Authority*

#### ***Long-term Debt***

The Parking Revenue Bonds of 1992, Parking Revenue Bonds of 1993, and 2003 Note were secured by a trust indenture dated December 31, 1985, and supplemental trust indentures dated January 15, 1992, December 14, 1993, and January 1, 1996, respectively, all issued by the Parking Authority to the Trustee. The bonds were payable out of revenue derived principally from the operation of the parking facilities. The City has guaranteed (under the terms of a lease agreement dated December 31, 1985, as amended by supplemental issues dated January 15, 1992, December 14, 1993, and January 1, 1996) debt service payments to the Trustee.

On September 15, 2007, the 1992 and 1993 Series Bonds were defeased and the 2003 Note was paid in full with issuance of 2007 Series A and B Parking Revenue Bonds. The 2007 bonds are secured by a trust indenture dated September 15, 2007. Debt service payments were guaranteed by the City with a guaranty agreement dated September 15, 2007. The bonds were payable out of revenue derived principally from the operation of the parking facilities.

On December 15, 2016, the 2007 Series A Bonds were advance refunded and defeased with the issuance of Series of 2016 Parking Revenue Bonds (Series of 2016 Bonds). The Series of 2016 Bonds are secured by a trust indenture dated February 11, 2016. Debt service payments are guaranteed by the City with a guaranty agreement dated February 11, 2016. The Series of 2016 Bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the Series of 2016 Bonds are at a fixed rate of 2.85% through December 1, 2026. Thereafter, the Series of 2016 Bonds will bear interest at a variable rate equal to 85% of the prime rate until maturity on December 1, 2035, provided that such variable rate shall not exceed 3.95%. The Series of 2016 Bonds were currently refunded through the issuance of Guaranteed Parking Revenue Bonds, Series A of 2020 (Series A of 2020 Bonds) and no amount was outstanding as of December 31, 2020.

On December 15, 2016, the 2007 Series B Bonds were advance refunded and defeased with the issuance of Series A of 2016 Parking Revenue Bonds (Series A of 2016 Bonds). The Series A of 2016 Bonds are secured by a trust indenture dated December 15, 2016. Debt service

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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payments are guaranteed by the City with a guaranty agreement dated December 15, 2016. The Series A of 2016 Bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the Series A of 2016 Bonds range from 1.10% to 5.00% through the maturity date of December 1, 2025.

On October 1, 2019, the Parking Authority Issued Series A and B of Guaranteed Parking Revenue Bonds (Series A and B of 2019 Bonds). The issuance of the Series A and B of 2019 Bonds were made to finance the design, planning, acquisition, and construction of an approximately 300 vehicle parking facility and public library. The Series A and B of 2019 Bonds are secured by a trust indenture dated October 1, 2019. Debt service payments are guaranteed by the City with a guaranty agreement dated October 1, 2019. The Series A and B of 2019 Bonds are payable out of revenue derived principally from the operation of the parking facilities. Interest rates on the Series A and B of 2019 Bonds range from 2.10% to 4.00% through the maturity date of September 1, 2044.

On December 1, 2020, the Series of 2016 Bonds were currently refunded and redeemed with the issuance of Series A of 2020 Bonds. The Series A of 2020 Bonds are secured by a trust indenture dated December 1, 2020. Debt service payments are guaranteed by the City with a guaranty agreement dated December 1, 2020. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. Interest rates on the Series A of 2020 Bonds range from 2.00% to 3.00% through the maturity date of December 1, 2035. The current refunding of the Series 2016 Bonds decreased the Authority's total debt service by \$884,611 and resulted in a net economic gain (difference between present values of the old and new debt service payments) of \$764,200.

On December 1, 2020, the Authority Issued Guaranteed Parking Revenue Bonds, Series B of 2020 (Series B of 2020 Bonds). The issuance of the Series B of 2020 Bonds was made to fund additional costs related to the Christian Street Garage construction project. The Series B of 2020 Bonds are secured by a trust indenture dated December 1, 2020. Debt service payments are guaranteed by the City with a guaranty agreement dated December 1, 2020. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture. Interest rates on the Series B of 2020 Bonds range from 2.00% to 2.55% through the maturity date of December 1, 2044.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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In the event of default by the Parking Authority and the City, the Trustee may take and maintain possession of all or any part of the Parking Facilities, and may hold, manage, and operate such Parking Facilities and collect the amounts payable by reason of such operation.

	Balance			Balance		Amount Due Within One Year
	January 1, 2020	Additions	Repayments	December 31, 2020		
Series of 2016 Parking Revenue Bonds	\$ 13,605,000	\$ -	\$ (13,605,000)	\$ -	\$ -	-
Series A of 2016 Parking Revenue Bonds	5,820,000	-	(970,000)	4,850,000		995,000
Series A of 2019 Parking Revenue Bonds	27,825,000	-	-	27,825,000		-
Series B of 2019 Parking Revenue Bonds	1,325,000	-	-	1,325,000		485,000
Series A of 2020 Parking Revenue Bonds	-	13,520,000	-	13,520,000		25,000
Series B of 2020 Parking Revenue Bonds	-	5,260,000	-	5,260,000		-
	<u>\$ 48,575,000</u>	<u>\$ 18,780,000</u>	<u>\$ (14,575,000)</u>	<u>\$ 52,780,000</u>		<u>\$ 1,505,000</u>

Future maturities are as follows:

Year Ending December 31,	Principal	Interest	Total
2021	\$ 1,505,000	\$ 1,688,077	\$ 3,193,077
2022	1,690,000	1,650,517	3,340,517
2023	2,070,000	1,597,792	3,667,792
2024	2,150,000	1,519,673	3,669,673
2025	2,245,000	1,425,223	3,670,223
2026-2030	12,810,000	5,817,113	18,627,113
2031-2035	13,805,000	3,631,458	17,436,458
2036-2040	6,315,000	1,983,728	8,298,728
2041-2044	10,190,000	608,180	10,798,180
Total	<u>\$ 52,780,000</u>	<u>\$ 19,921,761</u>	<u>\$ 72,701,761</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### Interest Expense

Interest expense on all bonds totaled \$1,631,541 for the year ended December 31, 2020. In addition, there was a total of \$249,090 included in interest expense related to debt issuance costs for the year ended December 31, 2020.

### *Redevelopment Authority*

#### ***Due to Lessee***

The lessee of the Penn Square Hotel advanced \$1,000,000 to the Redevelopment Authority to facilitate debt service payments. Upon full payment of the related debt, these funds and any interest earned will be returned to the lessee. At December 31, 2020, the amount due is \$1,013,604.

#### ***Convention Center Authority Obligation***

During the year ended December 31, 2014, the Redevelopment Authority Board of Directors, together with other parties, executed the Marketing Consortium Agreement. The Redevelopment Authority agreed to pay \$100,000 annually to the consortium for a period of seven years to provide funding for marketing activities related to the convention center. This future obligation is presented on the statement of net position as the Convention Center Authority obligation.

As of December 31, 2020, the remaining payments, which will be funded from a portion of the minimum participation rent payments to the Convention Center Authority, are as follows:

2021	<u>\$</u>	<u>50,000</u>
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#### ***Notes Payable***

During the year ended December 31, 2013, the Redevelopment Authority entered into a direct borrowing non-revolving, multi-advance time loan. The maximum amount the Redevelopment Authority can borrow on this loan is \$5,075,000 to be used for the parking garage construction through December 15, 2014, at which point semi-annual payments are required to be made. The loan bears interest at 3.30% until October 5, 2020, then moved to 2.81% through maturity. The note is secured with the intergovernmental tax increment financing (TIF) revenues (Note 17). The lender can put a lien on the property being

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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constructed, if desired. The loan matures December 15, 2028. The outstanding balance as of December 31, 2020 was \$3,088,333, of which \$328,000 is due within one year.

### ***Bonds Payable***

The Redevelopment Authority issued Guaranteed Special Revenue Bonds, Series of 2005 Special Revenue Indenture in the amount of \$8,000,000 in a private placement at a premium of \$1,540,000. The bonds bear interest of 6.99% per annum. Bond proceeds were used to fund the construction of the Penn Square Hotel (Note 16). Proceeds from the Infrastructure and Facilities Improvement Grant (Notes 3 and 15) are required to be used to pay debt service on the bonds. The bonds are guaranteed by the City. Principal and interest payments on the bonds shall be payable only from certain receipts, revenues, and money of the Redevelopment Authority and, if appropriate, by the City pursuant to the guaranty agreement. The bonds mature in December 2025. The outstanding balance at December 31, 2020 is \$2,674,158, of which \$463,942 is due within one year.

The Redevelopment Authority issued additional bonds as the First Supplemental Indenture to the Guaranteed Special Revenue Bonds, Series of 2005 Special Revenue Indenture in the amount of \$4,000,000 in a private placement at a premium of \$983,716. The bonds bear interest of 6.39% per annum. Bond proceeds were used to fund construction of the Penn Square Hotel (Note 16). Proceeds from the Infrastructure and Facilities Improvement Grant (Notes 3 and 15) are required to be used to pay debt service on the bonds. The bonds are guaranteed by the City. Principal and interest payments on the bonds shall be payable only from certain receipts, revenues, and money of the Redevelopment Authority and, if appropriate, by the City pursuant to the guaranty agreement. The bonds mature in December 2025. The outstanding balance at December 31, 2020 is \$1,508,654, of which \$265,066 is due within one year.

The Redevelopment Authority does not amortize the bond premium of the Guaranteed Special Revenue Bonds, Series of 2005. The Redevelopment Authority is expecting reimbursement of the debt service through the Infrastructure and Facilities Improvement Program grant. The premium received does not represent a reduction of debt service but an offset of construction costs and is a part of lease rental.

On April 1, 2009, the Redevelopment Authority issued the Federally Taxable Hotel Lease Revenue Bonds, Series of 2005 in the amount of \$21,456,414 in a private placement. The bonds bear interest at a variable rate which is related to the bondholder's funding interest rate with a third party. This rate is 4.45% as of December 31, 2020. The bonds are secured with the Redevelopment Authority's interest in the lease rental payments from the Penn Square Hotel lessee and a limited guarantee from the City in the event of the imposition of

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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certain taxes on the project. The bonds mature in December 2024. The outstanding balance as of December 31, 2020 was \$8,286,495, of which \$1,044,407 is due within one year.

In April 2017, the Redevelopment Authority issued the Federally Taxable Hotel Lease Revenue Bonds, Series A of 2017 in the maximum amount of \$9,021,397 in a private placement. The Bonds bear interest at 4.88% until June 5, 2029. The bonds will be paid exclusively using funding to be received as a grant from the CRIZ. The bonds are not general obligation debt of the Redevelopment Authority. The Bonds are secured equally on a pari passu basis with the 2005 Bonds and any additional bonds issued. The Bonds mature in June 2029. The outstanding balance as of December 31, 2020 was \$7,976,156, of which \$325,266 is due within one year.

Also in April 2017, the Redevelopment Authority issued the Federally Taxable Hotel Lease Revenue Bonds, Series B of 2017 in the maximum amount of \$27,872,000 in a private placement. The bonds bear interest at a variable rate which is related to the bondholder's funding interest rate with a third-party. This rate is 5.06% for the year ended December 31, 2020. The Bonds are secured with the Redevelopment Authority's interest in the lease rental payments from the Penn Square Hotel lessee. The bonds mature in June 2029. The outstanding balance as of December 31, 2020 was \$25,868,817, of which \$765,601 is due within one year.

Aggregate maturities required on bonds and notes payable at December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,192,282	\$ 2,376,571	\$ 5,568,853
2022	4,394,975	2,200,530	6,595,505
2023	4,588,357	1,981,170	6,569,527
2024	6,096,453	1,754,524	7,850,977
2025	2,885,549	1,505,042	4,390,591
2026-2029	<u>28,244,997</u>	<u>4,331,452</u>	<u>32,576,449</u>
Total	<u>\$ 49,402,613</u>	<u>\$ 14,149,289</u>	<u>\$ 63,551,902</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Long-term obligation activity for the year ended December 31, 2020 can be summarized as follows:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020
Due to lessee	\$ 1,426,262	\$ 67	\$ (412,725)	\$ 1,013,604
LCCCA Obligation	150,000	-	(100,000)	50,000
Notes payable	3,306,333	-	(218,000)	3,088,333
Bonds payable	49,098,491	46,545	(2,830,756)	46,314,280
	<u>\$ 53,981,086</u>	<u>\$ 46,612</u>	<u>\$ (3,561,481)</u>	<u>\$ 50,466,217</u>

As described in the Guaranty Agreement between the City, the Redevelopment Authority, and the trustee, the City guarantees the full amount of the outstanding two indentures totaling \$4,182,812 as of December 31, 2020, all interest payments, as well as any fees and expenses resulting from events of default of the Redevelopment Authority. Future scheduled interest payments on these bonds amount to \$817,454 as of December 31, 2020. The guaranty remains in effect until the bonds are repaid. The bonds mature in 2025. The Redevelopment Authority is required to use special revenues (Infrastructure and Facilities Improvement Grant funds Notes 3 and 15) and reserve fund balances before requesting debt service assistance of the City under this guaranty. Since inception of the bonds, the City has not made any debt service payments under the terms of the guaranty on behalf of the Redevelopment Authority. If any payment were made under the guaranty, the City could seek reimbursement from the Redevelopment Authority's subsequent receipt of special revenues.

As described in the Limited Guaranty Agreement between the City, the Redevelopment Authority, and the trustee, the City guarantees any shortfall in debt service payments by the Redevelopment Authority that could occur if the property became subject to real estate tax, because the lease rental payments would not be sufficient to meet the debt service obligations if real estate taxes have to be paid by the Redevelopment Authority. In that case, the City would be liable for payment of the shortfall in the debt service payments per the terms of the limited guaranty. The total bond principal outstanding at December 31, 2020 is \$8,286,495 and future interest payments, based on current interest rates, are \$894,618. The current tax-exempt assessment for the property is \$59,660,800 and the applicable combined millage rate is 36.8934. The bonds are scheduled to be paid in full in 2024. The amount of the guaranty cannot be further quantified because it is not known if the property will become taxable in the future and how future real estate tax rates and assessment will develop. Since inception of the bonds, the City has not made any debt

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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service payments under the terms of the guaranty on behalf of the Redevelopment Authority.

### *CRIZ*

On March 15, 2020, the CRIZ issued a \$5,500,000 Tax Revenue Note, Series of 2020 (the 2020 Note) supplementing and amending an existing Trust Indenture between the CRIZ and Fulton Bank, N.A. The 2020 Note is available on a draw down basis through and including December 15, 2022 to be applied to the CRIZ's Small Business Program. An initial draw of \$486,780 was made to fund a debt service reserve fund of \$436,780 and pay issuance costs of \$50,000. The 2020 Note has an initial interest rate of 3.89% through and including June 15, 2030. Thereafter, the interest rate shall be a variable rate based on the London Interbank Offered Rate plus 1.80%, not to exceed 6%. Interest only is due semiannually through June 15, 2022. Beginning December 15, 2022, principal and interest are due semiannually through maturity on December 15, 2040.

Long-term debt from direct borrowings consists of the following at December 31, 2020:

\$5,500,000, Tax Revenue Note, Series of 2020, interest rate at 3.89%, balance amortized over 216 months beginning June 15, 2030 through December 2040, secured by a pledge of the CRIZ's revenues.	\$ 486,780
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The following is a summary of long-term debt from direct borrowings:

Long-term debt at January 1:	\$ -
Additions	486,780
Payments	-
Long-term debt at December 31:	486,780
Current portion	-
Long-term debt, net	<u><u>\$ 486,780</u></u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Note availability consists of the following at December 31, 2020:

Series of 2020 note amount available	\$ 5,500,000
Total draws on note as of December 31, 2020	<u>486,780</u>
Balance of note available to draw down at December 31, 2020	<u><u>\$ 5,013,220</u></u>

The CRIZ's outstanding note from direct borrowings of \$486,780 contains provisions that if there is an event of default that materially impairs the notes collateral or the CRIZ's ability to satisfy the note obligation, all amounts outstanding are due immediately. Events of default include failure to pay any principal or interest installment when due and failure by the CRIZ to observe or perform any covenants in the note agreement.

Scheduled principal repayments on long-term debt from direct borrowings are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 213,950	\$ 213,950
2022	222,000	213,950	435,950
2023	231,000	205,314	436,314
2024	<u>33,780</u>	<u>196,328</u>	<u>230,108</u>
Total	<u><u>\$ 486,780</u></u>	<u><u>\$ 829,542</u></u>	<u><u>\$ 1,316,322</u></u>

## 11. Retirement Plans

### Primary Government

#### *Defined Benefit Plans*

The City administers three single-employer defined benefit pension plans – the Fire Pension Plan (FPP), the Police Pension Plan (PPP), and the Cash Balance Pension Plan (CBPP). The assets of these plans are not commingled.

#### FPP and PPP

The FPP and PPP issue publicly available financial reports that include financial statements and required supplementary information. These financial reports may be obtained from the City's Accounting Department at 120 North Duke Street, Lancaster, PA 17602.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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The financial statements of the FPP and PPP are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments of the FPP and PPP are reported at fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation (depreciation) in fair value of investments includes both realized and unrealized gains and losses.

At December 31, 2020, none of the FPP's and PPP's investments were more than five percent of the total asset value for each plan.

### Plan Participants

At December 31, 2020, employee membership data related to the FPP and PPP was as follows:

	FPP	PPP
Inactive plan members or beneficiaries currently receiving benefits	134	188
Inactive plan members entitled to but not yet receiving benefits	-	1
Active plan members	57	137
Total	<u>191</u>	<u>326</u>

### Plan Descriptions and Administration

The FPP and PPP are single-employer public employee retirement systems established and administered by the City to provide pension benefits for full-time members of its Bureau of Fire and Bureau of Police, respectively. FPP and PPP provisions are established and may be amended through the collective bargaining process. The FPP is governed by the City of Lancaster Fire Pension Board, which consists of the Mayor, Director of Administrative Services, Director of Public Safety, City Controller, Chief of Fire, and two members of the fire department. The PPP is governed by City of Lancaster Police Pension Board which consists of the Mayor, the City Treasurer, the City Controller, three active police officers to be duly elected by a majority of all active police officers for three-year overlapping terms, and one

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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retired police officer on the pension list to be duly elected by a majority of the retired police officers on the pension list for a two-year term.

### Normal Retirement

For both the FPP and PPP, a participant is eligible for normal retirement after completion of 25 years of service. Retirement is mandatory upon the attainment of age 60 for PPP. The normal retirement pension is payable monthly during the participant's lifetime, with payments continuing after the participants' death to the surviving spouse, or to dependent children under the age of 18, or to the FPP member's dependent parents, equal to 100% (75% if hired before January 1, 2003 for PPP) of the initial amount payable to the participant.

For FPP, the amount of monthly pension is equal to 50% of the final month's salary plus longevity, plus a service increment of 2.5% of the benefit multiplied by years of service in excess of 20, but not more than \$500 additional.

For PPP, the amount of monthly pension is equal to 50% (pro-rated for service less than 25 years if age 60 mandatory retirement) of the final month's salary plus longevity, plus a service increment of 2.5% of the benefit multiplied by years of service in excess of 20, but not more than \$500 additional if hired before January 1, 2011, \$100 if hired on or after January 1, 2011.

FPP and PPP also provide disability and survivor benefits.

### Deferred Retirement Option Program (DROP)

An active member in the FPP who has attained age 51 and completed 25 years of service may elect to participate in the DROP. As of December 31, 2020, there were 11 participants in the DROP. As of December 31, 2020, the balance held by the FPP pursuant to the DROP totaled \$1,009,587.

### Contributions

FPP members are required to contribute 5% of their pay and longevity plus \$5.00 per month for the service increment. PPP plan members hired on or before January 1, 2011 are required to contribute 5% of lieutenant's pay (or actual pay, if higher) and longevity, plus \$5.00 per month for the service increment. PPP members hired on or after January 1, 2011 contribute 5% of base pay and longevity, plus \$1.00 per month for the service increment.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

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The City is required to make actuarially determined periodic contributions at rates that, for individual employees, increase over time so that sufficient assets will be available to pay benefits when due.

The City contributed \$2,047,022 and \$3,742,138 for the year ended December 31, 2020 to the FPP and PPP, respectively.

### Administrative Expenses

FPP and PPP administration costs are financed through investment income.

### Changes in Net Pension Liability

The changes in the net pension liability for the FPP and PPP at December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
FPP:			
Balances at December 31, 2019	\$ 54,663,801	\$ 45,718,110	\$ 8,945,691
Changes for the year:			
Service cost	750,888	-	750,888
Interest	4,908,370	-	4,908,370
Contributions - employer	-	2,047,022	(2,047,022)
Contributions - employees	-	298,005	(298,005)
Net investment income	-	4,569,781	(4,569,781)
Benefit payments, including refunds	(3,902,896)	(3,902,896)	-
Net changes	1,756,362	3,011,912	(1,255,550)
Balances at December 31, 2020	\$ 56,420,163	\$ 48,730,022	\$ 7,690,141
Plan fiduciary net position as a percentage of the total pension liability			86.37%

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

PPP:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 102,376,864	\$ 77,398,127	\$ 24,978,737
Changes for the year:			
Service cost	1,823,572	-	1,823,572
Interest	8,093,024	-	8,093,024
Contributions - employer	-	3,742,138	(3,742,138)
Contributions - employees	-	839,680	(839,680)
Net investment income	-	7,721,055	(7,721,055)
Benefit payments, including refunds	(6,075,280)	(6,075,280)	-
Net changes	3,841,316	6,227,593	(2,386,277)
Balances at December 31, 2020	\$ 106,218,180	\$ 83,625,720	\$ 22,592,460
Plan fiduciary net position as a percentage of the total pension liability			78.73%

The net pension liability was measured as of December 31, 2020 and was determined by rolling forward liabilities from the January 1, 2019 actuarial valuation. No significant events or changes occurred between the valuation date and the fiscal year-end.

*Actuarial Assumptions* - The January 1, 2019 actuarial valuation used the entry age normal actuarial cost method and PubS-2010 mortality table. The actuarial assumptions for both the FPP and PPP include the following: a) 8.00% investment rate of return, b) a projected salary increase of 5.00%, c) 3.00% inflation rate, d) level dollar closed amortization method, and e) 5-year remaining amortization period for FPP and 11-year remaining amortization period for PPP. These assumptions were applied to all periods included in the measurement of total pension liability.

*Investment Policy* - The Plans' policies in regard to the allocation of invested assets are established and may be amended by the respective Boards. The Boards seek to optimize the total return of the Plans' portfolios through a policy of balanced investments, structured to achieve the maximum returns possible, as measured on the total portfolios, consistent with policies that emphasize the prudent management of risk.

*Long-Term Expected Rate of Return* - The long-term expected rates of return on both Plans' investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the both Plans as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	66.0%	5.5-7.5%
Fixed income	30.0%	1.0-3.0%
Cash	4.0%	0.0-1.0%
	<u>100.0%</u>	

*Rate of Return* - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on Plan investments, net of investment expense, was 10.34% and 10.23% for the FPP and PPP, respectively.

*Discount Rate* – The discount rate used to measure the total pension liability as of December 31, 2020 was 8.00% for both the FPP and PPP. The Plans' fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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*Sensitivity of the Net Pension Liability Changes in the Discount Rate* – The following presents the net pension liability of each Plan calculated using the discount rate described above, as well as what the Plan’s net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
FPP	\$ 13,269,416	\$ 7,690,141	\$ 2,959,681
PPP	\$ 35,606,842	\$ 22,592,460	\$ 11,770,664

### **CBPP**

The CBPP does not issue stand-alone financial reports.

#### ***A. Summary of Significant Accounting Policies***

##### Basis of Accounting

The CBPP’s financial statements are prepared using the accrual basis of accounting. The CBPP member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

##### Method Used to Value Investments

Investments are reported at fair value.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***B. Plan Description and Contribution Information***

#### Plan Participants

At December 31, 2020, employee membership data related to the CBPP was as follows:

Inactive plan members or beneficiaries currently receiving benefits	66
Inactive plan members entitled to but not yet receiving benefits	33
Active members	<u>305</u>
Total	<u><u>404</u></u>

#### Plan Description and Administration

The CBPP is a single-employer defined benefit pension plan that covers all full-time, nonuniformed employees of the City. The CBPP provides retirement, disability, and death benefits to plan members and their beneficiaries. The CBPP provisions are established and may be amended by the Nonuniformed Pension Board (Board). The Board consists of the Mayor, City Controller, the superintendent of finance, two nonuniformed employees, and a member of City Council.

#### Benefits Provided

A participant is eligible for normal retirement at age 65 and completion of ten years of service. The normal retirement pension is payable monthly during the participant's lifetime. Payments cease upon the participant's death.

The amount of monthly pension is equal to the greater of (a) or (b) where (a) equals 0.8% of average monthly compensation times credited service after December 1, 1986, plus accrued benefit on December 1, 1986, and (b) equals the actuarial equivalent of the participant benefit account balance. The participant benefit account balance is equal to the sum of (1) the accrued benefit on November 30, 1986, plus (2) for each plan year beginning on or after January 1, 1987, an annual benefit credit equal to 4% of earnings for a participant who accrues credited service plus (3) after January 1, 1987, interest credited to the account balance equal to 5.5% compounded annually.

Average monthly compensation is based upon the five consecutive plan years of highest compensation out of the last ten years preceding retirement.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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If a participant continues working after his/her normal retirement date, his/her pension would not start until retirement, subject to minimum distribution rules at age 70 ½ or later. The late retirement benefit is the pension accrued to the late retirement date.

CBPP also provides early retirement, disability, and survivor benefits.

### Contributions

The CBPP is funded by the City on an annual basis pursuant to the provisions of the Act 205 of 1984 of the Commonwealth of Pennsylvania. The CBPP members are not required to contribute to the CBPP. The City is required to make actuarial determined periodic contributions at rates that for individual employees increase over time so that sufficient assets will be available to pay benefits when due.

The annual required contribution is determined annually during the budgeting process. The results of actuarial valuations are used in budgeting for future years.

The City contributed \$1,239,914 to the CBPP for the year ended December 31, 2020.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### Changes in the Net Pension Liability

The changes in the net pension liability for the CBPP at December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 20,584,417	\$ 15,885,740	\$ 4,698,677
Service cost	731,328	-	731,328
Interest	1,549,312	-	1,549,312
Contributions - employer	-	1,206,464	(1,206,464)
Net investment income	-	1,651,411	(1,651,411)
Benefit payments, including refunds	(1,316,501)	(1,316,501)	-
Net changes	964,139	1,541,374	(577,235)
Balances at December 31, 2020	\$ 21,548,556	\$ 17,427,114	\$ 4,121,442
Plan fiduciary net position as a percentage of the total pension liability			80.87%

The net pension liability of the pension plan is allocated between governmental activities and business-type activities in the amounts of \$2,300,376 and \$1,821,066, respectively, at December 31, 2020.

The net pension liability was measured as of December 31, 2020 and was determined by rolling forward liabilities from the January 1, 2020 actuarial valuation. No significant events or changes occurred between the valuation date and the fiscal year-end.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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*Actuarial Assumptions* - The January 1, 2019 actuarial valuation included the following assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	12 years
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.50%
Underlying inflation rate	3.00%
Basis for Mortality Rates	PubG-2010 Mortality Table

*Investment Policy* - The CBPP's policies in regard to the allocation of invested assets are established and may be amended by the Board. The Board seeks to optimize the total return of the CBPP's portfolio through a policy of balanced investments, structured to achieve the maximum returns possible, as measured on the total portfolio, consistent with a policy that emphasizes the prudent management of risk.

*Long-Term Expected Rate of Return* - The long-term expected rate of return on CBPP investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by the target asset allocation percentage and by adding expected inflation.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the CBPP as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	66.0%	5.5% - 7.5%
Fixed income	30.0%	1.0% - 3.0%
Cash	4.0%	0.0% - 1.0%
	<u>100.0%</u>	

*Rate of Return* – The money-weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on CBPP investments, net of investment expense, was 11.11%.

*Concentrations* – At December 31, 2020, none of CBPP’s investments were more than five percent of the CBPP’s total asset value.

*Discount Rate* – The discount rate used to measure the total pension liability as of December 31, 2020 was 7.50%. The CBPP’s fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability Changes in the Discount Rate* – The following presents the net pension liability of the CBPP calculated using the discount rate described above, as well as what the CBPP’s net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
<u>\$ 7,436,813</u>	<u>\$ 4,121,442</u>	<u>\$ 1,393,314</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

For the year ended December 31, 2020, the governmental activities and business-type activities recognized pension expense of \$4,789,669 and \$588,791, respectively.

At December 31, 2020, the governmental activities and business-type activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities
<u>Deferred Outflows of Resources</u>		
Differences between expected and actual experience	\$ 374,868	\$ -
Changes of assumptions	2,927,781	459,346
Total Deferred Outflows of Resources	<u>\$ 3,302,649</u>	<u>\$ 459,346</u>
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 1,513,813	\$ 226,099
Net difference between projected and actual earnings on pension plan investments	4,890,981	389,386
Total Deferred Inflows of Resources	<u>\$ 6,404,794</u>	<u>\$ 615,485</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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The differences in the governmental activities and business-type activities expected and actual experience and changes of assumptions is recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ (331,707)	\$ (77,294)
2022	489,348	(26,185)
2023	(3,102,611)	(187,170)
2024	(384,016)	(29,065)
2025	26,844	17,419
Thereafter	199,997	146,156
	<u>\$ (3,102,145)</u>	<u>\$ (156,139)</u>

### **Defined Contribution Plan**

The City administers a single-employer defined contribution plan, the Supplemental Savings Plan (SSP), in which all eligible, full-time, nonuniformed employees of the City may elect to participate. As of December 31, 2020, there were 170 plan participants. The SSP participants may elect to contribute up to 10% of their after-tax pay. The City will match 25% of the participant's contribution, on the first 5% contributed by each participant. Participant contributions in excess of 5% of compensation will not be matched. The SSP provisions are established and may be amended by the Board. During the year ended December 31, 2020, SSP participants and the City made contributions of \$846,095 and \$206,574 respectively.

The SSP uses the same basis of accounting and methods to value investments as the City's defined benefit plans.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### Pension Financial Statements

Financial statements for the individual pension plans are presented below:

#### **Statement of Net Position December 31, 2020**

	FPP	PPP	CBPP	SPP
<b>Assets:</b>				
Investments	\$ 48,879,799	\$ 83,394,810	\$ 17,464,261	\$11,575,278
Receivables:				
Investment income	134,553	230,910	-	-
<b>Total Assets</b>	<u>49,014,352</u>	<u>83,625,720</u>	<u>17,464,261</u>	<u>11,575,278</u>
<b>Liabilities:</b>				
Benefits payable	284,330	-	37,147	-
<b>Net position restricted for pension benefits</b>	<u>\$ 48,730,022</u>	<u>\$ 83,625,720</u>	<u>\$ 17,427,114</u>	<u>\$11,575,278</u>

#### **Statement of Changes in Net Position Year Ended December 31, 2020**

	FPP	PPP	CBPP	SPP
<b>Additions:</b>				
Contributions:				
Employees	\$ 298,005	\$ 839,680	\$ -	\$ 846,095
Employer	2,047,022	3,742,138	1,239,914	206,574
<b>Total contributions</b>	<u>2,345,027</u>	<u>4,581,818</u>	<u>1,239,914</u>	<u>1,052,669</u>
Investment income:				
Net appreciation in fair value of investments	3,768,697	6,302,131	1,357,671	982,095
Interest and dividends	1,055,744	1,802,691	295,340	328,285
<b>Total investment income</b>	<u>4,824,441</u>	<u>8,104,822</u>	<u>1,653,011</u>	<u>1,310,380</u>
Less: investment expenses	(254,660)	(383,767)	(35,050)	-
<b>Net investment income</b>	<u>4,569,781</u>	<u>7,721,055</u>	<u>1,617,961</u>	<u>1,310,380</u>
<b>Total additions</b>	<u>6,914,808</u>	<u>12,302,873</u>	<u>2,857,875</u>	<u>2,363,049</u>
<b>Deductions:</b>				
Benefits	3,902,896	6,075,280	1,316,501	1,165,029
Administrative expenses	-	-	-	61,544
<b>Total deductions</b>	<u>3,902,896</u>	<u>6,075,280</u>	<u>1,316,501</u>	<u>1,226,573</u>
<b>Change in net position</b>	<u>3,011,912</u>	<u>6,227,593</u>	<u>1,541,374</u>	<u>1,136,476</u>
<b>Net position restricted for pension benefits:</b>				
Beginning of year	45,718,110	77,398,127	15,885,740	10,438,802
<b>End of year</b>	<u>\$ 48,730,022</u>	<u>\$ 83,625,720</u>	<u>\$ 17,427,114</u>	<u>\$11,575,278</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### **Component Units**

#### *Commission*

The Commission established a non-contributory, money purchase retirement plan for all eligible employees. The Corporation contributes 6% of eligible employees' earnings during the Plan year. Retirement expense totaled \$52,277 for the year ended December 31, 2020.

#### *Parking Authority*

The Parking Authority's defined benefit pension plan, The Parking Authority of the City of Lancaster Employee Pension Plan, provides retirement, disability, and death benefits to all full-time plan members and their beneficiaries. The plan is a single-employer defined benefit pension plan. The pension plan is affiliated with the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer pension plan administered by an independent state agency created by the Pennsylvania General Assembly in 1974 to administer local government pension plans. The PMRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. The report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165, or via PMRS's website.

### **Benefits Provided**

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, grants the authority to establish and amend the benefit terms to the Parking Authority's Board of Directors.

*Normal Benefit* – Normal retirement age is 62 and the annual benefit is determined by multiplying years of credited service times final average salary times .015, whereby final average salary is the average annual compensation during the highest five consecutive years prior to the effective date of retirement. A member is fully vested after ten years of credited service.

*Early Retirement Benefit* – Early retirement is available for those who have at least ten years of service and have attained the age of 55. The benefit will be actuarially reduced for each year and month prior to normal retirement age that early retirement takes place.

*Survivor Benefit* – If a member is eligible to retire at the time of death, their beneficiary receives the present value of the accrued benefit.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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*Disability Benefit* – In the instance of a service or non-service related disability, a 30% disability benefit is provided, offset by applicable worker’s compensation benefits, to a member who has ten years of service and who is unable to perform gainful employment.

*Cost-of-Living Adjustments* – The Parking Authority has the option to award post-retirement adjustments based on investment performance.

### Plan Membership

Membership of the Plan consisted of the following at the most recent actuarial valuation date of January 1, 2019:

Active employees	32
Inactive employees and beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	<u>-</u>
Total	<u><u>44</u></u>

### Contributions

Active members are required to contribute 3.50% of their total compensation. Effective February 1, 2016, active members may also contribute up to an additional 16.5% to fund an optional member annuity. The Parking Authority is required to contribute at an actuarially determined rate, as in accordance with Act 205.

During the year ended December 31, 2020, the Parking Authority made a contribution of \$75,437. The MMO for the year ended December 31, 2020 was \$75,417. The 2020 contribution is reported as a deferred outflow of resources at December 31, 2020.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### Changes in the Net Pension Liability (Asset)

Pension information and amounts included in the Parking Authority's financial statements are based upon the most currently available information from PMRS. The effects of any differences are not deemed to be material to the Parking Authority's financial statements.

The changes in the net pension liability (asset) of the Parking Authority for the year ended December 31, 2020 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2018 (based on the measurement date of December 31, 2017)	\$ 1,466,554	\$ 1,618,000	\$ (151,446)
Changes for the year:			
Service cost	156,403	-	156,403
Interest	81,652	-	81,652
Differences between expected and actual experience	(62,989)	-	(62,989)
Contributions - employer	-	31,163	(31,163)
Contributions - employee	-	81,810	(81,810)
Net investment income (loss)	-	(179,827)	179,827
Benefit payments, including refunds	(102,194)	(102,194)	-
Administrative expenses	-	(4,354)	4,354
Net changes	72,872	(173,402)	246,274
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	\$ 1,539,426	\$ 1,444,598	\$ 94,828
Plan fiduciary net position as a percentage of the total pension liability			93.84%

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation performed on January 1, 2019, with liabilities rolled forward to December 31, 2018, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	5.25%
Projected salary increases	2.8% - 7.05% *
* includes inflation rate of 2.8%	
Post-retirement cost-of-living adjustments	2.8%, subject to plan limitations

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2009 to December 31, 2013.

Pre-retirement mortality:

Males: RP 2000 Male Non-Annuitant table projected 15 years with Scale AA  
Females: RP 2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years

Post-retirement mortality:

Males: RP 2000 Male Non-Annuitant table projected 5 years with Scale AA  
Females: RP 2000 Female Non-Annuitant table projected 10 years with Scale AA

*Long-Term Expected Rate of Return* – The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to the method used by the System and an in-depth description of the process, including the anticipated rate of return by asset class, can be found at [www.pmr.state.pa.us](http://www.pmr.state.pa.us). Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 7.0%. The rationale for the difference between the System’s long-term expected rate of return and the discount rate can be found at [www.pmr.state.pa.us](http://www.pmr.state.pa.us).

*Discount Rate* – The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities’ total pension liability as of December 31, 2018 was 5.25%. The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System’s long-term

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

expected rate of return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Plan calculated using the discount rates described above, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
\$ 269,061	\$ 94,828	\$ (50,950)

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

For the year ended December 31, 2020, the Parking Authority recognized pension expense of \$75,437. At December 31, 2020, the Parking Authority reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,394	\$ 52,491
2019 Parking Authority contributions subsequent to the measurement date of December 31, 2018	64,525	-
Changes of assumptions	12,698	-
Net difference between projected and actual earnings on pension plan investments	103,841	-
Total	\$ 196,458	\$ 52,491

The differences in the Parking Authority's expected and actual experience and changes in assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Parking Authority contributions made in 2019 (subsequent to measurement date at December 31, 2018) will be recorded as a reduction to the pension liability during the year ending December 31, 2021. Other amounts

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2021	\$ 33,288
2022	7,863
2023	7,300
2024	41,487
2025	<u>(10,496)</u>
	<u>\$ 79,442</u>

## 12. Other Post-employment Benefits

The City administers three single-employer defined benefit OPEB plans for all employees – the OPEB Plan (excludes Water and Sewer employees), Water OPEB Plan, and Sewer OPEB Plan (collectively, OPEB Plans). The City has established Water and Sewer OPEB Trust Funds to fund the Water OPEB Plan and Sewer OPEB Plan. The OPEB Plan, Water OPEB Plan, and Sewer OPEB Plan do not issue stand-alone financial reports.

### A. *Summary of Significant Accounting Policies*

#### Basis of Accounting

The OPEB's financial statements are prepared using the accrual basis of accounting. Monthly retiree contributions to the OPEB Plans are recognized when due. Monthly employer contributions to the OPEB Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and administrative expenses are recognized when due and payable in accordance with terms of the OPEB Plans.

#### Method Used to Value Investments

Investments are reported at fair value.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***B. Plan Description and Contribution Information***

At December 31, 2020, participants in the OPEB Plans were as follows:

	OPEB Plan	Water OPEB Plan	Sewer OPEB Plan
Inactive plan members or beneficiaries currently receiving benefits	350	36	21
Inactive plan members entitled to but not yet receiving benefits	32	-	-
Active plan members	417	70	47
	<u>799</u>	<u>106</u>	<u>68</u>

#### Plan Description and Administration

In addition to the retirement benefits described in Note 11, the City provides health care benefits for all retired employees, their spouses, and dependents. These benefit provisions and all other requirements are established under the various union contracts and City policy for non-organized employees. Union labor contracts for the police, firefighters, and nonuniformed union employees establish the OPEB plan provisions. Such union contracts do not require City Council approval and may be amended through future negotiations. The OPEB plan provisions for non-organized employees are established through the City's human resources policies, which are approved by the Mayor.

#### Benefits Provided

Police officers and firefighters are eligible to retire with benefits after completion of 20 years of service or upon disability. Mandatory retirement with benefits occurs when police officers and firefighters reach age 60 regardless of service. Nonuniformed employees are eligible to retire after completion of 10 years of service and attainment of age 55 or upon disability after completion of 10 years of service.

Any firefighter, hired on or before November 30, 2012, who is eligible to retire, will receive fully paid medical and prescription drug coverage for the member, spouse, and eligible dependent children unless the retiree becomes employed by another employer. Retired firefighters will also receive dental coverage for the member only. If the retiree dies, his or her surviving spouse will be provided coverage to age 65 or until such time as

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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the spouse becomes eligible for Medicare due to disability or other reason. For any firefighter hired after November 30, 2012, excluding cadets currently in the Academy, the City will provide employee-only medical insurance to those employees who retire and are under the age of 65 and not Medicare eligible. The coverage shall be the same employee-only medical insurance provided to then active Firefighters. Eligible retirees shall be given the option of purchasing coverage for their spouses through the City. If the retiree dies, their spouse will be provided coverage to age 65 or until such time the spouse becomes eligible for Medicare due to disability or other reason. If the surviving spouse of the retiree remarries, the new spouse will not be eligible for coverage. If the regular Medicare eligibility age is increased by federal legislation, this entitlement to coverage shall continue beyond age 65 until the newly established age of Medicare eligibility. Eligibility for post-retirement medical insurance coverage paid for by the City ends at Medicare eligibility.

Any police officer hired on or before December 26, 2011 who is eligible to retire will receive fully paid medical and prescription drug coverage for the member, spouse, and eligible dependent children unless the retiree becomes employed by another employer. For any police officer hired after December 26, 2011 who is eligible to retire, the City will pay 50% of the premium for member, spouse, and eligible dependent children for medical and prescription drug coverage unless the retiree becomes employed by another employer. Upon employment with a subsequent employer, the retiree, spouse, and eligible dependent children must accept the medical coverage offered by the subsequent employer and terminate coverage under the City's group plan. Upon termination of employment with any subsequent employer, the retiree, spouse, and eligible dependent children must elect, in writing within sixty days of the termination of employment, to re-enroll under the City's plan or otherwise forfeit reinstatement. Eligibility for post-retirement medical insurance coverage paid for by the City ends at Medicare eligibility.

Any nonuniformed employee who elects coverage will make monthly contributions. Once any retiree or spouse becomes eligible for Medicare, he/she must apply for Medicare Part A and Part B. For those eligible for Medicare coverage, medical insurance provided by the City will supplement Medicare.

If an active police officer or firefighter would die, dependents will become eligible for the same benefits as the member would upon retirement. If a retired employee would die while enrolled in the City's medical plan, his/her spouse and eligible dependents may continue coverage under the plan. If a police officer or firefighter would die while covered by a subsequent employer's medical plan, his/her surviving spouse and eligible dependents will be allowed to re-enroll into the City's medical plan.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Prior to the retirement date of January 1, 2020, police officers will be provided with \$7,500 of life insurance. After the retirement date of January 1, 2020, police officers will be provided with \$15,000 of life insurance. A nonuniformed employee will be eligible for \$7,000 of life insurance upon 10 years of service and attainment age of 55 or upon disability after completion of 10 years of service.

Employees are required to pay a portion of the cost of the Plan, which generally ranges from approximately 2% to 10% of the annual premiums.

### Contributions

The City's Water and Sewer Funds have been making contributions to the respective OPEB trust funds based on a percentage of the annual determined contribution, as determined by an actuarial valuation. The balance of the City's contribution is based on projected pay-as-you-go financing requirements through the General Fund. The City contributed \$4,033,879, \$890,990, and \$302,968 to the OPEB Plan, Water OPEB Plan, and Sewer OPEB Plan, respectively, for the year ended December 31, 2020.

Union labor contracts and the City's human resource policies establish and amend the obligations of the plan members and the City to contribute to the plans.

For police officers hired on or before December 26, 2011 and firefighters eligible to retire, the City pays the entire cost of medical and prescription drug coverage for the retiree, spouse, and eligible dependent children. For police officers hired after December 26, 2011 eligible to retire, the City pays 50% of medical and prescription drug coverage for the retiree, spouse, and eligible dependent children. Retired firefighters will also receive dental coverage of the member only. Any nonuniformed employee who elects coverage will make monthly contributions. For eligible nonuniform individuals under the age of 65, the monthly costs for the retiree, spouse, and eligible dependent children are \$65, \$110, and \$60, respectively. For eligible nonuniformed individuals over the age of 65, the monthly costs for the retiree and spouse are \$50 and the monthly costs for eligible dependent children is \$65.

The City pays the entire cost of the life insurance benefits.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

### Changes in Net OPEB Liability

The changes in the net OPEB liability of the OPEB Plans at December 31, 2020 were as follows:

OPEB Plan:	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2019	\$ 139,648,762	\$ -	\$ 139,648,762
Changes for the year:			
Service cost	5,764,796	-	5,764,796
Interest	4,726,538	-	4,726,538
Changes of benefit terms	142,085	-	142,085
Difference between expected and actual experience	(17,568,939)	-	(17,568,939)
Changes of assumptions	30,867,120	-	30,867,120
Contributions - employer	-	4,033,879	(4,033,879)
Benefit payments, including refunds	(4,033,879)	(4,033,879)	-
Net changes	19,897,721	-	19,897,721
Balances at December 31, 2020	\$ 159,546,483	\$ -	\$ 159,546,483
Plan fiduciary net position as a percentage of the total OPEB liability			0.00%

The net OPEB liability of the OPEB Plan is allocated between governmental and business-type activities in the amounts of \$155,637,954 and \$3,908,529, respectively, at December 31, 2020.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Water OPEB Plan:			
Balances at December 31, 2019	\$ 17,018,049	\$ 6,980,100	\$ 10,037,949
Changes for the year:			
Service cost	570,141	-	570,141
Interest	572,746	-	572,746
Differences between expected and actual experience	(2,580,399)	-	(2,580,399)
Changes of assumptions	4,035,969	-	4,035,969
Contributions - employer	-	890,990	(890,990)
Net investment income	-	17,982	(17,982)
Benefit payments, including refunds	(428,747)	(428,747)	-
Administrative expenses	-	(32,184)	32,184
Net changes	2,169,710	448,041	1,721,669
Balances at December 31, 2020	\$ 19,187,759	\$ 7,428,141	\$ 11,759,618
Plan fiduciary net position as a percentage of the total OPEB liability			38.71%

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Sewer OPEB Plan:			
Balances at December 31, 2019	\$ 8,325,271	\$ 725,040	\$ 7,600,231
Changes for the year:			
Service cost	341,895	-	341,895
Interest	281,580	-	281,580
Differences between expected and actual experience	(237,103)	-	(237,103)
Changes of assumptions	2,094,264	-	2,094,264
Contributions - employer	-	302,968	(302,968)
Net investment income	-	1,872	(1,872)
Benefit payments, including refunds	(248,205)	(248,205)	-
Administrative expenses	-	(3,382)	3,382
Net changes	2,232,431	53,253	2,179,178
Balances at December 31, 2020	\$ 10,557,702	\$ 778,293	\$ 9,779,409
Plan fiduciary net position as a percentage of the total OPEB liability			7.37%

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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The net OPEB liability was measured as of December 31, 2020 and was determined by the January 1, 2020 actuarial valuation. The following actuarial assumptions were used and applied to all periods in the measurement:

Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions:	
Interest rate	2.00%
Medical inflation	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later
Mortality table	PubS-2010 mortality table for police officers and firefighters and PubG-2010 mortality table for nonuniformed employees
Retirement age	Nonuniformed employees are assumed to retire at age 62 and completion of 10 years of service. Police Officers age 53 and older and Firefighters age 55 and older are assumed to retire immediately upon reaching 25 years of service. Retirement is mandatory upon attainment of age 60.

*Change in actuarial assumptions:* The interest rate changed from 3.30% in the January 1, 2018 actuarial valuation as of December 31, 2019 to 2.00% in the January 1, 2020 actuarial valuation as of December 31, 2020. In addition, the healthcare cost trend rates were also updated.

*Investment Policy* - The City has not yet adopted an investment policy for the Sewer and Water OPEB Trust Funds. Policies regarding the allocation of invested assets in the Sewer and Water OPEB Trust are established and may be amended by the Mayor and/or the Mayor's designee at the recommendation of the Business Administrator. Upon creation of the Sewer and Water OPEB Trusts, the City's priority was to build up an invested balance over a period of years and to preserve invested principal by investing 100% of the Sewer and Water OPEB Trusts in a Fidelity Money Market Fund managed by the Trust administrator, ICMA-RC.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Until the principal balance, invested in a moderate-risk portfolio, could reasonably be expected to produce investment earnings higher than the annual medical insurance expenses for Sewer and Water Fund retirees, the Sewer and Water OPEB Trusts would remain invested in the Money Market Fund. As of June 30, 2018, the Sewer and Water OPEB Trusts reached a balance where, with a modest 4% annual return, the Sewer and Water Fund OPEB Trusts would provide sufficient investment return to cover retiree medical insurance expenses (based on annual expenses for 2018).

With this milestone reached, the City plans to establish an investment policy for the Sewer and Water OPEB Trusts to provide guidelines for a moderate-risk portfolio of investments in 2022 so that it can begin paying a portion of the Sewer and Water Fund retiree medical insurance expenses from the Sewer and Water OPEB Trusts.

*Long-Term Expected Rate of Return* - The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the OPEB Plans as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Money market	100.0%	4.5%

*Rate of Return* – The money-weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on the Sewer and Water OPEB Plan investments, net of investment expense, was 0.25% and 0.24%, respectively.

*Concentrations* – At December 31, 2020, none of the OPEB Plans' investments were more than five percent of the OPEB Plans' total asset value.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

*Discount Rate* – The discount rate used to measure the total OPEB liability as of December 31, 2020 was 2.00%. The projection of cash flows used to determine the discount rate assumed that annual employer contributions are equal to pay-as-you-go costs plus \$937,000 (which represents the average employer contributions to the OPEB trust over the last five years).

The rate of 2.00% as of December 31, 2020 is the single-effective discount rate using 4.50% on projected assets sufficient to cover expected cash flows and 2.00% on remaining cash flows expected to be paid from the OPEB Trust, not already funded for by current assets, on a projected basis. As the January 1, 2020 discount rate of 4.50% resulted in a projected depletion of OPEB Trust net position, a rate of 2.00% was used beginning in the cross-over depletion year of 2029, which is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

In using the discount rate of 2.00% as of December 31, 2020, the OPEB Plans' fiduciary net position is projected to only be available to make projected future benefit payments of current active and inactive employees through the year 2031. Therefore, the long-term expected rate of return on OPEB Plans' investments was applied to periods of projected benefit payments through year 2031 to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability Changes in the Discount Rate* – The following presents the net OPEB liability of the OPEB Plans calculated using the discount rate described above, as well as what the OPEB Plans' net OPEB liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates as of December 31, 2020:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
OPEB Plan	<u>\$ 191,751,789</u>	<u>\$ 159,546,483</u>	<u>\$ 134,921,398</u>
Water OPEB Plan	<u>\$ 16,028,763</u>	<u>\$ 11,759,618</u>	<u>\$ 8,534,680</u>
Sewer OPEB Plan	<u>\$ 11,951,612</u>	<u>\$ 9,779,409</u>	<u>\$ 8,109,307</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

*Sensitivity of the Net OPEB Liability Changes in the Healthcare Cost Trend Rates* – The following presents the net OPEB liability of the OPEB Plans calculated using the healthcare cost trend rates described above, as well as what the OPEB Plans’ net OPEB liabilities would be if they were calculated using a healthcare cost trend rate that is one-percentage-point lower or higher than the current rates as of December 31, 2020:

	1% Decrease (4.5%)	Current Rates (5.5%)	1% Increase (6.5%)
OPEB Plan	\$ 131,215,747	\$ 159,546,483	\$ 197,341,897
Water OPEB Plan	\$ 7,940,936	\$ 11,759,618	\$ 16,926,866
Sewer OPEB Plan	\$ 7,777,663	\$ 9,779,409	\$ 12,460,713

### OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the governmental activities and business-type activities recognized OPEB expense of \$5,130,418 and \$1,058,132, respectively.

At December 31, 2020, the governmental activities and business-type activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	Business-type Activities
<u>Deferred Outflows of Resources</u>		
Changes of assumptions	\$ 38,262,472	\$ 8,751,233
Differences between expected and actual experience	-	623,281
Net difference between projected and actual earnings on OPEB plan investments	-	493,480
Total Deferred Outflows of Resources	\$ 38,262,472	\$ 9,867,994
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 36,163,705	\$ 6,806,212
Changes of assumptions	2,754,362	1,155,587
Total Deferred Inflows of Resources	\$ 38,918,067	\$ 7,961,799

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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The differences in the governmental activities and business-type activities expected and actual experience and changes of assumptions is recognized over the average expected remaining service lives of active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future. The difference between projected and actual earnings on the Water OPEB Plan and Sewer OPEB Plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ (268,836)	\$ 404,639
2022	(268,836)	365,728
2023	(268,836)	330,082
2024	(268,840)	292,378
2025	419,753	513,368
	<u>\$ (655,595)</u>	<u>\$ 1,906,195</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Financial statements for the OPEB Trust Funds are presented below:

### Statement of Net Position December 31, 2020

	Sewer OPEB Trust	Water OPEB Trust
Assets:		
Investments	\$ 778,293	\$ 7,428,141
Total Assets	<u>778,293</u>	<u>7,428,141</u>
Net position restricted for other post-employment benefits	<u>\$ 778,293</u>	<u>\$ 7,428,141</u>

### Statement of Changes in Net Position Year Ended December 31, 2020

	Sewer OPEB Trust	Water OPEB Trust
Additions:		
Contributions:		
Employer	\$ 302,968	\$ 890,990
Total contributions	<u>302,968</u>	<u>890,990</u>
Investment income:		
Interest and dividends	1,872	17,982
Total investment income	<u>1,872</u>	<u>17,982</u>
Total additions	<u>304,840</u>	<u>908,972</u>
Deductions:		
Benefits	248,205	428,747
Administrative expenses	3,382	32,184
Total deductions	<u>251,587</u>	<u>460,931</u>
Change in net position	53,253	448,041
Net position restricted for other post-employment benefits:		
Beginning of year	725,040	6,980,100
End of year	<u>\$ 778,293</u>	<u>\$ 7,428,141</u>

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### 13. Risk Management

The City maintains both insurance contracts and self-funded arrangements to deal with the risk of loss arising from the following events: torts; theft of, damage to, or destruction of assets; business interruptions; errors and omissions; job-related illnesses or injuries to employees; acts of God; and losses resulting from providing fringe benefits to employees and their dependents.

Insurance contracts cover public officials, law enforcement, automobile, excess workers' compensation, excess health claims, and umbrella liabilities. The contracts also provide employee, tax collector/treasurer, mayor, controller, city engineer, and employee blanket bonds.

#### *Self-Insurance-Workers' Compensation*

The City has a self-funded third-party administered workers' compensation arrangement through Murray Risk Management and Insurance. During 2020, the City was limited to \$750,000 per employee per accident and \$750,000 per employee for disease. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

A summary of workers' compensation claims for the years ended December 31, 2020 and 2019 is as follows:

Unpaid claims as of January 1, 2019	\$ 831,392
Incurred claims and change in estimates during 2019	372,385
Payments during 2019	<u>(216,577)</u>
Unpaid claims as of December 31, 2019	987,200
Incurred claims and change in estimates during 2020	281,110
Payments during 2020	<u>(478,929)</u>
Unpaid claims as of December 31, 2020	<u><u>\$ 789,381</u></u>

#### *Self-Insurance-Health Insurance*

The City is exposed to various risks of loss related to major medical self-insurance. The City has a stop/loss agreement with an insurance company which covers all individual claim

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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amounts exceeding \$175,000. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends as determined by the City's independent third-party administrator.

Changes in the balance of claims liability (net of excess insurance) during the years ended December 31, 2020 and 2019 is as follows:

Unpaid claims as of January 1, 2019	\$ 396,304
Incurred claims and change in estimates during 2019	13,246,851
Payments during 2019	<u>(12,581,891)</u>
Unpaid claims as of December 31, 2019	1,061,264
Incurred claims and change in estimates during 2020	13,172,121
Payments during 2020	<u>(13,221,013)</u>
Unpaid claims as of December 31, 2020	<u>\$ 1,012,372</u>

## 14. Property Sales

### Component Unit

#### *Redevelopment Authority*

During the year ended December 31, 2020, four properties, which were acquired by purchase or eminent domain, were resold to private or corporate entities for rehabilitation. The just compensation cannot always be realized when properties are resold, as the cost of the rehabilitation work required when added to the just compensation would prohibit the property from being marketable to low- or moderate-income families. As a result, the Redevelopment Authority may have losses from time to time on the sale or transfer of properties held for resale. Grant funding received from Community Development Block Grant allocations are used by the Redevelopment Authority to absorb these losses. Cost of

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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property sold represents the inventoried value at the time of the sale, after any possible prior-period losses from lower of cost or market inventory adjustments.

Properties sold during the year ended December 31, 2020:

<u>Property</u>	<u>Net Proceeds from Property Sales</u>	<u>Cost of Property Sold</u>	<u>Gain (Loss)</u>
423 East Strawberry Street	\$ 17,183	\$ 13,000	\$ 4,183
316 Beaver Street	6,798	4,000	2,798
723 Lime Street	11,081	8,000	3,081
512 Saint Joseph Street	25,000	18,000	7,000
Additional Allocations	-	(20,687)	20,687
	<u>\$ 60,062</u>	<u>\$ 22,313</u>	<u>\$ 37,749</u>

### *LLBA*

During the year ended December 31, 2020, one property, which was acquired by purchase, was resold to private or corporate entities for rehabilitation. The property cost cannot always be realized when properties are resold as the cost of the rehabilitation work required when added to the property cost would prohibit the property from being marketable. As a result, LLBA may have losses from time to time on the sale or transfer of properties held for resale. Cost of property sold represents the inventoried value at the time of the sale, after any possible prior-period losses from lower of cost or market inventory adjustments.

During the year ended December 31, 2020, LLBA received net proceeds from property sales on 530 Howard Ave of \$15,250. The cost of this property was \$3,355, with a gain recognized of \$11,895.

## 15. Grants

### *Component Unit*

#### *Redevelopment Authority*

The Redevelopment Authority receives grants from various agencies. Grants are generally recognized in earnings or to offset private/public partnership project expenses in the period in which the related expenses are incurred.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Redevelopment Authority. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

The Redevelopment Authority receives Community Development Block Grant funding which supports operations, especially as they relate to the purchase and sale of blighted properties.

The Redevelopment Authority has been awarded an Infrastructure and Facilities Improvement Program Grant through the Commonwealth of Pennsylvania, which is payable in annual increments of up to \$1,000,000 over twenty years to be used for debt service of equal annual amount on the Guaranteed Special Revenue Bonds, Series of 2005 Special Revenue Indenture and First Supplemental Indenture (Note 10) on a reimbursement basis. The Redevelopment Authority has discounted the future grant receipts (Note 3) and offset construction expenses related to the Penn Square Hotel project in the amount of \$12,000,000 with the Bond proceeds. During the year ended December 31, 2020, \$999,999 was received under this grant agreement for reimbursement of debt service requirements.

Receipt of annual grant funding of the Infrastructure and Facilities Improvement Program Grant is contingent upon the Redevelopment Authority demonstrating to the Commonwealth of Pennsylvania that anticipated tax revenues generated for the Commonwealth as a result of the Penn Square Hotel project equal or exceed the grant amount of the year. The Redevelopment Authority has offset the hotel construction costs by the maximum grant award of \$1,000,000 per year. Actual annual amounts received may be reduced by an amount that cannot be reasonably estimated at this time. The maximum annual grant award equals the debt service requirements of the Guaranteed Special Revenue Bonds, Series of 2005. The debt service is guaranteed by the City. For the year ended December 31, 2020, a shortfall of \$1 was recognized in change in net position. The Redevelopment Authority expects a one-time short-fall of approximately \$365,000 resulting from the COVID-19 pandemic. The Redevelopment Authority did not reduce the receivable at December 31, 2020, because the short-fall is not material to the financial statements and is resolved in the subsequent year. The Redevelopment Authority entered into an agreement with PSP (Note 16) subsequent to December 31, 2020, whereby PSP will cover the grant funding short-fall so that the Redevelopment Authority is able to pay the debt service without the City needing to perform under the related guarantee (Note 20).

The Redevelopment Authority has been awarded a CRIZ Grant through the CRIZ in April 2017 which is payable in annual increments of up to the annual debt service of the

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Federally Taxable Hotel Lease Revenue Bonds, Series A of 2017 on a reimbursement basis for a maximum total estimated grant amount of \$9,021,397. The Redevelopment Authority recognized CRIZ grant proceeds of \$1,610,799 during the year ended December 31, 2020. The Authority recognize grant amounts annually based on the certified tax revenues for the year. Any such grant amounts are pledged for the payment of the Series A of 2017 bonds.

### 16. Penn Square Hotel Project

#### **Component Unit**

*Redevelopment Authority*

#### ***Initial Acquisition, Construction, and Project Financing***

On January 31, 2006, the Redevelopment Authority purchased from PSP the Watt & Shand Building and the rights to certain development materials completed by PSP relative to the project. The Redevelopment Authority then constructed the Penn Square Hotel. The Redevelopment Authority utilized several funding tranches to facilitate the construction of the hotel, including grant funding from the Commonwealth of Pennsylvania, bond issuances, and investments by the lessee.

#### ***Second Hotel Tower***

During 2017, PSP and the Redevelopment Authority together with other parties finalized agreements to proceed with the Redevelopment Authority's construction of a second hotel tower. PSP leased the hotel expansion, by means of amending the existing hotel lease which is treated as a direct financing lease. The project was financed through two bond issues of the Authority in the total principal amount of \$36,900,00 bearing interest at 4.88% (Note 14). During the year ended December 31, 2020, a lease modification was made and recorded in interest income to reflect the final capital lease schedule based on total construction costs and COVID-19 related debt relief.

#### ***Hotel Lease and Operation***

The Redevelopment Authority has entered into a lease agreement with PSP. Rent is comprised of the amounts required as debt service on certain bonds issued by the Redevelopment Authority (base rent), other charges in connection with the bonds, plus any costs incurred by the Redevelopment Authority relative to the administration of the lease

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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that are not provided for in the bond financing documents (additional rent). PSP pays the Redevelopment Authority minimum participant rent. The minimum participation rent for the year ended December 31, 2020 was \$218,545 and \$163,909 for the existing and new tower, respectively. For the remainder of the lease, these amounts will increase at 3% per annum. The minimum participant rent will be increased if certain hotel operating results, as defined in the lease agreement, are met.

PSP has the option to purchase the property from the Redevelopment Authority based on a formula set forth in the agreement. The purchase price will include the payment of any bonds outstanding and amounts owed to the Redevelopment Authority by PSP at the time of the purchase, in addition to the amount derived by the formula. In no event shall the purchase price be less than \$1,000. The lease is set to expire on June 30, 2029.

The Redevelopment Authority accounts for this lease agreement as a capital direct financing lease. Construction expenses were offset by grant funding received to facilitate the project. The property is not carried as an asset on the Redevelopment Authority's books. Instead, a lease rental receivable is recognized (Note 3).

### ***Pledged Revenues***

All future base rent payments have been pledged for the payment of the debt service related to the Redevelopment Authority's Federally Taxable Hotel Lease Revenue Bonds, Series of 2005 and 2017B. For the year ended December 31, 2020, the Redevelopment Authority recognized interest income from the underlying capital lease in the amount of \$1,813,454 and received base rent cash flow in the amount of \$3,944,049. These funds were utilized to make principal payments in the amount of \$1,838,875 and interest payments in the amount of \$1,633,547.

## **17. North Queen Street Parking Garage and Intergovernmental Tax Increment Financing Revenue**

### **Component Unit**

#### *Redevelopment Authority*

In June 2019, the Redevelopment Authority sold the North Queen Street Parking Garage to the Parking Authority and assigned the related \$3,000,000 note receivable to the City. The net amount of the transferred asset was \$8,376,247. The Redevelopment Authority has

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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retained the related debt for the garage (as described in Note 10) and will continue to service the debt through TIF revenues.

The City, the Redevelopment Authority, Lancaster County, and the School District of Lancaster created the Northwest Lancaster Tax Increment District (TIF district) on December 16, 2008 and agreed that 50% of the TIF revenues generated by the incremental increase in total assessed value of property and 50% of any millage rate increases within the TIF district will be paid to the Redevelopment Authority as further outlined in the TIF agreement.

The following TIF revenues were received by the Redevelopment Authority during the year ended December 31, 2020:

City of Lancaster	\$	253,072
Lancaster County		62,273
School District of Lancaster		468,044
Total	\$	<u>783,389</u>

The TIF revenues are restricted to be used for debt service on the TIF note payable and certain other permissible project related expenses. Any related cash balances of the Redevelopment Authority are presented as restricted cash and restricted net position. Any residual cash balances upon payment of the TIF note payable in full would be returned to the three taxing bodies noted above.

In 2013, the Redevelopment Authority Board approved the pursuit of purchasing three properties located adjacent to the parking garage with the intention of demolishing the structures to create a public urban park area. Two properties were purchased in 2014 for \$198,000. In 2017, the third property was purchased for \$77,486. Construction on the park area began in 2018. The total amount paid for construction and design during the year ended December 31, 2020 was \$243,470.

### **18. Payment in Lieu of Taxes Agreement with Redevelopment Authority**

During the year ended December 31, 2017, the City and the Redevelopment Authority entered into an Agreement for Payment in Lieu of Taxes (PILOT) in connection with the Marriott Hotel Penn Square project. In accordance with this agreement, the Redevelopment Authority will make annual guaranteed minimum annual PILOT payments from 2017 through 2029 equal to the annual minimum base rent paid to the Redevelopment Authority

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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by PSP (Note 16). The City may impose a late charge to the annually scheduled PILOT payment in the event that the Redevelopment Authority fails to make all or any portion of the guaranteed minimum payments. The late charge shall accrue on the unpaid balance, whether an annual payment or a monthly payment, in the amount of 6% per annum, accruing monthly. During the year ended December 31, 2020, the Redevelopment Authority made the required annual payment totaling \$382,454, of which \$282,454 was paid to the City and \$100,000 was paid to the Convention Center Authority.

As of December 31, 2020, the remaining PILOT payments to be received by the City in accordance with the agreement are as follows:

2021	\$ 343,928
2022	405,746
2023	417,918
2024	430,456
2025	443,370
Thereafter	<u>1,091,737</u>
	<u>\$ 3,133,155</u>

### 19. Interfund Receivables/Payables and Transfers

All outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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A reconciliation of the interfund receivables and payables at December 31, 2020 is as follows:

	Due From Other Funds	Due To Other Funds
	<u>                    </u>	<u>                    </u>
Governmental funds:		
General Fund	\$ 13,251,252	\$ -
Capital Projects	-	330,220
Miscellaneous State Grants	-	1,996,230
Non-major governmental funds	955,330	3,000,000
Proprietary funds:		
Sewer Fund	-	4,048,708
Water Fund	1,500,000	5,192,845
Other Enterprise Funds	-	1,138,579
	<u>\$ 15,706,582</u>	<u>\$ 15,706,582</u>

During the year ended December 31, 2017, the General Fund and Water Fund provided interfund loans of \$1,500,000 each to the LanCity Connect Fund, an Other Governmental Fund. The total interfund loan of \$3,000,000 was to be repaid through a 13% surcharge on LanCity Connect customer bills over a period of years. With the termination of the MAW Municipal Carrier Agreement, the City has been studying options for the expansion of its fiber optic system, leveraging funds provided to the City through the American Rescue Plan Act in 2021, by partnering with one or more private sector partners to achieve the same citywide fiber optic system originally planned with the LanCity Connect system. Through this plan, the interfund borrowing of \$3,000,000 can be repaid through future revenues of the fiber optic system.

Other than the interfund balances disclosed above, interfund balances represent short-term borrowings between funds for the purpose of eliminating negative cash.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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Interfund transfers for the year ended December 31, 2020 are as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental funds:		
General Fund	\$ 4,000,000	\$ 5,849,771
Capital Projects	3,388,995	-
Non-major governmental funds	5,872,648	3,440,607
Proprietary funds:		
Water Fund	-	4,000,000
Other Enterprise Funds	28,735	-
	<u>\$ 13,290,378</u>	<u>\$ 13,290,378</u>

These amounts primarily represent transfers for debt service for principal and interest payments, transfers of grant related capital projects, and to fulfill budgetary transfer requirements.

## 20. Commitments and Contingencies

### Primary Government

#### *Litigation*

In the normal course of business, there are various claims and lawsuits pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss, if any, of all claims and lawsuits will not materially affect the City's financial position. With the exception of workers' compensation and health insurance, the City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in 2020.

#### *Grants*

The City participates in various federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors. Any liability for reimbursement of unallowed costs, which may arise as a result of these audits, if any, would not materially affect the City's financial position.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### ***Contract Commitments***

The City, through Capital Projects, has entered into contracts with construction contractors totaling \$12,668,377. The commitment remaining on the contracts at December 31, 2020 was \$8,310,290.

The City, through the Sewer Fund, has entered into contracts with construction contractors totaling \$6,519,677. The commitment remaining on the contracts at December 31, 2020 was \$1,210,441.

The City, through the Water Fund, has entered into contracts with construction contractors totaling \$33,839,565. The commitment remaining on the contracts at December 31, 2020 was \$15,159,373.

The City, through the Stormwater Fund, an other enterprise fund, has entered into contracts with construction contractors totaling \$2,061,323. The commitment remaining on the contracts at December 31, 2020 was \$1,968,641.

### ***Guarantee***

The City is guarantor of the outstanding revenue bonds of the Parking Authority. As of December 31, 2020, the outstanding bonds amounted to \$52,780,000. In accordance with the Guaranty Agreement, the City is required to make principal and interest payments on the bonds if the Parking Authority fails to generate sufficient revenues to pay debt service. In accordance with the Reimbursement Agreement, if such payments are made by the City, the Parking Authority is required to reimburse the City from any monies available for that purpose under the Trust Indenture.

The City is guarantor of certain bonds of the Redevelopment Authority. The Redevelopment Authority issued \$12 million Bonds under the State's Infrastructure and Facilities Improvement Program Grant. The City has guaranteed the debt service payments due and owing under the Bonds. The Redevelopment Authority is expected to use its annual grant from the State to pay the debt service. In the event of a shortfall in the grant amount, the City is liable under the Guaranty agreement for payment of the shortfall in the annual debt service payment. Additionally, the Redevelopment Authority issued \$24 million in Bonds under a lease agreement with PSP. The City has guaranteed, on a limited basis, the debt service payments due and owing under the bonds. The guarantee is limited to the shortfall in any debt service payment owed by the Redevelopment Authority as the result of a shortfall in amounts available to the Redevelopment Authority under the lease because the Redevelopment Authority must apply amounts to the payment of real estate taxes on the

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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property subject to the lease. If the property is determined to be taxable, then the lease rental payments will not be sufficient to meet the debt service obligations if the taxes have to be paid by the Redevelopment Authority. In that case, the City would be liable for payment of the shortfall in the debt service payments per the terms of the limited guaranty.

The City was not required to make payments under any of the above guarantees during the year ended December 31, 2020.

In response to revenue shortfall resulting from the pandemic and an anticipated 2022 debt service shortfall of approximately \$365,000 on the Guaranteed Revenues Bonds, Series of 2005, PSP and the City reached an agreement on August 6, 2021, whereby PSP agrees to pay the anticipated shortfall expected and to waive the right to require the City to pay (or to reimburse PSP) for the anticipated shortfall in 2022 under the Guaranty Agreement.

### **Component Units**

#### *LIDA*

The term conduit debt obligations refers to debt instruments issued by LIDA in the form of bonds or notes for the express purpose of providing capital financing for a specific third party that is not a part of LIDA's financial reporting entity. Although conduit debt obligations bear the name of LIDA, LIDA has no obligation for such debt beyond the resources provided to the third party on whose behalf they are issued. LIDA does not record the assets or liabilities from completed bonds or notes since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents.

As of December 31, 2020, there were bonds and notes issued and outstanding of \$249,318,696.

#### *Parking Authority*

In 2007, the Parking Authority entered into a lease agreement with PSP. The lease provides PSP with 300 guaranteed spaces and the option to modify the Penn Square Garage. As of April 1, 2019, PSP leased an additional 117 spaces. All modifications are paid by the Parking Authority upon approval and are then reimbursed by the lessee. In the event of lease termination or cancellation, the lessee is responsible for all expenses required to revert the Penn Square Garage to its original form that existed prior to the lease agreement.

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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In 2015, the Parking Authority entered into a lease agreement with Hotel Lancaster. The lease provides Hotel Lancaster with 134 guaranteed spaces for an annual rent of \$80,400. As of April 1, 2019, Hotel Lancaster leased an additional 84 spaces for monthly rent of \$10,900. As of August 1, 2020, the agreement was modified up to 215 spaces for monthly rent of \$11,250. The term of the original agreement was for five years, with an option to extend for two additional five-year terms subject to the Parking Authority's right to increase the rent space based upon then existing market conditions. The agreement has been extended to March 31, 2029, with an option to extend for two additional five-year terms subject to the Parking Authority's right to increase the rent per space upon then existing market conditions.

The Parking Authority entered into three construction contracts totaling \$33,913,389 for development and construction of the Christian Street mixed-use parking garage. The commitments outstanding on the contracts were \$21,913,497 as of December 31, 2020.

### *Redevelopment Authority*

The just compensation of properties acquired by the Redevelopment Authority under the power of eminent domain may be subject to change. Such changes could take place in the event of a court-mandated change in the estimated value of the property. The Redevelopment Authority estimates just compensation liabilities based on real estate appraisals. The ultimate just compensation, after all uncertainties and proceedings surrounding these settlements are finalized, could materially differ from the amounts recorded. The Redevelopment Authority has not accrued such amounts as of December 31, 2020.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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### **21. Negative Fund Balance of Governmental Funds and Negative Net Position of Proprietary Funds**

As of December 31, 2020, LanCity Connect Fund (other governmental fund) had a deficit in fund balance of \$2,868,220. During the year ended December 31, 2017, the General Fund and Water Fund provided interfund loans of \$1,500,000 each to the LanCity Connect Fund. The total interfund loan of \$3,000,000 is to be repaid through a 13% surcharge on LanCity Connect customer bills and remains outstanding as of December 31, 2020.

As of December 31, 2020, LOOP (other enterprise fund) had a deficit in net position totaling \$19,134. When LOOP was initially established, it was operated as a separate 501(c)(3) organization with its financial management performed within the City's accounting system and management oversight provided by the Mayor's Office and Director of Economic Development and Neighborhood Revitalization (EDNR). Over a period of years, it proved difficult to fully fund LOOP operations as originally intended through contributions and corporate sponsorships. With the opening of the City Visitor Center in July 2016, the mission of LOOP as an organization had changed significantly since its establishment. Due to these and other factors, the LOOP Board of Directors approved the dissolution of LOOP and this was finalized on February 28, 2018 when the dissolution when LOOP's Articles of Dissolution-Domestic were approved by the Pennsylvania Bureau of Corporations and Charitable Organizations.

As of December 31, 2020, Stormwater Fund (other enterprise fund) had a deficit in net position totaling \$1,560,602. In 2014, the City created the Stormwater Management Fund (SWMF) as a new enterprise fund with its own dedicated revenue source (stormwater management fees). The creation of the SWMF removed stormwater related expenses from the Sewer Fund. The additional revenues to the Sewer Fund generated by the series of rate increases and the movement of stormwater related expenses to the SWMF has incrementally improved the Sewer Fund's operating budget results and cash flow. The SWMF rates were increased in 2018, 2019, and 2021, improving the operating budget results and cash flow position of the SWMF.

Sewer rate increases for inside City customers were approved by City Council in 2010 (10%), 2011 (20%), 2012 (35%), 2016 (10%), 2017 (10%), 2018 (12%), and again in 2020 (35%). The PA Public Utility Commission (PUC) approved a rate increase for outside City sewer customers in March 2020 for an annualized revenue increase of \$499,000.

In March 2015, following a binding arbitration decision favorable to the City in 2014, East Lampeter Township made a payment to the City of \$1.685 million. In mid-June 2015,

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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another payment on the amount due from East Lampeter Township was made in the amount of \$171,000. A final payment from East Lampeter Township for \$128,000 was made in November 2019 in conjunction with the adoption of a bulk sewer agreement amendment with the City's bulk sewer partners as described below.

In March 2015, the City initiated the process to begin binding arbitration with the Lancaster Area Sewer Authority (LASA) to resolve a bulk sewer treatment expense dispute similar to the East Lampeter Township bulk sewer dispute. In early July 2018, City administration and LASA officials began meeting to resolve the ongoing billing dispute and negotiate the terms of a bulk sewer agreement amendment outside of the arbitration process. These negotiations were finalized in late 2019, and as a result, LASA made its final payment of pre-2019 bulk sewer charges in late October 2019. The net amount of disputed charges paid by LASA as a result of these negotiations was approximately \$5.75 million.

The final 5th Amendment to the 1983 Sewage Capital Contribution and Treatment Agreement was approved and executed by all bulk sewer partners in December 2019. The adoption of the 5th Amendment resolved all disputes among the partners and resulted in a new formula by which all partners to the agreement are charged for bulk sewage treatment services by the City from January 1, 2019 forward.

In the Water Fund, a series of inside City rate increases and a nearly 75% increase in rates for outside City customers approved by the PUC in July 2011 had begun to gradually improve operating results and cash flow. Following the lengthy PUC review process for an outside City customer rate increase proposal filed in 2014, the City settled with the State parties for a \$4.2 million revenue increase applied to outside City customers. This increase, paired with a City Council approved rate increase for inside City customers of \$1.3 million, went into effect on March 5, 2015 per the PUC approved settlement agreement. An additional rate increase of 7% for inside City customers was approved by City Council in January 2016. Another inside City increase was approved by City Council effective January 1, 2020 that is anticipated to increase Water revenues by an additional \$1.4 million. The City originally planned to initiate a PUC rate filing in 2020 for an outside City customer water rate increase. However, due to a variety of factors, most importantly the COVID-19 pandemic, the decision was made to defer a PUC rate case filing until 2021. The City will now be filing this rate case in September 2021.

In March of 2016, the City refinanced the 2007 General Obligation Bonds, the largest portion of which were issued to fund major improvements to the two City water filtration plants. The refinancing took advantage of historically low interest rates to net a total savings to the Water Fund of approximately \$7.5 million, including \$3.2 million in savings in 2016 and about \$1.5 million in savings in each of the following three years (2017, 2018 and

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# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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2019). The refinancing savings have been a significant factor in the reduction of the Water Fund negative unrestricted net position by more than \$5,500,000 since December 31, 2015.

Beginning with the City's 2018 financial statements, the requirements of GASB Statement No. 75 were incorporated for the first time. GASB Statement No. 75 requires the long-term costs of employee OPEB to be included in determining the net position of the City and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. Thus, the net position now clearly reveals the long-term cost of providing OPEB to City employees.

## 22. Subsequent Events

### Primary Government

In March 2021, the City issued a direct borrowing \$11,200,000 Guaranteed Revenue Note. This is a Pennvest loan for construction of various structures and facilities to improve the City's Wastewater Conveyance System. Pennvest has a lien and security interest in all gross revenues generated or produced by the wastewater treatment system. In the event of default, the entire unpaid principal and accrued interest shall become due and payable immediately. The note will bear interest at a rate of 1.00% for the first five years and 1.74% thereafter. The note requires interest only payments the first three years and note funds are available on a drawdown basis. The debt service on this note will be paid by the Sewer Fund.

In April 2021, the City issued a direct borrowing \$8,579,468 Guaranteed Revenue Note. This is a Pennvest loan for the construction of various structures and facilities to improve the City's water system; and various other expenses involved. Pennvest has a lien and security interest in all gross revenues generated or produced by the water treatment system. In the event of default, the entire unpaid principal and accrued interest shall become due and payable immediately. The note will bear interest at a rate of 1.00% for the first five years and 1.74% thereafter. The note requires interest only payments the first three years and note funds are available on a drawdown basis. The debt service on this note will be paid by the Water Fund.

In May 2021, the City issued private placement General Obligation Bonds, Series of 2021 in the amount of \$10,020,000 for the purpose of currently refunding the Series A of 2019 Note, providing funds for the cost of construction of fire stations or other capital projects,

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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and paying the cost of issuing and insuring the bonds. The debt service on these bonds will be paid by the Capital Projects Fund. The bonds will bear interest at rates ranging from 2.00% to 5.00%, with semi-annual interest commencing November 1, 2021.

### **Component Units**

#### *Redevelopment Authority*

Following the process described in Note 3, subsequent to December 31, 2020, the Redevelopment Authority purchased the City's 2020 delinquent real estate taxes. The Redevelopment Authority drew down approximately \$1,156,000 on its line of credit (Note 7) to finance the purchase price of approximately \$1,071,000 payable to the City and the related transaction costs.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN FIRE PENSION PLAN'S NET PENSION LIABILITY AND RELATED RATIOS

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
<b>Total Pension Liability:</b>							
Service cost	\$ 750,888	\$ 715,131	\$ 703,268	\$ 669,779	\$ 701,974	\$ 668,547	\$ 646,693
Interest	4,908,370	4,144,585	4,374,735	4,010,127	4,093,510	3,963,234	3,820,058
Changes for experience	-	(1,392,943)	-	(3,048,275)	-	(658,793)	-
Changes of assumptions	-	1,237,133	-	1,004,921	-	-	-
Benefit payments, including refunds	(3,902,896)	(3,603,314)	(3,591,266)	(3,726,084)	(4,162,059)	(3,517,597)	(3,163,900)
<b>Net Changes in Total Pension Liability</b>	<b>1,756,362</b>	<b>1,100,592</b>	<b>1,486,737</b>	<b>(1,089,532)</b>	<b>633,425</b>	<b>455,391</b>	<b>1,302,851</b>
<b>Total Pension Liability - Beginning</b>	<b>54,663,801</b>	<b>53,563,209</b>	<b>52,076,472</b>	<b>53,166,004</b>	<b>52,532,579</b>	<b>52,077,188</b>	<b>50,774,337</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 56,420,163</b>	<b>\$ 54,663,801</b>	<b>\$ 53,563,209</b>	<b>\$ 52,076,472</b>	<b>\$ 53,166,004</b>	<b>\$ 52,532,579</b>	<b>\$ 52,077,188</b>
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 2,047,022	\$ 1,983,633	\$ 2,315,107	\$ 2,257,853	\$ 2,153,346	\$ 2,059,043	\$ 1,623,658
Contributions - employees	298,005	286,474	284,272	274,034	288,150	290,678	293,263
Net investment income (loss)	4,569,781	7,848,496	(2,327,495)	4,556,627	2,547,826	531,376	3,312,384
Benefit payments, including refunds	(3,902,896)	(3,603,314)	(3,591,266)	(3,726,084)	(4,162,059)	(3,517,597)	(3,163,900)
Administrative expenses	-	-	(26,631)	(8,700)	(6,380)	(32,701)	(5,690)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>3,011,912</b>	<b>6,515,289</b>	<b>(3,346,013)</b>	<b>3,353,730</b>	<b>820,883</b>	<b>(669,201)</b>	<b>2,059,715</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>45,718,110</b>	<b>39,202,821</b>	<b>42,548,834</b>	<b>39,195,104</b>	<b>38,374,221</b>	<b>39,043,422</b>	<b>36,983,707</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 48,730,022</b>	<b>\$ 45,718,110</b>	<b>\$ 39,202,821</b>	<b>\$ 42,548,834</b>	<b>\$ 39,195,104</b>	<b>\$ 38,374,221</b>	<b>\$ 39,043,422</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 7,690,141</b>	<b>\$ 8,945,691</b>	<b>\$ 14,360,388</b>	<b>\$ 9,527,638</b>	<b>\$ 13,970,900</b>	<b>\$ 14,158,358</b>	<b>\$ 13,033,766</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>86.37%</b>	<b>83.64%</b>	<b>73.19%</b>	<b>81.70%</b>	<b>73.72%</b>	<b>73.05%</b>	<b>74.97%</b>
<b>Covered Payroll</b>	<b>\$ 5,074,808</b>	<b>\$ 5,412,936</b>	<b>\$ 4,947,462</b>	<b>\$ 4,822,392</b>	<b>\$ 4,832,626</b>	<b>\$ 4,521,715</b>	<b>\$ 4,122,312</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>151.54%</b>	<b>165.27%</b>	<b>290.26%</b>	<b>197.57%</b>	<b>289.10%</b>	<b>313.12%</b>	<b>316.18%</b>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN POLICE PENSION PLAN'S NET PENSION LIABILITY AND RELATED RATIOS

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
<b>Total Pension Liability:</b>							
Service cost	\$ 1,823,572	\$ 1,736,735	\$ 1,782,287	\$ 1,697,416	\$ 1,811,305	\$ 1,725,052	\$ 1,755,477
Interest	8,093,024	7,795,539	7,437,735	7,156,987	6,673,575	6,375,804	6,117,633
Changes for experience	-	(887,895)	-	1,124,608	-	(613,024)	-
Changes of assumptions	-	1,846,367	-	1,556,000	-	-	-
Benefit payments, including refunds	(6,075,280)	(5,725,826)	(5,594,950)	(5,264,907)	(4,752,979)	(4,176,983)	(3,828,043)
<b>Net Changes in Total Pension Liability</b>	<b>3,841,316</b>	<b>4,764,920</b>	<b>3,625,072</b>	<b>6,270,104</b>	<b>3,731,901</b>	<b>3,310,849</b>	<b>4,045,067</b>
<b>Total Pension Liability - Beginning</b>	<b>102,376,864</b>	<b>97,611,944</b>	<b>93,986,872</b>	<b>87,716,768</b>	<b>83,984,867</b>	<b>80,674,018</b>	<b>76,628,951</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$106,218,180</b>	<b>\$102,376,864</b>	<b>\$ 97,611,944</b>	<b>\$ 93,986,872</b>	<b>\$ 87,716,768</b>	<b>\$ 83,984,867</b>	<b>\$ 80,674,018</b>
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 3,742,138	\$ 3,674,585	\$ 3,104,156	\$ 2,996,610	\$ 2,814,350	\$ 2,748,596	\$ 2,439,350
Contributions - employees	839,680	629,147	617,420	621,225	699,760	636,599	723,981
Net investment income (loss)	7,721,055	13,229,706	(3,800,159)	7,547,203	4,172,859	809,462	5,207,899
Benefit payments, including refunds	(6,075,280)	(5,725,826)	(5,594,950)	(5,264,907)	(4,752,979)	(4,176,983)	(3,828,043)
Administrative expenses	-	-	(30,552)	(4,170)	(26,100)	(11,344)	(4,540)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>6,227,593</b>	<b>11,807,612</b>	<b>(5,704,085)</b>	<b>5,895,961</b>	<b>2,907,890</b>	<b>6,330</b>	<b>4,538,647</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>77,398,127</b>	<b>65,590,515</b>	<b>71,294,600</b>	<b>65,398,639</b>	<b>62,490,749</b>	<b>62,484,419</b>	<b>57,945,772</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 83,625,720</b>	<b>\$ 77,398,127</b>	<b>\$ 65,590,515</b>	<b>\$ 71,294,600</b>	<b>\$ 65,398,639</b>	<b>\$ 62,490,749</b>	<b>\$ 62,484,419</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 22,592,460</b>	<b>\$ 24,978,737</b>	<b>\$ 32,021,429</b>	<b>\$ 22,692,272</b>	<b>\$ 22,318,129</b>	<b>\$ 21,494,118</b>	<b>\$ 18,189,599</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>78.73%</b>	<b>75.60%</b>	<b>67.20%</b>	<b>75.86%</b>	<b>74.56%</b>	<b>74.41%</b>	<b>77.45%</b>
<b>Covered Payroll</b>	<b>\$ 12,887,593</b>	<b>\$ 12,230,601</b>	<b>\$ 11,716,931</b>	<b>\$ 11,562,299</b>	<b>\$ 10,995,284</b>	<b>\$ 10,972,837</b>	<b>\$ 10,707,385</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>175.30%</b>	<b>204.23%</b>	<b>273.29%</b>	<b>196.26%</b>	<b>202.98%</b>	<b>195.88%</b>	<b>169.88%</b>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN CASH BALANCE PENSION PLAN'S NET PENSION LIABILITY AND RELATED RATIOS

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
<b>Total Pension Liability:</b>							
Service cost	\$ 731,328	\$ 699,835	\$ 645,808	\$ 617,998	\$ 569,268	\$ 542,160	\$ 533,032
Interest	1,549,312	1,466,665	1,342,427	1,270,257	1,168,991	1,096,819	1,048,689
Changes for experience	-	(242,686)	-	(208,366)	-	(184,304)	-
Changes of assumptions	-	884,539	-	372,079	-	-	-
Benefit payments, including refunds	(1,316,501)	(875,567)	(1,179,643)	(727,961)	(473,019)	(934,559)	(595,063)
<b>Net Changes in Total Pension Liability</b>	<b>964,139</b>	<b>1,932,786</b>	<b>808,592</b>	<b>1,324,007</b>	<b>1,265,240</b>	<b>520,116</b>	<b>986,658</b>
<b>Total Pension Liability - Beginning</b>	<b>20,584,417</b>	<b>18,651,631</b>	<b>17,843,039</b>	<b>16,519,032</b>	<b>15,253,792</b>	<b>14,733,676</b>	<b>13,747,018</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 21,548,556</b>	<b>\$ 20,584,417</b>	<b>\$ 18,651,631</b>	<b>\$ 17,843,039</b>	<b>\$ 16,519,032</b>	<b>\$ 15,253,792</b>	<b>\$ 14,733,676</b>
<b>Plan Fiduciary Net Position:</b>							
Contributions - employer	\$ 1,239,914	\$ 1,221,228	\$ 1,097,191	\$ 1,050,161	\$ 931,774	\$ 900,704	\$ 697,517
Net investment income (loss)	1,651,411	2,564,992	(585,458)	1,419,263	722,581	139,124	854,651
Benefit payments, including refunds	(1,316,501)	(875,567)	(1,179,643)	(727,961)	(473,019)	(934,559)	(595,063)
Administrative expenses	(33,450)	(5,872)	(36,559)	(28,655)	(26,770)	(27,730)	(24,140)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,541,374</b>	<b>2,904,781</b>	<b>(704,469)</b>	<b>1,712,808</b>	<b>1,154,566</b>	<b>77,539</b>	<b>932,965</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>15,885,740</b>	<b>12,980,959</b>	<b>13,685,428</b>	<b>11,972,620</b>	<b>10,818,054</b>	<b>10,740,515</b>	<b>9,807,550</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 17,427,114</b>	<b>\$ 15,885,740</b>	<b>\$ 12,980,959</b>	<b>\$ 13,685,428</b>	<b>\$ 11,972,620</b>	<b>\$ 10,818,054</b>	<b>\$ 10,740,515</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 4,121,442</b>	<b>\$ 4,698,677</b>	<b>\$ 5,670,672</b>	<b>\$ 4,157,611</b>	<b>\$ 4,546,412</b>	<b>\$ 4,435,738</b>	<b>\$ 3,993,161</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>80.87%</b>	<b>77.17%</b>	<b>69.60%</b>	<b>76.70%</b>	<b>72.48%</b>	<b>70.92%</b>	<b>72.90%</b>
<b>Covered Payroll</b>	<b>\$ 17,850,119</b>	<b>\$ 17,186,114</b>	<b>\$ 16,675,240</b>	<b>\$ 16,203,075</b>	<b>\$ 15,105,036</b>	<b>\$ 14,312,665</b>	<b>\$ 13,618,505</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>23.09%</b>	<b>27.34%</b>	<b>34.01%</b>	<b>25.66%</b>	<b>30.10%</b>	<b>30.99%</b>	<b>29.32%</b>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CHANGES IN PARKING AUTHORITY PENSION PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	2019*	2018*	2017*	2016*	2015*
<b>Total Pension Liability:</b>					
Service cost	\$ 156,403	\$ 97,605	\$ 69,238	\$ 64,414	\$ 34,602
Interest	81,652	75,453	72,523	71,493	70,961
Benefit payments, including refunds	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Changes of assumptions	-	-	30,135	3,220	-
Differences between expected and actual experience	(62,989)	-	38,482	-	3,085
<b>Net Changes in Total Pension Liability</b>	<b>72,872</b>	<b>66,037</b>	<b>86,402</b>	<b>19,787</b>	<b>(29,343)</b>
<b>Total Pension Liability - Beginning</b>	<b>1,466,554</b>	<b>1,400,517</b>	<b>1,314,115</b>	<b>1,294,328</b>	<b>1,323,671</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$1,539,426</b>	<b>\$1,466,554</b>	<b>\$1,400,517</b>	<b>\$1,314,115</b>	<b>\$1,294,328</b>
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 31,163	\$ 19,000	\$ 20,875	\$ 5,112	\$ 7,687
Contributions - employees	81,810	47,920	31,547	24,532	16,561
Net investment income (loss)	(179,827)	247,783	143,577	(43,585)	104,945
Benefit payments, including refunds	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Administrative expenses	(4,354)	(4,314)	(4,590)	(3,948)	(3,843)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(173,402)</b>	<b>203,368</b>	<b>67,433</b>	<b>(137,229)</b>	<b>(12,641)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,618,000</b>	<b>1,414,632</b>	<b>1,347,199</b>	<b>1,484,428</b>	<b>1,497,069</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$1,444,598</b>	<b>\$1,618,000</b>	<b>\$1,414,632</b>	<b>\$1,347,199</b>	<b>\$1,484,428</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ 94,828</b>	<b>\$ (151,446)</b>	<b>\$ (14,115)</b>	<b>\$ (33,084)</b>	<b>\$ (190,100)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>93.8%</b>	<b>110.3%</b>	<b>101.0%</b>	<b>102.5%</b>	<b>114.7%</b>
<b>Covered Payroll</b>	<b>\$1,364,462</b>	<b>\$ 910,049</b>	<b>\$ 696,471</b>	<b>\$ 697,602</b>	<b>\$ 396,954</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>6.95%</b>	<b>-16.64%</b>	<b>-2.03%</b>	<b>-4.74%</b>	<b>-47.89%</b>

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Pension information included in Required Supplementary information is based upon the most currently available information from PMRS. The effects of any differences are not deemed to be material to the Authority's financial statements.

See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - FIRE PENSION PLAN

	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012	2011
<b>Schedule of City Contributions</b>										
Actuarially determined contribution under Act 205	\$ 2,047,022	\$ 1,983,633	\$ 2,315,107	\$ 2,257,853	\$ 2,153,346	\$ 2,059,043	\$ 1,623,658	\$ 1,623,453	\$ 1,075,765	\$ 1,154,230
Contributions in relation to the actuarially determined contribution	<u>2,047,022</u>	<u>1,983,633</u>	<u>2,315,107</u>	<u>2,257,853</u>	<u>2,153,346</u>	<u>2,059,043</u>	<u>1,623,658</u>	<u>1,623,453</u>	<u>1,075,765</u>	<u>1,154,230</u> (1)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered payroll	<u>\$ 5,074,808</u>	<u>\$ 5,412,936</u>	<u>\$ 4,947,462</u>	<u>\$ 4,822,392</u>	<u>\$ 4,832,626</u>	<u>\$ 4,521,715</u>	<u>\$ 4,122,312</u>			
Contributions as a percentage of covered payroll	40.34%	36.65%	46.79%	46.82%	44.56%	45.54%	39.39%			

(1) Includes contribution under the City's retirement incentive program.

<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	10.34%	20.54%	-5.60%	12.22%	7.03%	1.30%	9.42%			

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See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN

Schedule of City Contributions	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012	2011
Actuarially determined contribution under Act 205	\$ 3,742,138	\$ 3,674,585	\$ 3,104,156	\$ 2,996,610	\$ 2,814,350	\$ 2,748,596	\$ 2,439,350	\$ 2,427,282	\$ 1,718,841	\$ 1,732,970
Contributions in relation to the actuarially determined contribution	<u>3,742,138</u>	<u>3,674,585</u>	<u>3,104,156</u>	<u>2,996,610</u>	<u>2,814,350</u>	<u>2,748,596</u>	<u>2,439,350</u>	<u>2,427,282</u>	<u>1,718,841</u>	<u>1,732,970</u> (1)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered payroll	<u>\$ 12,887,593</u>	<u>\$ 12,230,601</u>	<u>\$ 11,716,931</u>	<u>\$ 11,562,299</u>	<u>\$ 10,995,284</u>	<u>\$ 10,972,837</u>	<u>\$ 10,707,385</u>			
Contributions as a percentage of covered payroll	29.04%	30.04%	26.49%	25.92%	25.60%	25.05%	22.78%			

(1) Includes contribution under the City's retirement incentive program.

Investment Returns							
Annual money-weighted rate of return, net of investment expense	10.23%	20.60%	-5.47%	12.04%	7.10%	1.22%	9.29%

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See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - CASH BALANCE PENSION PLAN

	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012	2011
<b>Schedule of City Contributions</b>										
Actuarially determined contribution under Act 205	\$ 1,239,914	\$ 1,221,228	\$ 1,097,191	\$ 1,050,161	\$ 931,774	\$ 900,704	\$ 697,516	\$ 658,895	\$ 516,512	\$ 504,280
Contributions in relation to the actuarially determined contribution	<u>1,239,914</u>	<u>1,221,228</u>	<u>1,097,191</u>	<u>1,050,161</u>	<u>931,774</u>	<u>900,704</u>	<u>697,517</u>	<u>658,895</u>	<u>516,512</u>	<u>504,280</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered payroll	<u>\$ 17,850,119</u>	<u>\$ 17,186,114</u>	<u>\$ 16,675,240</u>	<u>\$ 16,203,075</u>	<u>\$ 15,105,036</u>	<u>\$ 14,312,665</u>	<u>\$ 13,618,505</u>			
Contributions as a percentage of covered payroll	6.95%	7.11%	6.58%	6.48%	6.17%	6.29%	5.12%			
<b>Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	11.11%	19.80%	-4.41%	12.15%	6.86%	1.23%	8.89%			

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See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULE OF PARKING AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS

	2019*	2018*	2017*	2016*	2015*	2014	2013	2012	2011	2010
Actuarially determined contribution under Act 205	\$ 31,043	\$ 18,720	\$ 20,835	\$ 5,032	\$ 6,907	\$ 2,736	\$ 14,139	\$ 13,371	\$ 10,008	\$ 5,479
Contribution in relation to the actuarially determined contribution	31,163	19,000	20,875	5,112	7,687	2,736	14,139	13,371	10,008	5,479
Contribution deficiency (excess)	<u>\$ (120)</u>	<u>\$ (280)</u>	<u>\$ (40)</u>	<u>\$ (80)</u>	<u>\$ (780)</u>	<u>\$ -</u>				
Covered payroll	<u>\$ 1,364,462</u>	<u>\$ 910,049</u>	<u>\$ 696,471</u>	<u>\$ 697,602</u>	<u>\$ 96,954</u>					
Contributions as a percentage of covered payroll	2.28%	2.09%	3.00%	0.73%	1.94%					

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Pension information included in Required Supplementary information is based upon the most currently available information from PMRS. The effects of any differences are not deemed to be material to the Authority's financial statements.

See accompanying note to required supplementary information - pension plans.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

### PENSION PLANS

#### 1. Actuarial Methods and Assumptions

##### Primary Government

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the FPP, PPP, and CBPP required under Act 205 are as follows:

	<u>FPP</u>	<u>PPP</u>	<u>CBPP</u>
Actuarial valuation date	1/1/2017	1/1/2017	1/1/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed
Remaining amortization period	5 years	7 years	13 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:			
Investment rate of return	8.0%	8.0%	7.5%
Projected salary increases	5.0%	5.0%	4.5%
Underlying inflation rate	3.0%	3.0%	3.0%
Mortality table	IRS 2017 Static Combined Table for Small Plans	IRS 2017 Static Combined Table for Small Plans	IRS 2017 Static Combined Table for Small Plans

##### Changes in Actuarial Assumptions

In the January 1, 2017 FPP and PPP actuarial valuations, the mortality table was changed to the IRS 2017 Static Combined Table for Small Plans from the RP2000 Mortality Table and the remaining amortization period was updated from 8 to 5 years and 12 to 7 years, respectively.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

### PENSION PLANS

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In the January 1, 2017 CBPP actuarial valuation, the mortality table was changed to the IRS 2017 Static Combined Table for Small Plans from the RP2000 Mortality Table, the projected salary increases were updated from 5.00% to 4.50%, and the remaining amortization period was updated from 14 to 13 years.

In the January 1, 2015 FPP and PPP actuarial valuation, the remaining amortization method was updated from 9 years to 8 years and from 13 years to 12 years, respectively.

In the January 1, 2015 CBPP actuarial valuation, the remaining amortization method was updated from 15 years to 14 years and the investment rate of return was updated from 6.5-7.5% to 7.5%.

In the January 1, 2013 FPP and PPP actuarial valuation, the asset valuation method was updated from smoothed value with a corridor of 70% to 130% of market value to smoothed value with a corridor of 80% to 120% of market value. The remaining amortization method was also updated from 10 years to 9 years for FPP and 15 years to 13 years for PPP.

In the January 1, 2013 CBPP actuarial valuation, the asset valuation method was updated from smoothed value with a corridor of 70% to 130% of market value to smoothed value with a corridor of 80% to 120% of market value. The remaining amortization method was also updated from 16 years to 15 years and the investment rate of return was updated from 7.5% to 6.5-7.5%.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

### PENSION PLANS

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#### **Component Units**

##### Lancaster Parking Authority

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Methods and assumptions used to determine the contribution rate required under Act 205 for the year ended December 31, 2018 (presented as the subsequent year on the preceding schedules) are as follows:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	Based on periods in Act 205
Asset valuation method	Based on the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	3.0%
Post-retirement cost-of-living adjustment increase	3%, subject to plan limitations
Pre-retirement mortality:	
Males: RP 2000 with 1 year set back	
Females: RP 2000 with 5 year set back	
Post-retirement mortality:	
Males and females: Sex distinct RP 2000 Combined Healthy Mortality	

*Change in actuarial assumptions* - The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 first effective.

The December 31, 2016 investment return assumption for municipal assets decreased from 5.50% to 5.25%.

# CITY OF LANCASTER

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN

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

	2020*	2019*	2018*	2017*
<b>Total OPEB Liability:</b>				
Service cost	\$ 5,764,796	\$ 4,597,057	\$ 6,922,393	\$ 6,592,755
Interest	4,726,538	4,327,650	4,886,806	4,638,834
Benefit payments	(4,033,879)	(3,733,427)	(3,860,539)	(3,594,807)
Change of benefit terms	142,085	-	-	-
Changes for experience	(17,568,939)	-	(36,654,434)	-
Changes of assumptions	30,867,120	18,790,344	(4,953,863)	-
<b>Net Changes in Total OPEB Liability</b>	19,897,721	23,981,624	(33,659,637)	7,636,782
<b>Total OPEB Liability - Beginning</b>	139,648,762	115,667,138	149,326,775	141,689,993
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 159,546,483</u>	<u>\$ 139,648,762</u>	<u>\$ 115,667,138</u>	<u>\$ 149,326,775</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 4,033,879	\$ 3,733,427	\$ 3,860,539	\$ 3,594,807
Net investment income	-	-	-	-
Benefit payments	(4,033,879)	(3,733,427)	(3,860,539)	(3,594,807)
Administrative expense	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	-	-	-	-
<b>Plan Fiduciary Net Position - Beginning</b>	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net OPEB Liability - Ending (a-b)</b>	<u>\$ 159,546,483</u>	<u>\$ 139,648,762</u>	<u>\$ 115,667,138</u>	<u>\$ 149,326,775</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - OPEB plans.

# CITY OF LANCASTER

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN

### SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS - WATER OPEB PLAN

	2020*	2019*	2018*	2017*
<b>Total OPEB Liability:</b>				
Service cost	\$ 570,141	\$ 451,320	\$ 978,590	\$ 931,990
Interest	572,746	515,196	619,303	583,655
Benefit payments	(428,747)	(435,383)	(435,122)	(440,716)
Changes for experience	(2,580,399)	-	(4,747,005)	-
Changes of assumptions	4,035,969	2,625,999	(1,348,338)	-
<b>Net Changes in Total OPEB Liability</b>	<b>2,169,710</b>	<b>3,157,132</b>	<b>(4,932,572)</b>	<b>1,074,929</b>
<b>Total OPEB Liability - Beginning</b>	<b>17,018,049</b>	<b>13,860,917</b>	<b>18,793,489</b>	<b>17,718,560</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 19,187,759</b>	<b>\$ 17,018,049</b>	<b>\$ 13,860,917</b>	<b>\$ 18,793,489</b>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 890,990	\$ 1,447,582	\$ 1,340,156	\$ 1,354,601
Net investment income	17,982	115,919	79,521	23,346
Benefit payments	(428,747)	(435,383)	(435,122)	(440,716)
Administrative expense	(32,184)	(28,344)	(23,751)	(19,549)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>448,041</b>	<b>1,099,774</b>	<b>960,804</b>	<b>917,682</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>6,980,100</b>	<b>5,880,326</b>	<b>4,919,522</b>	<b>4,001,840</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 7,428,141</b>	<b>\$ 6,980,100</b>	<b>\$ 5,880,326</b>	<b>\$ 4,919,522</b>
<b>Net OPEB Liability - Ending (a-b)</b>	<b>\$ 11,759,618</b>	<b>\$ 10,037,949</b>	<b>\$ 7,980,591</b>	<b>\$ 13,873,967</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>38.71%</b>	<b>41.02%</b>	<b>42.42%</b>	<b>26.18%</b>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - OPEB plans.

# CITY OF LANCASTER

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN

### SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS - SEWER OPEB PLAN

	2020*	2019*	2018*	2017*
<b>Total OPEB Liability:</b>				
Service cost	\$ 341,895	\$ 270,990	\$ 509,182	\$ 484,935
Interest	281,580	254,070	320,534	302,702
Benefit payments	(248,205)	(235,276)	(264,372)	(231,564)
Changes for experience	(237,103)	-	(2,974,945)	-
Changes of assumptions	2,094,264	1,237,236	(537,672)	-
<b>Net Changes in Total OPEB Liability</b>	<b>2,232,431</b>	<b>1,527,020</b>	<b>(2,947,273)</b>	<b>556,073</b>
<b>Total OPEB Liability - Beginning</b>	<b>8,325,271</b>	<b>6,798,251</b>	<b>9,745,524</b>	<b>9,189,451</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 10,557,702</b>	<b>\$ 8,325,271</b>	<b>\$ 6,798,251</b>	<b>\$ 9,745,524</b>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 302,968	\$ 345,761	\$ 365,769	\$ 335,755
Net investment income	1,872	11,987	8,124	2,340
Benefit payments	(248,205)	(235,276)	(264,372)	(231,564)
Administrative expense	(3,382)	(3,191)	(2,421)	(1,948)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>53,253</b>	<b>119,281</b>	<b>107,100</b>	<b>104,583</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>725,040</b>	<b>605,759</b>	<b>498,659</b>	<b>394,076</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 778,293</b>	<b>\$ 725,040</b>	<b>\$ 605,759</b>	<b>\$ 498,659</b>
<b>Net OPEB Liability - Ending (a-b)</b>	<b>\$ 9,779,409</b>	<b>\$ 7,600,231</b>	<b>\$ 6,192,492</b>	<b>\$ 9,246,865</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>7.37%</b>	<b>8.71%</b>	<b>8.91%</b>	<b>5.12%</b>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - OPEB plans.

# CITY OF LANCASTER

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS

### SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS - OPEB PLANS

**OPEB PLAN:**

<u>Schedule of City Contributions</u>	2020*	2019*	2018*	2017*
Actuarially determined contribution	\$ 4,033,879	\$ 3,733,427	\$ 3,860,539	\$ 3,594,807
Contributions in relation to the actuarially determined contribution	4,033,879	3,733,427	3,860,539	3,594,807
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investment Returns</b>				
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A

**OPEB WATER PLAN:**

<u>Schedule of City Contributions</u>				
Actuarially determined contribution	\$ 890,990	\$ 1,447,582	\$ 1,340,156	\$ 1,354,601
Contributions in relation to the actuarially determined contribution	890,990	1,447,582	1,340,156	1,354,601
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investment Returns</b>				
Annual money-weighted rate of return, net of investment expense	0.24%	1.81%	1.47%	0.52%

**OPEB SEWER PLAN:**

<u>Schedule of City Contributions</u>				
Actuarially determined contribution	\$ 302,968	\$ 345,761	\$ 365,769	\$ 335,755
Contributions in relation to the actuarially determined contribution	302,968	345,761	365,769	335,755
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investment Returns</b>				
Annual money-weighted rate of return, net of investment expense	0.25%	1.80%	1.48%	0.52%

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - OPEB plans.

# CITY OF LANCASTER

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS

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### 1. Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at December 31, 2020. Methods and assumptions used to determine contribution rates are as follows:

Actuarial valuation date	1/1/2020
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions:	
Interest rate	2.00%
Medical inflation	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later
Mortality table	PubS-2010 mortality table for police officers and firefighters and PubG-2010 mortality table for nonuniformed employees
Retirement age	Nonuniformed employees are assumed to retire at age 62 and completion of 10 years of service. Police Officers age 53 and older and Firefighters age 55 and older are assumed to retire immediately upon reaching 25 years of service. Retirement is mandatory upon attainment of age 60.

#### Changes in Actuarial Assumptions

The interest rate changed from 3.30% in the January 1, 2018 actuarial valuation as of December 31, 2019 to 2.00% in the January 1, 2020 actuarial valuation as of December 31, 2020. In addition, the healthcare cost trend rates were also updated.

The interest rate was changed from 3.66% in the January 1, 2018 actuarial valuation as of December 31, 2018 to 3.30% in the January 1, 2018 actuarial valuation as of December 31, 2019. In addition, the healthcare cost trend rates were also updated, and the mortality

# CITY OF LANCASTER

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS

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table changed from IRS 2017 Static Combined Table for Small Plans to the PubS-2010 mortality table for police officers and firefighters and PubG-2010 mortality table for nonuniformed employees.

The interest rate was increased from 3.17% to 3.66% in the January 1, 2018 actuarial valuation.

The interest rate was decreased from 4.50% to 3.17% in the January 1, 2016 actuarial valuation. In addition, mortality rates were updated from the RP2000 Table to the IRS 2017 Static Combined Table for Small Plans, and medical inflation periods were also updated.

# CITY OF LANCASTER, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Taxes:</b>				
Real estate taxes, net of discount	\$ 30,450,000	\$ 30,450,000	\$ 30,323,804	\$ (126,196)
Real estate transfer tax	1,200,000	1,200,000	1,469,793	269,793
Penalties, interest, and costs on delinquent real estate taxes	103,500	103,500	30,077	(73,423)
Earned income tax	6,700,000	6,700,000	6,562,099	(137,901)
Local services tax	1,670,000	1,670,000	1,490,588	(179,412)
<b>Total taxes</b>	<b>40,123,500</b>	<b>40,123,500</b>	<b>39,876,361</b>	<b>(247,139)</b>
<b>Intergovernmental revenues:</b>				
Grants	11,000	11,000	1,024,366	1,013,366
PA state reimbursement	50,000	50,000	90,933	40,933
Pension state aid	3,320,000	3,320,000	3,005,048	(314,952)
Public utility realty tax	37,000	37,000	37,973	973
Alcohol beverage tax	35,000	35,000	32,250	(2,750)
<b>Total intergovernmental revenues</b>	<b>3,453,000</b>	<b>3,453,000</b>	<b>4,190,570</b>	<b>737,570</b>
Licenses and permits	2,200,000	2,200,000	2,333,703	133,703
Fines and forfeitures	2,150,000	2,150,000	1,673,098	(476,902)
Rents and charges for services	1,368,792	1,368,792	1,047,766	(321,026)
Investment income	50,000	50,000	1,590	(48,410)
Miscellaneous	2,572,633	2,572,633	2,567,161	(5,472)
<b>Other financing sources:</b>				
Interfund reimbursements	3,496,601	3,496,601	3,301,012	(195,589)
Sale of general capital assets	300,000	300,000	529,179	229,179
Transfers in	4,000,000	4,000,000	4,000,000	-
<b>Total other financing sources</b>	<b>7,796,601</b>	<b>7,796,601</b>	<b>7,830,191</b>	<b>33,590</b>
<b>Total revenues and other financing sources</b>	<b>\$ 59,714,526</b>	<b>\$ 59,714,526</b>	<b>\$ 59,520,440</b>	<b>\$ (194,086)</b>

See accompanying notes to required supplementary information - budgetary comparison schedule.

**CITY OF LANCASTER, PENNSYLVANIA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**

YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Executive department:				
Office of the Mayor	\$ 287,652	\$ 286,828	\$ 281,660	\$ 5,168
Office of Neighborhood Engagement	215,832	213,780	159,002	54,778
Office of the City Solicitor	284,000	284,000	348,712	(64,712)
	<u>787,484</u>	<u>784,608</u>	<u>789,374</u>	<u>(4,766)</u>
Legislative department:				
Office of the City Council	69,700	69,700	62,727	6,973
Office of the City Clerk	80,926	80,926	78,187	2,739
	<u>150,626</u>	<u>150,626</u>	<u>140,914</u>	<u>9,712</u>
Office of the City Treasurer/Controller	17,000	17,000	17,123	(123)
Administrative services:				
Bureau of Accounting	947,572	947,572	954,025	(6,453)
Bureau of Procurement and Collections	106,677	106,677	79,540	27,137
Bureau of Human Resources	459,191	459,191	400,237	58,954
Bureau of Information Services	727,512	727,512	622,927	104,585
Community Involvement	640,656	640,656	865,715	(225,059)
Insurance	628,750	628,750	543,491	85,259
Fringe benefits	2,881,171	2,980,713	3,003,904	(23,191)
	<u>6,391,529</u>	<u>6,491,071</u>	<u>6,469,839</u>	<u>21,232</u>
Public safety:				
Bureau of Police	26,187,353	26,121,642	25,012,340	1,109,302
Bureau of Fire	11,511,362	11,482,466	11,678,546	(196,080)
	<u>37,698,715</u>	<u>37,604,108</u>	<u>36,690,886</u>	<u>913,222</u>
Community planning and economic development:				
Office of the Director	1,792,398	1,792,398	1,640,805	151,593
Building Code Administration	512,279	512,279	451,220	61,059
Property Maintenance	1,415,423	1,415,423	1,017,539	397,884
Lancaster Office of Promotion	433,433	433,433	306,328	127,105
Bureau of Planning	637,451	637,451	452,240	185,211
	<u>4,790,984</u>	<u>4,790,984</u>	<u>3,868,132</u>	<u>922,852</u>
Public works:				
Office of the Director	1,387,770	1,387,770	1,366,630	21,140
Bureau of Engineering	795,139	795,139	769,104	26,035
Bureau of Streets:				
Administration	238,182	238,182	221,319	16,863
Maintenance	565,294	565,294	324,360	240,934
Traffic	1,114,314	1,114,314	987,433	126,881
Motor Vehicles	353,282	353,282	334,130	19,152
Bureau of Parks:				
Administration	160,850	160,850	129,387	31,463
Buildings	1,334,274	1,332,215	1,150,734	181,481
Parks	686,296	686,296	519,041	167,255
Trees	218,774	218,774	188,811	29,963
Central Market building	114,107	114,107	96,621	17,486
	<u>6,968,282</u>	<u>6,966,223</u>	<u>6,087,570</u>	<u>878,653</u>
Other financing uses:				
Transfers out	5,901,127	5,901,127	5,849,771	51,356
Total expenditures and other financing uses	<u>\$ 62,705,747</u>	<u>\$ 62,705,747</u>	<u>\$ 59,913,609</u>	<u>\$ 2,792,138</u>

See accompanying notes to required supplementary information - budgetary comparison schedule.

# CITY OF LANCASTER, PENNSYLVANIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2020

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#### 1. Budgetary Basis of Accounting

An annual GAAP basis budget is adopted for the General Fund, with the exceptions of the proceeds from the issuance of capital leases and the related debt service payments, which are included in the function for which the lease was issued, and transfers to the City's blended component unit, which are included as Community Involvement expenditures.

#### 2. Stewardship, Compliance, and Accountability

##### *Excess of Expenditures Over Appropriations*

	<u>Appropriation</u>	<u>Expenditures</u>
Executive department:		
Office of the City Solicitor	\$ 284,000	\$ 348,712
Office of the City Treasurer/Controller	17,000	17,123
Administrative services:		
Bureau of Accounting	947,572	954,025
Fringe Benefits	2,980,713	3,003,904
Public safety:		
Bureau of Fire	11,482,466	11,678,546

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund.



SUPPLEMENTARY  
INFORMATION

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULE OF NET COST OF OPERATIONS OF THE CITY SEWER SYSTEM

YEAR ENDED DECEMBER 31, 2020

### **Direct Expenses and Costs:**

City Bureau of Sewers (Administration - 880)	\$ 1,840,567
Collection system (881) *	1,448,271
Sewage pumping stations (882)	1,263,005
Sewage treatment plants (883)	4,585,331
Sewage grounds maintenance (884)	23,393
	<hr/>
	9,160,567
Allowance per contracts for indirect expenses and costs (\$9,160,567 x 5.0%)	<hr/>
	458,028
	<hr/>
	9,618,595
	<hr/>
Less reimbursements (as defined in agreements):	
Miscellaneous	584,814
Industrial waste surcharge	555,740
Management and operation service fee	157,804
	<hr/>
	1,298,358
	<hr/>
<b>Net Cost of Operations of the City Sewer System</b>	<b>\$ 8,320,237</b>
	<hr/> <hr/>

\* Combined total for all municipalities

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULE OF DIRECT EXPENSES AND COSTS

YEAR ENDED DECEMBER 31, 2020

### City Bureau of Sewers (Administration - 880):

Salaries and wages	\$ 250,479
Consultant and contract services	114,417
Training	9,804
Uniforms	10,691
Telephone	32,744
Insurance package	185,150
Miscellaneous expense	131,185
Fringe benefits	1,106,097
	<hr/>
	1,840,567

### Collection System (881) \*:

Salaries and wages	857,972
Vehicle maintenance	77,275
Gasoline and oil	34,535
Miscellaneous expenses	478,489
	<hr/>
	1,448,271

### Sewage Pumping Stations (882):

Salaries and wages	847,345
Equipment maintenance	53,630
Building maintenance	1,457
Fuel	15,056
Power	331,729
Miscellaneous expenses	13,788
	<hr/>
	1,263,005

### Sewage Treatment Plants (883):

Salaries and wages	893,350
Chemicals and laboratory supplies	695,318
Equipment maintenance	275,321
Vehicle maintenance	11,658
Gasoline, oil, and fuel	61,383
Water utility expense	95,382
Power	811,070
Building maintenance	27,102
Sludge disposal	1,450,592
Miscellaneous expenses	264,155
	<hr/>
	4,585,331

### Sewer Grounds Maintenance (884):

Salaries and wages	7,582
Operating equipment	11,972
Fringe benefits	3,839
	<hr/>
	23,393

### **Total Direct Expenses and Costs**

**\$ 9,160,567**

\* Combined total for all municipalities

# CITY OF LANCASTER, PENNSYLVANIA

## SCHEDULE OF COST OF TREATING EACH 1,000 GALLONS OF SEWAGE

YEAR ENDED DECEMBER 31, 2020

Net cost of operation of the City of Lancaster sewer system *	\$ 8,320,237
Number of units of 1,000 gallons of sewage treated per records of the City of Lancaster (unaudited)	<u>6,915,936</u>
<b>Net Cost of Treating 1,000 Gallons of Sewage (unaudited) **</b>	<u><u>\$ 1.2031</u></u>

\* Combined total for all municipalities

\*\* Combined total for all municipalities. Actual net cost of treating 1,000 gallons of sewage per partner will vary based upon the calculation performed in accordance with the 5th amendment to the agreement.