

City of Lancaster, Pennsylvania

Financial Statements and Required
Supplementary Information

Year Ended December 31, 2021
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, 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, 2021, 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.

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 48 percent, 29 percent, and 66 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our

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

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*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Net Cost of Operations of the City Sewer System and Schedule

of Direct Expenses and Costs 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 27, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
September 27, 2022



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, 2021 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 2021, the liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources by \$66.634 million. The City's net position increased by \$6.456 million (8.833 percent) during the fiscal year. The governmental activities net position increased by \$2.999 million (2.118 percent) and the business-type activities net position increased by \$3.457 million (5.047 percent).
- At the close of 2021, the City's governmental funds reported a combined ending fund balance of \$25.304 million, a decrease of \$.565 million (2.185 percent). Of this amount, approximately \$11.14 million is legally restricted and/or unavailable to spend, and \$11.950 million is committed and/or assigned for designated projects, resulting in a balance of \$1.884 million for the government's discretion (unassigned fund balance) spending.
- The City's total outstanding bonded debt increased by \$4.142 million (1.195 percent) during the current fiscal year to \$350.843 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, 2021 by approximately \$66.634 million.

Statement of Net Position

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

	Governmental Activities		Business-Types Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	51,916	44,007	35,120	62,565	87,036	106,572
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	99,342	89,485	361,189	327,789	460,531	417,274
Deferred Charge on Refunding, Pension, and OPEB	38,434	42,703	13,560	15,675	51,994	58,378
Total Assets & Deferred Outflows of Resources	189,692	176,195	409,869	406,029	599,561	582,224
Current and Other Liabilities	16,876	7,939	9,396	9,465	26,272	17,404
Long-Term Liabilities	254,926	264,516	318,163	319,494	573,089	584,010
Deferred Inflows for Pensions and OPEB	56,474	45,323	10,361	8,577	66,835	53,900
Total Liabilities & Deferred Inflows of Resources	328,276	317,778	337,920	337,536	666,196	655,314
Net Position						
Invested in Capital Assets, Net of Related Debt	40,815	40,400	97,482	90,559	138,297	130,959
Restricted	5,664	6,055	3,762	4,242	9,426	10,297
Unrestricted	(185,062)	(188,037)	(29,295)	(26,308)	(214,357)	(214,345)
Total Net Postions	(138,583)	(141,582)	71,950	68,493	(66,634)	(73,089)

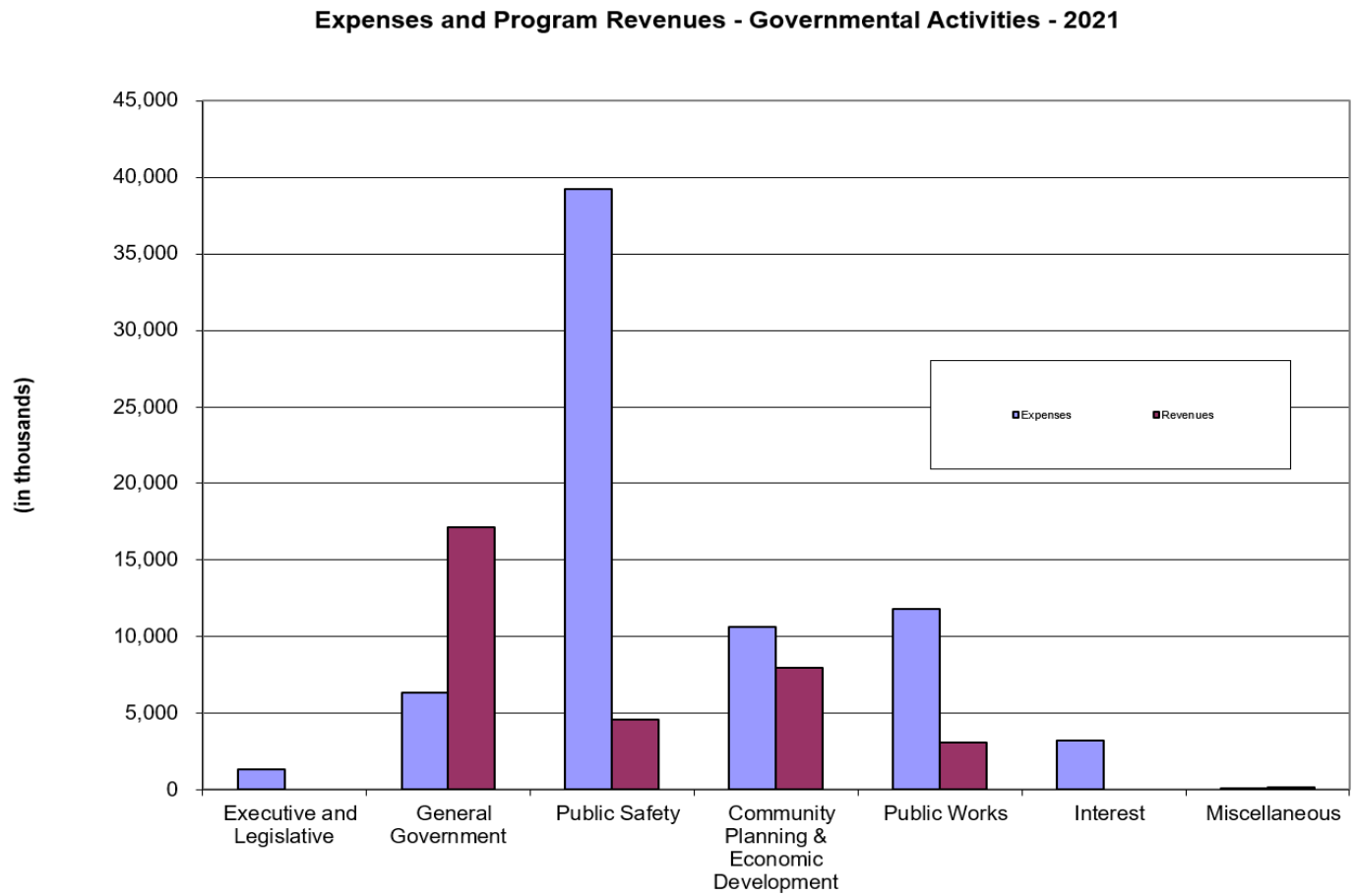
Table A-1 is a condensed version of the statement of net position for the City.

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

	Governmental Activities		Business-Types		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program Revenue						
Charges for services	9,895	8,506	55,966	54,915	65,861	63,421
Operating Capital Grans and Contributions	23,022	14,976	2,495	2,392	25,517	17,368
General Revenue	-	-	-	-	-	-
Property Taxes	30,805	30,264	-	-	30,805	30,264
Earned Income Tax	7,118	6,562	-	-	7,118	6,562
LST	1,566	1,491	-	-	1,566	1,491
Other Taxes	1,916	1,470	-	-	1,916	1,470
Miscellaneous	3,156	3,226	6	214	3,162	3,440
Intra-Entity Transfer	-	-	-	-	-	-
Total Revenue	77,478	66,495	58,467	57,521	135,945	124,016
Expenses						
Government Activities	-	-	-	-	-	-
Executives and Legislative	1,308	1,009	-	-	1,308	1,009
General Government	6,305	10,087	-	-	6,305	10,087
Public Safety	39,236	40,024	-	-	39,236	40,024
Community Planning & Economic Development	10,630	10,359	-	-	10,630	10,359
Public Works	11,805	10,762	-	-	11,805	10,762
Interest	3,224	2,565	-	-	3,224	2,565
Miscellaneous	71	72	-	-	71	72
Business-Types Activities						
Sewer	-	-	19,298	17,625	19,298	17,625
Water	-	-	27,464	26,091	27,464	26,091
Other	-	-	10,148	8,968	10,148	8,968
Total Expenses	72,579	74,878	56,910	52,684	56,910	127,562
Excess (Deficiency) Before Transfers	4,899	(8,383)	1,557	4,836	6,456	(3,547)
Transfers	(1,900)	3,971	1,900	(3,971)	-	-
Increase (decrease) in Net Positions	2,999	(4,412)	3,457	865	6,456	(3,547)
Net Position - Beginning of Year	(141,582)	(137,169)	68,493	67,627	(73,089)	(69,542)
Net Position- End of Year	(138,583)	(141,582)	71,950	68,493	(66,634)	(73,089)

The City's total net position increased by \$6.456 million in 2021.

Governmental Activities



Revenues by Source - Governmental Activities - 2021

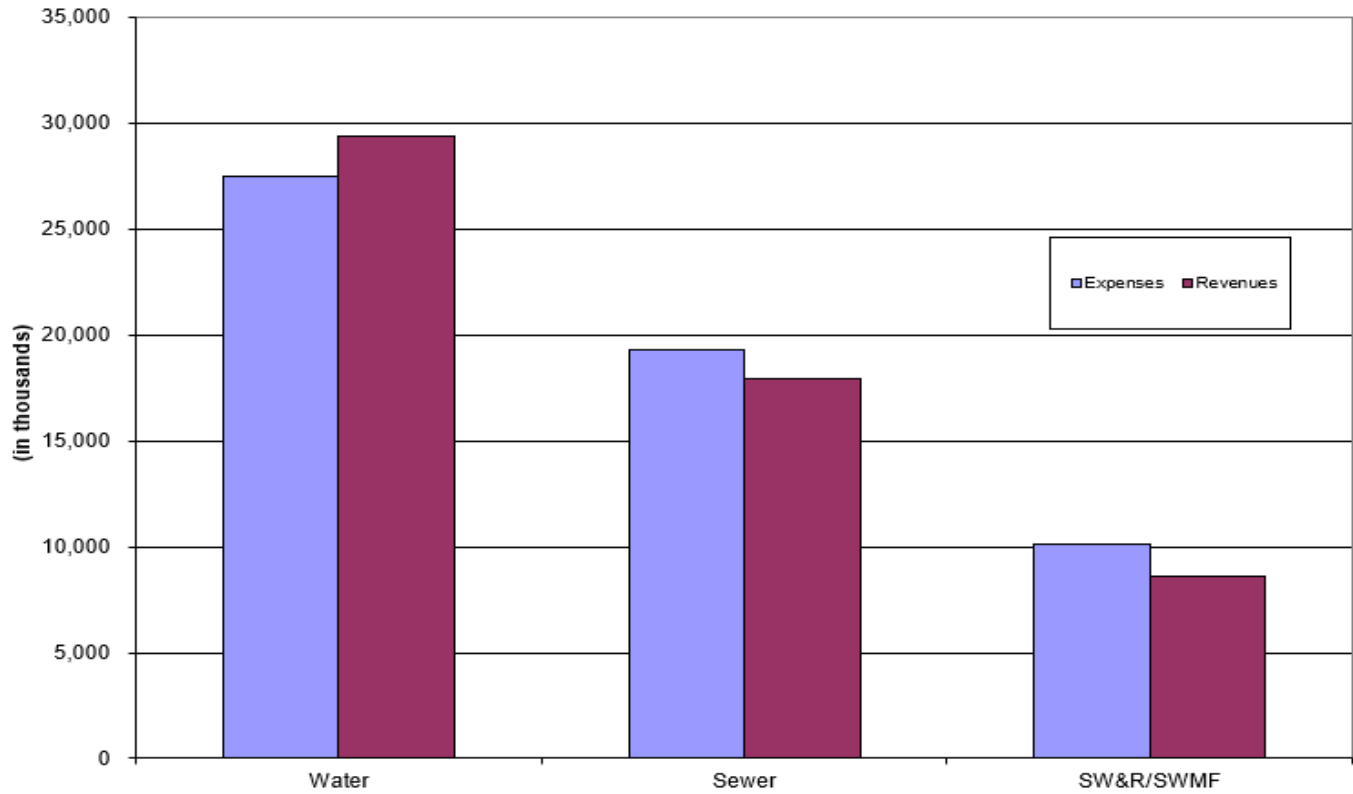


Governmental activities. Governmental activities increased the City's net position by \$2.999 million. In 2021, total revenues for governmental activities were \$77.478 million, \$10.983 million or 16.517 percent higher than 2020. The revenue increased mostly from the \$8.046 million received from the grants and contribution and service charges. Total expenses for governmental activities, which were \$72.579 million, were \$2.299 million or 3.070 percent lower than 2020. The decrease was mainly from the MAW accrual (\$1.20 million) and write off (\$1.40 million) due to the 2020 MAW settlement. The OPEB expense (changes based upon the actuarial valuation reporting) was \$.53 million less than prior year.

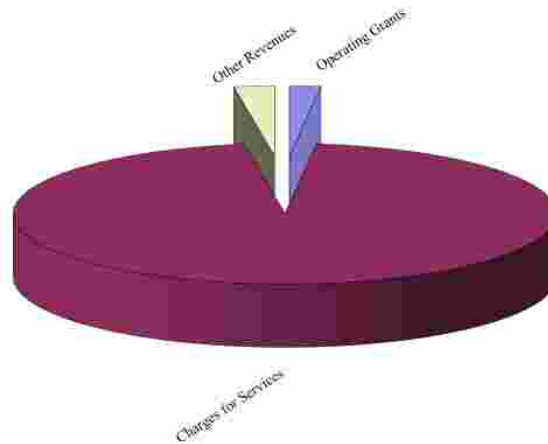
The charts on the previous page present the City's governmental expenses by function and its revenue by source. Public safety is the largest governmental expense of the City, followed by public works, community planning and economic development, and general government. General revenues such as property, 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 - 2021



Revenues by Source - Business-Type Activities - 2021



Business-Type activities. Business-type activities increased the City's net position by \$3.457 million to \$71.950 million, an increase of 5.047 percent. Charges for services in the business-type activities increased \$1.051 million from the prior year. During 2021, the City had higher on-time payments and reduced delinquencies compared to the high delinquencies and less collection in 2020 due to the pandemic. In addition, 2021 included a full year of revenue billed at the increased rate for outside customers based on new rates that went into effect on March 14, 2020.

Expenses for water, sewer, solid waste and recycling, and stormwater management operations increased by \$4.226 million, or 8.021 percent from 2020 due primarily to an increase in construction activity and overall increase in expenses due to recovering from the 2020 COVID pandemic and resuming to normal operation. The swing was also wider as 2020 had less then expenses due to less construction activity and less expenses 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 \$25.304 million. Approximately \$1.884 million of that amount constitutes unassigned fund balance, which is available for discretionary spending. The remainder of fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$.330 million), 2) restricted for particular purposes (\$11.804 million), 3) committed for particular purposes (\$.664 million), or 4) assigned for particular purposes (\$11.285 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, Stormwater, and Solid Waste and Recycling Funds at the end of the year amounted to \$71.950 million. Net position of the Stormwater, and Solid Waste and Recycling Funds decreased by \$0.875 million. Net position of the Water increased by \$4.653 million and Sewer Funds increased by \$0.234 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 \$192.965 million. The City's employee pension plans and OPEB trusts represent 99.8 percent of that amount. During 2021, the net position of the Pension and OPEB Trust Funds increased by \$23.026 million to \$192.590 million. The change is related to the appreciation of investments compared to 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget contained \$64.561 million in appropriations, and \$59.576 million in estimated revenues, with \$4.985 million of required resources coming from the unassigned fund balance. Overall, revenues were higher than anticipated by \$6.096 million. Key revenues that were over budget are as follows:

- Other financing revenue were \$4.084 million over budget. The City received \$4.084 million for the revenue loss replacement from the American Rescue Plan Act (ARPA) due to the COVID impact.

- Total tax revenues were \$1.81 million over budget. The 2021 Budgets for Real Estate, Real Estate Transfer, and Earned Income Taxes were based on 2020 actual revenue that was impacted from the COVID pandemic. These revenue sources rebounded in 2021 as economic activity returned to pre-pandemic levels.
- Rents and charges for services were \$0.396 million over budget. The 2021 Budget was based on 2020 actual revenue that was impacted from the pandemic. The increase is likely due to businesses being able to resume normal operations coming out of the 2020 pandemic.

Expenditures in comparison to budget were under by \$.257 million. Expenditures were over budget in Administrative Services (\$.434 million) primarily due to one large Workers Compensation claim (\$.271 million). The Police (\$.230 million), Fire (\$1.071 million) and Public Works (\$.503 million) expenditures were over the original budget primarily due to a \$1.5 million Internal Services Fund transfer approved by City Council in December 2021 to fund higher than anticipated medical expenses incurred during 2021.

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, 2021, amounts to \$460.531 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 2021, the City expended \$1.112 million on the 2020 Pierce Arrow XT Fire Truck, \$.972 million on Conestoga Pines connection, \$1.014 million on street light purchase, \$1.466 million on ADA ramps and street improvements, \$.847 million on pedestrian signals, and \$.561million on fiber network material.

During 2021, the business-type activities had the following additions:

- \$ 9.623 million sewer system additions
- \$ 42.630 million water system additions
- \$ 4.166 million stormwater system additions

Debt administration. At the end of 2021, the City had \$51.683 million outstanding bonded debt, compared to \$346.702 million in 2020. More detailed information about the City's long-term debt is presented in Note 10 to the financial statements.

ECONOMIC CONDITION AND OUTLOOK

Through 2021, 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 impacts of the COVID-19 pandemic and the ongoing 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. In 2021, Earned Income Tax revenues rebounded strongly from a small (1.25%) decrease in 2020 due to the pandemic, with 2021 revenues ending 8.5% higher than in 2020. Real Estate Transfer Tax revenues also continued to be strong in 2021, ending with an increase of 30.3% over 2020. 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 vibrant arts community of Lancaster City is an integral part of its rich and diverse culture. In this walkable urban center, one will find over 125 arts venues in many shapes and forms, from museums and an art college to live performances, galleries, and artist studios. In the past several years the City has seen significant growth in the impact with attendance increasing in arts and culture related activities, with an estimated \$36 million spent by County residents who come to the City for arts related events and over 140 new or expanded retail, restaurant and service businesses.

In 2014, City's Building on Strength Plan (<http://www.lancastercityalliance.org/building-on-strength>), a 15-year economic development plan was developed in partnership with the Lancaster City Alliance. As of June 2022, progress on the Plan has seen over 600 new residential housing units being built in the City with another 1,900 units currently under development. Additionally, nearly 200 new hotel room units have been added to the City and over 180,000 square feet of new retail and restaurant space has been completed or is currently under construction.

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 and additional pandemic-related federal funding made available have allowed it to maintain a fund balance at \$16.4 million at the end of 2021 or nearly 25% of the 2021 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, 2021

	Primary Government			Component	
	Governmental Activities	Business-type Activities	Total	Units	Total
Assets and Deferred Outflows of Resources					
Assets:					
Cash and cash equivalents	\$ 17,765,256	\$ 1,195,520	\$ 18,960,776	\$ 13,953,072	\$ 32,913,848
Cash and cash equivalents - restricted	4,972,936	31,007,423	35,980,359	4,928,451	40,908,810
Investments	611,169	-	611,169	1,043,839	1,655,008
Investments - restricted	4,798	-	4,798	13,226,617	13,231,415
Receivables (net of allowance for uncollectibles):					
Taxes	3,377,105	-	3,377,105	532,017	3,909,122
Accounts	575,951	12,365,354	12,941,305	376,793	13,318,098
Notes	5,641,765	-	5,641,765	2,655,015	8,296,780
Investment income	85,463	-	85,463	-	85,463
Other	-	167,532	167,532	92,836	260,368
Internal balances	10,650,799	(10,650,799)	-	-	-
Accrued interest	-	-	-	290,546	290,546
Prepaid expenses	330,047	79,757	409,804	200,422	610,226
Lease rental receivable	-	-	-	45,435,676	45,435,676
Due from other governments	3,745,152	205,707	3,950,859	4,183,860	8,134,719
Due from component unit	1,455,828	-	1,455,828	-	1,455,828
Note receivable due from component unit	2,700,000	-	2,700,000	-	2,700,000
Net pension asset	-	-	-	89,566	89,566
Prepaid debt insurance	-	749,936	749,936	349,504	1,099,440
Properties held for resale	-	-	-	825,025	825,025
Capital assets, not being depreciated	22,438,225	58,529,276	80,967,501	38,626,705	119,594,206
Capital assets, being depreciated, net	76,903,782	302,659,586	379,563,368	20,540,844	400,104,212
Total Assets	151,258,276	396,309,292	547,567,568	147,350,788	694,918,356
Deferred Outflows of Resources:					
Deferred outflows of resources for pensions	6,919,239	541,084	7,460,323	82,888	7,543,211
Deferred outflows of resources for other post-employment benefits	30,609,978	8,120,613	38,730,591	-	38,730,591
Deferred charge on refunding	905,023	4,897,967	5,802,990	722,844	6,525,834
Total Deferred Outflows of Resources	38,434,240	13,559,664	51,993,904	805,732	52,799,636
Total Assets and Deferred Outflows of Resources	\$ 189,692,516	\$ 409,868,956	\$ 599,561,472	\$ 148,156,520	\$ 747,717,992

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Liabilities:					
Accounts payable	\$ 4,791,444	\$ 6,889,660	\$ 11,681,104	\$ 2,971,862	\$ 14,652,966
Accrued salaries and benefits	508,181	188,040	696,221	81,228	777,449
Accrued expenses	450,982	1,767,595	2,218,577	2,889,559	5,108,136
Line of credit	-	-	-	584,799	584,799
Due to primary government	-	-	-	1,578,180	1,578,180
Unearned revenue	9,343,715	285,243	9,628,958	13,907,590	23,536,548
Other liabilities	197,959	265,045	463,004	-	463,004
Escrow - land development	1,583,496	-	1,583,496	-	1,583,496
Long-term liabilities:					
Portion due or payable within one year:					
Long-term obligations	1,410,564	731,896	2,142,460	-	2,142,460
Due to other governments	73	3,739,417	3,739,490	-	3,739,490
Note payable due to primary government	-	-	-	150,000	150,000
Loan payable	-	-	-	110,071	110,071
Notes payable	395,000	1,739,205	2,134,205	564,000	2,698,205
Bonds payable	1,475,000	4,995,000	6,470,000	5,684,469	12,154,469
Portion due or payable after one year:					
Long-term obligations	5,112,119	1,342,952	6,455,071	-	6,455,071
Net pension liability	24,866,982	931,743	25,798,725	-	25,798,725
Net other post-employment benefits liability	146,638,607	23,255,965	169,894,572	-	169,894,572
Due to lessee	-	-	-	1,013,621	1,013,621
Note payable due to primary government	-	-	-	2,550,000	2,550,000
Loan payable	-	-	-	325,004	325,004
Notes payable	8,725,000	40,824,168	49,549,168	2,683,113	52,232,281
Bonds payable, net	66,302,587	240,602,442	306,905,029	91,578,311	398,483,340
Total Liabilities	271,801,709	327,558,371	599,360,080	126,671,807	726,031,887
Deferred Inflows of Resources:					
Deferred inflows of resources for pensions	14,300,075	1,255,632	15,555,707	124,951	15,680,658
Deferred inflows of resources for other post-employment benefits	42,173,805	9,105,422	51,279,227	-	51,279,227
Refundable advances	-	-	-	1,000	1,000
Total Deferred Inflows of Resources	56,473,880	10,361,054	66,834,934	125,951	66,960,885
Net Position:					
Net investment in capital assets	40,814,674	97,482,160	138,296,834	13,014,788	151,311,622
Restricted for:					
Capital acquisition	-	3,762,318	3,762,318	-	3,762,318
Community planning and economic development	3,570,207	-	3,570,207	-	3,570,207
Public works	1,757,397	-	1,757,397	-	1,757,397
Parks and recreation	336,321	-	336,321	-	336,321
Human relations commission	250	-	250	-	250
Debt service	-	-	-	2,373,691	2,373,691
Unrestricted	(185,061,922)	(29,294,947)	(214,356,869)	5,970,283	(208,386,586)
Total Net Position	(138,583,073)	71,949,531	(66,633,542)	21,358,762	(45,274,780)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 189,692,516	\$ 409,868,956	\$ 599,561,472	\$ 148,156,520	\$ 747,717,992

(Concluded)

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

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Functions/Programs:	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Executive department	\$ 1,150,235	\$ -	\$ -	\$ -
Legislative department	140,562	-	-	-
Office of the City Treasurer/Controller	17,349	-	-	-
General government	6,304,838	3,878,869	13,221,366	-
Public safety	39,236,373	3,386,677	1,210,084	-
Community planning and economic development	10,629,813	2,561,686	5,412,250	-
Public works	11,804,624	33,679	1,633,011	1,433,702
Miscellaneous	70,822	34,361	111,808	-
Interest	3,224,138	-	-	-
Total governmental activities	72,578,754	9,895,272	21,588,519	1,433,702
Business-type activities:				
Sewer	19,297,677	17,940,237	228,027	1,046,031
Water	27,463,765	29,426,317	340,661	364,705
Other enterprise funds	10,148,298	8,599,904	515,040	-
Total business-type activities	56,909,740	55,966,458	1,083,728	1,410,736
Total Primary Government	\$ 129,488,494	\$ 65,861,730	\$ 22,672,247	\$ 2,844,438
Component Units:				
Lancaster Industrial Development Authority	\$ 48,704	\$ 49,963	\$ -	\$ -
Lancaster Recreation Commission	3,211,248	2,588,520	826,395	-
The Parking Authority of the City of Lancaster	8,163,764	8,469,876	-	1,451,429
Redevelopment Authority of the City of Lancaster	6,715,023	765,613	3,900,808	-
Lancaster Downtown Investment District Authority	481,754	424,912	62,227	-
City of Lancaster Land Bank Authority	19,676	1,047	-	-
City of Lancaster City Revitalization and Improvement Zone Authority	6,543,111	46,405	7,833,620	-
Total Component Units	\$ 25,183,280	\$ 12,346,336	\$ 12,623,050	\$ 1,451,429
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				
Change in Net Position				
Net Position:				
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
\$ (1,150,235)	\$ -	\$ (1,150,235)	\$ -	\$ (1,150,235)
(140,562)	-	(140,562)	-	(140,562)
(17,349)	-	(17,349)	-	(17,349)
10,795,397	-	10,795,397	-	10,795,397
(34,639,612)	-	(34,639,612)	-	(34,639,612)
(2,655,877)	-	(2,655,877)	-	(2,655,877)
(8,704,232)	-	(8,704,232)	-	(8,704,232)
75,347	-	75,347	-	75,347
(3,224,138)	-	(3,224,138)	-	(3,224,138)
(39,661,261)	-	(39,661,261)	-	(39,661,261)
-	(83,382)	(83,382)	-	(83,382)
-	2,667,918	2,667,918	-	2,667,918
-	(1,033,354)	(1,033,354)	-	(1,033,354)
-	1,551,182	1,551,182	-	1,551,182
(39,661,261)	1,551,182	(38,110,079)	-	(38,110,079)
-	-	-	1,259	1,259
-	-	-	203,667	203,667
-	-	-	1,757,541	1,757,541
-	-	-	(2,048,602)	(2,048,602)
-	-	-	5,385	5,385
-	-	-	(18,629)	(18,629)
-	-	-	1,336,914	1,336,914
-	-	-	1,237,535	1,237,535
30,804,629	-	30,804,629	-	30,804,629
1,916,420	-	1,916,420	-	1,916,420
7,117,825	-	7,117,825	-	7,117,825
1,565,610	-	1,565,610	-	1,565,610
2,778,838	-	2,778,838	-	2,778,838
218,888	5,707	224,595	2,477,838	2,702,433
157,944	-	157,944	-	157,944
(1,900,000)	1,900,000	-	-	-
42,660,154	1,905,707	44,565,861	2,477,838	47,043,699
2,998,893	3,456,889	6,455,782	3,715,373	10,171,155
(141,581,966)	68,492,642	(73,089,324)	17,643,389	(55,445,935)
<u>\$ (138,583,073)</u>	<u>\$ 71,949,531</u>	<u>\$ (66,633,542)</u>	<u>\$ 21,358,762</u>	<u>\$ (45,274,780)</u>

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

CITY OF LANCASTER, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General Fund	Debt Service Fund	ARPA	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 928,067	\$ -	\$ 9,707,885	\$ 5,525,319	\$ 16,161,271
Cash and cash equivalents - restricted	100,000	-	-	4,872,936	4,972,936
Investments	-	-	-	611,169	611,169
Investments - restricted	4,798	-	-	-	4,798
Receivables (net of allowance for uncollectibles):					
Taxes	3,377,105	-	-	-	3,377,105
Accounts	487,074	-	-	88,877	575,951
Investment income	-	-	-	85,463	85,463
Due from other funds	14,386,573	-	-	-	14,386,573
Due from other governments	758,997	-	-	2,986,155	3,745,152
Due from component units	1,455,828	-	-	-	1,455,828
Prepaid expenditures	330,047	-	-	-	330,047
Total Assets	\$ 21,828,489	\$ -	\$ 9,707,885	\$ 14,169,919	\$ 45,706,293
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 991,304	\$ -	\$ 2,309	\$ 1,674,902	\$ 2,668,515
Due to other funds	-	-	924,891	3,000,000	3,924,891
Due to other governments	-	-	-	73	73
Accrued salaries and benefits	508,181	-	-	-	508,181
Unearned revenue	4,028	-	8,779,794	559,893	9,343,715
Other liabilities	197,959	-	-	-	197,959
Escrow - land development	1,583,496	-	-	-	1,583,496
Workers' compensation liability	442,563	-	-	-	442,563
Total Liabilities	3,727,531	-	9,706,994	5,234,868	18,669,393
Deferred Inflows of Resources:					
Unavailable revenue - taxes	992,595	-	-	-	992,595
Unavailable revenue - fines, forfeitures, and other	740,085	-	-	-	740,085
Total Deferred Inflows of Resources	1,732,680	-	-	-	1,732,680
Fund Balance:					
Nonspendable:					
Prepaid expenditures	330,047	-	-	-	330,047
Restricted for:					
Capital acquisition	-	-	891	5,475,309	5,476,200
Community planning and economic development	-	-	-	3,570,207	3,570,207
Public works	-	-	-	1,757,397	1,757,397
Parks and recreation	-	-	-	336,321	336,321
Human relations commission	-	-	-	250	250
Committed for:					
Economic and community development	-	-	-	663,787	663,787
Assigned for:					
2022 budget	2,195,775	-	-	-	2,195,775
Medical insurance claims	1,650,000	-	-	-	1,650,000
Debt service	6,690,000	-	-	-	6,690,000
Excess workers' compensation expenditures	750,000	-	-	-	750,000
Unassigned	4,752,456	-	-	(2,868,220)	1,884,236
Total Fund Balance	16,368,278	-	891	8,935,051	25,304,220
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 21,828,489	\$ -	\$ 9,707,885	\$ 14,169,919	\$ 45,706,293

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, 2021

Total Fund Balance - Governmental Funds	\$	25,304,220
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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.		99,342,007
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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.		1,732,680
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Notes receivable are long-term in nature and are not available to pay current period expenditures and, therefore, are not reported in the funds.		8,341,765
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Deferred charges on refunding resulting from the issuance of debt are not financial resources and, therefore, are not reported in the funds.		905,023
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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	\$ (67,777,587)	
General obligation notes	(9,120,000)	
Accrued interest on general obligation bonds and notes	(450,982)	
Capital leases	(2,954,169)	
Compensated absences payable	(1,756,663)	
Workers' compensation liability	(1,369,288)	
Net pension liability, net of related deferred outflows and inflows of resources	(32,247,818)	
Net other post-employment benefits liability, net of related deferred outflows and inflows of resources	<u>(158,202,434)</u>	(273,878,941)

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	(518,944)	
Adjustment related to proprietary funds	<u>189,117</u>	<u>(329,827)</u>

Total Net Position - Governmental Activities	\$	<u><u>(138,583,073)</u></u>
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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, 2021

	General Fund	Debt Service Fund	ARPA	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 41,559,355	\$ -	\$ -	\$ -	\$ 41,559,355
Intergovernmental revenues	2,945,177	-	10,979,668	8,246,849	22,171,694
Licenses and permits	2,452,688	-	-	-	2,452,688
Fines and forfeitures	1,971,756	-	-	-	1,971,756
Rents and charges for services	1,399,896	-	-	99,912	1,499,808
Program income	-	-	-	606,526	606,526
Investment income	107,239	-	892	110,757	218,888
Miscellaneous	2,659,715	-	-	34,233	2,693,948
Total revenues	53,095,826	-	10,980,560	9,098,277	73,174,663
Expenditures:					
Executive department	1,114,041	-	-	36,194	1,150,235
Legislative department	140,562	-	-	-	140,562
Office of the City Treasurer/ Controller	17,349	-	-	-	17,349
General government	7,121,728	-	-	280,683	7,402,411
Public safety	40,415,530	-	-	607,666	41,023,196
Community planning and economic development	3,925,069	-	995,002	5,402,744	10,322,815
Public works	7,319,053	-	-	3,324,550	10,643,603
Miscellaneous	-	-	-	70,822	70,822
Capital outlay	-	-	-	8,643,899	8,643,899
Debt service:					
Principal	508,341	21,244,364	-	84,328	21,837,033
Interest	114,676	3,193,611	-	4,040	3,312,327
Total expenditures	60,676,349	24,437,975	995,002	18,454,926	104,564,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,580,523)	(24,437,975)	9,985,558	(9,356,649)	(31,389,589)
Other Financing Sources (Uses):					
Proceeds from issuance of debt	-	26,333,747	-	-	26,333,747
Original issue premium	-	2,077,815	-	-	2,077,815
Payment to escrow agent	-	(1,670,200)	-	-	(1,670,200)
Interfund reimbursements	3,912,087	-	-	-	3,912,087
Capital leases	1,211,315	-	-	280,513	1,491,828
Sale of general capital assets	578,985	-	-	-	578,985
Transfers in	8,084,667	4,890,360	-	7,193,747	20,168,774
Transfers out	(4,838,748)	(7,193,747)	(9,984,667)	(51,612)	(22,068,774)
Total other financing sources (uses)	8,948,306	24,437,975	(9,984,667)	7,422,648	30,824,262
Net Change in Fund Balance	1,367,783	-	891	(1,934,001)	(565,327)
Fund Balance:					
Beginning of year	15,000,495	-	-	10,869,052	25,869,547
End of year	\$ 16,368,278	\$ -	\$ 891	\$ 8,935,051	\$ 25,304,220

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, 2021

Net Change in Fund Balance - Governmental Funds \$ (565,327)

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	\$ (4,323,234)	
Capital contribution	387,824	
Loss on capital asset disposal	(62,721)	
Capital outlay	13,854,670	9,856,539

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	23,417,033	
Issuance of debt	(26,333,747)	
Premium on debt issuance	(2,077,815)	
Issuance of capital leases	(1,491,828)	(6,486,357)

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	(56,883)	
Change in workers' compensation liability	(795,276)	
Change in net pension liability, net of related deferred outflows and inflows of resources	3,437,304	
Change in net OPEB liability, net of related deferred outflows and inflows of resources	(1,908,885)	
Change in accrued interest on debt	(29,748)	
Amortization of debt premium	441,176	
Amortization of deferred charge on refunding	(233,039)	854,649

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	328,810	
Intra-entity loan payment received	(150,000)	
Principal payments received	(852,883)	
Change in allowance	(170,996)	(845,069)

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	(154,871)	
Change in unavailable fines, forfeitures, and other revenue	80,000	(74,871)

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	(296,102)	
Adjustment related to proprietary funds	555,431	259,329

Change in Net Position - Governmental Activities \$ 2,998,893

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

CITY OF LANCASTER, PENNSYLVANIA

BALANCE SHEET PROPRIETARY FUNDS

DECEMBER 31, 2021

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
Assets and Deferred Outflows of Resources					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 1,184,077	\$ 127	\$ 11,316	\$ 1,195,520	\$ 1,603,985
Cash and cash equivalents - restricted	20,056,222	7,659,437	3,291,764	31,007,423	-
Receivables (net of allowance for uncollectibles):					
Accounts	4,595,927	5,391,489	2,377,938	12,365,354	-
Other	118,128	5,569	43,835	167,532	-
Due from other governments	-	154,934	-	154,934	-
Prepaid expenses	9,481	65,852	4,424	79,757	-
Total current assets	<u>25,963,835</u>	<u>13,277,408</u>	<u>5,729,277</u>	<u>44,970,520</u>	<u>1,603,985</u>
Long-term assets:					
Due from other funds	-	1,500,000	-	1,500,000	-
Due from other governments	50,773	-	-	50,773	-
Prepaid debt insurance	69,479	680,457	-	749,936	-
Capital assets, not being depreciated	9,294,557	44,880,726	4,353,993	58,529,276	-
Capital assets, being depreciated, net	111,989,754	181,862,550	8,807,282	302,659,586	-
Total long-term assets	<u>121,404,563</u>	<u>228,923,733</u>	<u>13,161,275</u>	<u>363,489,571</u>	<u>-</u>
Total Assets	<u>147,368,398</u>	<u>242,201,141</u>	<u>18,890,552</u>	<u>408,460,091</u>	<u>1,603,985</u>
Deferred Outflows of Resources:					
Deferred outflows of resources for pension	190,797	282,752	67,535	541,084	-
Deferred outflows of resources for other post-employment benefits	2,161,970	4,750,033	1,208,610	8,120,613	-
Deferred charge on refunding	258,502	4,639,465	-	4,897,967	-
Total Deferred Outflows of Resources	<u>2,611,269</u>	<u>9,672,250</u>	<u>1,276,145</u>	<u>13,559,664</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 149,979,667</u>	<u>\$ 251,873,391</u>	<u>\$ 20,166,697</u>	<u>\$ 422,019,755</u>	<u>\$ 1,603,985</u>

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
Liabilities:					
Current liabilities:					
Accounts payable	\$ 2,294,537	\$ 3,684,016	\$ 911,107	\$ 6,889,660	\$ -
Claims payable	-	-	-	-	2,122,929
Accrued salaries and benefits	59,880	97,891	30,269	188,040	-
Accrued expenses	369,425	1,321,538	76,632	1,767,595	-
Other liabilities	-	-	265,045	265,045	-
Due to other funds	2,265,000	9,167,601	529,081	11,961,682	-
Due to other governments	3,739,417	-	-	3,739,417	-
Unearned revenue	178,060	-	107,183	285,243	-
Compensated absences, current portion	38,015	33,343	5,515	76,873	-
Capital lease, current portion	355,265	192,544	107,214	655,023	-
Notes payable, current portion	375,163	999,170	364,872	1,739,205	-
Bonds payable, current portion	1,080,000	3,720,000	195,000	4,995,000	-
Total current liabilities	10,754,762	19,216,103	2,591,918	32,562,783	2,122,929
Long-term liabilities:					
Compensated absences	127,194	111,563	30,858	269,615	-
Workers' compensation liability	-	2,472	-	2,472	-
Net pension liability	323,202	586,889	21,652	931,743	-
Net other post-employment benefits liability	9,274,973	10,076,771	3,904,221	23,255,965	-
Capital lease	507,891	425,695	137,279	1,070,865	-
Notes payable	30,528,652	7,629,953	2,665,563	40,824,168	-
Bonds payable	33,861,661	195,210,827	11,529,954	240,602,442	-
Total long-term liabilities	74,623,573	214,044,170	18,289,527	306,957,270	-
Total Liabilities	85,378,335	233,260,273	20,881,445	339,520,053	2,122,929
Deferred Inflows of Resources:					
Deferred inflows of resources for pension	415,320	621,949	218,363	1,255,632	-
Deferred inflows of resources for other post-employment benefits	2,580,481	6,058,651	466,290	9,105,422	-
Total Deferred Inflows of Resources	2,995,801	6,680,600	684,653	10,361,054	-
Net Position:					
Net investment in capital assets	66,786,958	29,395,569	1,299,633	97,482,160	-
Restricted	3,762,318	-	-	3,762,318	-
Unrestricted	(8,943,745)	(17,463,051)	(2,699,034)	(29,105,830)	(518,944)
Total Net Position	61,605,531	11,932,518	(1,399,401)	72,138,648	(518,944)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 149,979,667	\$ 251,873,391	\$ 20,166,697	\$ 422,019,755	\$ 1,603,985
Total net position of enterprise funds				\$ 72,138,648	
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.				(189,117)	
Net position of business-type activities				<u>\$ 71,949,531</u>	

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

CITY OF LANCASTER, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds				Internal
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	Service Fund
Operating Revenues:					
Charges for services	\$ 17,737,441	\$ 28,851,630	\$ 8,474,355	\$ 55,063,426	\$ 14,708,341
Miscellaneous	202,796	574,687	125,549	903,032	-
Total operating revenues	17,940,237	29,426,317	8,599,904	55,966,458	14,708,341
Operating Expenses:					
Sewage pumping stations	1,407,077	-	-	1,407,077	-
Susquehanna treatment plant	-	2,745,204	-	2,745,204	-
Conestoga treatment plant	-	2,319,409	-	2,319,409	-
Collection system	1,692,518	-	1,046,480	2,738,998	-
Hauling and tipping	-	-	4,143,220	4,143,220	-
Transmission and distribution	-	2,064,261	-	2,064,261	-
Meters and meter labor	-	558,711	-	558,711	-
Laboratory	-	316,070	-	316,070	-
Sewage treatment plant	4,706,604	-	-	4,706,604	-
Administration	3,924,827	6,501,379	2,795,876	13,222,082	-
Grounds maintenance	41,349	316,868	268,900	627,117	-
Street cleaning	-	-	580,829	580,829	-
Wastewater and green initiatives	-	-	-	-	-
Health insurance claims	-	-	-	-	14,245,498
Insurance premiums	-	-	-	-	758,945
Special events	-	-	111,737	111,737	-
Depreciation expense	4,422,698	4,274,695	370,187	9,067,580	-
Total operating expenses	16,195,073	19,096,597	9,317,229	44,608,899	15,004,443
Operating Income (Loss)	1,745,164	10,329,720	(717,325)	11,357,559	(296,102)
Nonoperating Revenues (Expenses):					
State pension contribution	228,027	340,661	124,475	693,163	-
Investment income	2,140	2,785	782	5,707	-
Intergovernmental revenue	-	-	390,565	390,565	-
Loss on capital asset disposal	-	-	(130,534)	(130,534)	-
Amortization expense	(18,097)	(50,390)	-	(68,487)	-
Interest expense	(2,769,625)	(8,234,263)	(542,501)	(11,546,389)	-
Total nonoperating revenues (expenses)	(2,557,555)	(7,941,207)	(157,213)	(10,655,975)	-
Income (loss) before transfers and capital contributions	(812,391)	2,388,513	(874,538)	701,584	(296,102)
Transfers in (out)	-	1,900,000	-	1,900,000	-
Capital contributions	1,046,031	364,705	-	1,410,736	-
Change in Net Position	233,640	4,653,218	(874,538)	4,012,320	(296,102)
Net Position:					
Beginning of year	61,371,891	7,279,300	(524,863)		(222,842)
End of year	\$ 61,605,531	\$ 11,932,518	\$ (1,399,401)		\$ (518,944)
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds				(555,431)	
Changes in net position of business-type activities				\$ 3,456,889	

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, 2021

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
Cash Flows From Operating Activities:					
Cash received from users	\$ 17,655,132	\$ 29,161,685	\$ 9,183,378	\$ 56,000,195	\$ 14,744,716
Cash paid to suppliers	(8,024,139)	(9,632,709)	(6,941,271)	(24,598,119)	(13,893,886)
Cash paid to employees	(3,285,415)	(4,970,974)	(1,653,259)	(9,909,648)	-
Net cash provided by (used in) operating activities	6,345,578	14,558,002	588,848	21,492,428	850,830
Cash Flows From Investing Activities:					
Investment income received	2,140	2,785	782	5,707	-
Net cash provided by investing activities	2,140	2,785	782	5,707	-
Cash Flows From Capital and Related Financing Activities:					
Principal payments on capital leases	(399,711)	(246,384)	(178,057)	(824,152)	-
Principal payments on notes payable	(255,863)	(369,200)	(354,650)	(979,713)	-
Principal payments on bonds payable	(23,485,000)	(10,410,000)	(195,000)	(34,090,000)	-
Proceeds from notes payable	28,881,245	9,803,235	-	38,684,480	-
Debit issuance costs	(407,904)	(132,032)	-	(539,936)	-
Interest paid	(2,537,227)	(8,011,728)	(593,160)	(11,142,115)	-
Acquisition of capital assets	(8,716,719)	(28,978,687)	(3,953,114)	(41,648,520)	-
Net change in escrow deposits	145,161	-	68,468	213,629	-
Net cash used in capital and related financing activities	(6,776,018)	(38,344,796)	(5,205,513)	(50,326,327)	-
Cash Flows From Noncapital Financing Activities:					
Transfer in (out)	-	1,900,000	-	1,900,000	-
Due to (from) other funds	(1,783,708)	3,974,756	(609,498)	1,581,550	-
State pension contribution	228,027	340,661	124,475	693,163	-
Intergovernmental revenue	-	-	390,565	390,565	-
Net cash provided by (used in) noncapital financing activities	(1,555,681)	6,215,417	(94,458)	4,565,278	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,983,981)	(17,568,592)	(4,710,341)	(24,262,914)	850,830
Cash and Cash Equivalents:					
Beginning of year	23,224,280	25,228,156	8,013,421	56,465,857	753,155
End of year	\$ 21,240,299	\$ 7,659,564	\$ 3,303,080	\$ 32,202,943	\$ 1,603,985

(Continued)

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021
(Continued)

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 1,745,164	\$ 10,329,720	\$ (717,325)	\$ 11,357,559	\$ (296,102)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	4,422,698	4,274,695	370,187	9,067,580	-
Amortization	(309,577)	(341,635)	(238,747)	(889,959)	-
(Increase) decrease in assets and deferred outflows of resources:					
Receivables	(283,156)	(264,632)	583,474	35,686	36,375
Due from other governments	(1,949)	-	-	(1,949)	-
Deferred outflows of resources for pension	(41,435)	(66,543)	(15,177)	(123,155)	-
Deferred outflows of resources for other post-employment benefits	232,085	630,663	281,539	1,144,287	-
Prepaid expenses	631	709,236	991	710,858	-
Increase (decrease) in liabilities and deferred inflows of resources:					
Accounts payable	171,246	(42,751)	(227,836)	(99,341)	-
Claims payable	-	-	-	-	1,110,557
Accrued expenses	10,154	22,473	7,282	39,909	-
Compensated absences	5,841	12,578	(6,664)	11,755	-
Workers' compensation liability	-	1,872	-	1,872	-
Net pension liability	(294,504)	(440,162)	(154,657)	(889,323)	-
Net other post-employment benefits liability	(504,436)	(1,682,847)	(4,308)	(2,191,591)	-
Deferred inflows of resources for pension	233,614	356,105	121,791	711,510	-
Deferred inflows of resources for other post-employment benefits	959,202	1,059,230	588,298	2,606,730	-
Total adjustments	4,600,414	4,228,282	1,306,173	10,134,869	1,146,932
Net cash provided by (used in) operating activities	<u>\$ 6,345,578</u>	<u>\$ 14,558,002</u>	<u>\$ 588,848</u>	<u>\$ 21,492,428</u>	<u>\$ 850,830</u>
Noncash Capital Financing Activities:					
Issuance of capital lease	\$ 240,998	\$ 417,772	\$ 93,572	\$ 752,342	\$ -
Developers' contribution	\$ -	\$ 364,705	\$ -	\$ 364,705	\$ -

(Concluded)

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

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2021

	Pension and OPEB Trust Funds	Private- Purpose Trust Funds	Custodial Fund
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 1,267
Investments	192,477,518	374,349	-
Receivables:			
Accounts	-	-	42,129
Investment income	281,278	-	-
Total Assets	<u>192,758,796</u>	<u>374,349</u>	<u>43,396</u>
Liabilities			
Benefits payable	168,355	-	1,267
Other liabilities	-	-	42,129
Total Liabilities	<u>168,355</u>	<u>-</u>	<u>\$ 43,396</u>
Net Position			
Restricted for pension and OPEB benefits and other purposes	<u>\$ 192,590,441</u>	<u>\$ 374,349</u>	

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, 2021

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Fund
Additions:			
Contributions:			
Employees	\$ 2,446,172	\$ -	\$ -
Employer	9,460,819	-	-
Total contributions	<u>11,906,991</u>	<u>-</u>	<u>-</u>
Taxes collected on behalf of the Lancaster Downtown Investment District	<u>-</u>	<u>-</u>	<u>412,895</u>
Investment income:			
Net appreciation in fair value of investments	21,732,802	49,824	-
Interest and dividends	<u>3,617,614</u>	<u>-</u>	<u>-</u>
Total investment income	25,350,416	49,824	-
Less: investment expenses	<u>(741,220)</u>	<u>-</u>	<u>-</u>
Net investment income	<u>24,609,196</u>	<u>49,824</u>	<u>-</u>
Total additions	<u>36,516,187</u>	<u>49,824</u>	<u>412,895</u>
Deductions:			
Benefits	13,452,502	6,456	-
Administrative expenses	37,812	-	-
Taxes remitted to the Lancaster Downtown Investment District	<u>-</u>	<u>-</u>	<u>412,895</u>
Total deductions	<u>13,490,314</u>	<u>6,456</u>	<u>412,895</u>
Change in Net Position	23,025,873	43,368	-
Net Position:			
Beginning of year	<u>169,564,568</u>	<u>330,981</u>	<u>-</u>
End of year	<u><u>\$ 192,590,441</u></u>	<u><u>\$ 374,349</u></u>	<u><u>\$ -</u></u>

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

CITY OF LANCASTER, PENNSYLVANIA

BALANCE SHEET COMPONENT UNITS

DECEMBER 31, 2021

	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
Assets and Deferred Outflows of Resources								
Assets:								
Current assets:								
Cash and cash equivalents	\$ 376,062	\$ 1,699,893	\$ 3,817,943	\$ 1,014,225	\$ 263,385	\$ 131,184	\$ 6,650,380	\$ 13,953,072
Cash and cash equivalents - restricted	-	-	-	4,368,020	-	-	-	4,368,020
Investments	-	-	232,892	-	-	810,947	-	1,043,839
Investments - restricted	-	-	13,226,617	-	-	-	-	13,226,617
Receivables (net of allowance for uncollectibles)								
Taxes	-	-	-	532,017	-	-	-	532,017
Accounts	-	75,516	300,424	-	853	-	-	376,793
Other	-	-	-	-	92,836	-	-	92,836
Accrued interest	-	-	-	290,546	-	-	-	290,546
Current portion:								
Lease rental receivable	-	-	-	4,869,025	-	-	-	4,869,025
Due from other government:	-	-	-	729,008	-	1,047	-	730,055
Notes receivable	-	-	-	712,130	-	-	-	712,130
Properties held for resale	-	-	-	816,585	-	8,440	-	825,025
Prepaid expenses	-	-	198,877	-	1,545	-	-	200,422
Total current assets	376,062	1,775,409	17,776,753	13,331,556	358,619	951,618	6,650,380	41,220,397
Long-term assets:								
Restricted cash - debt service	-	-	-	-	-	-	560,431	560,431
Lease rental receivable	-	-	-	40,566,651	-	-	-	40,566,651
Due from other governments	-	-	-	3,453,805	-	-	-	3,453,805
Notes receivable	200,000	-	-	522,596	-	-	1,220,289	1,942,885
Capital assets, not being depreciated	-	-	37,840,957	785,748	-	-	-	38,626,705
Capital assets, being depreciated, net	-	199,540	20,341,304	-	-	-	-	20,540,844
Net pension asset	-	-	89,566	-	-	-	-	89,566
Prepaid debt insurance	-	-	349,504	-	-	-	-	349,504
Total long-term assets	200,000	199,540	58,621,331	45,328,800	-	-	1,780,720	106,130,391
Total Assets	576,062	1,974,949	76,398,084	58,660,356	358,619	951,618	8,431,100	147,350,788
Deferred Outflows of Resources:								
Deferred charge on refunding	-	-	722,844	-	-	-	-	722,844
Deferred outflows of resources for pension	-	-	82,888	-	-	-	-	82,888
Total Deferred Outflows of Resources	-	-	805,732	-	-	-	-	805,732
Total Assets and Deferred Outflows of Resources	\$ 576,062	\$ 1,974,949	\$ 77,203,816	\$ 58,660,356	\$ 358,619	\$ 951,618	\$ 8,431,100	\$ 148,156,520

(Continued)

* - As of April 30, 2021

	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
Liabilities, Deferred Inflows of Resources, and Net Position								
Liabilities:								
Current liabilities:								
Accounts payable	\$ -	\$ 53,791	\$ 2,786,080	\$ 79,072	\$ 26,564	\$ 1,623	\$ 24,732	\$ 2,971,862
Accrued salaries and benefits	-	-	81,228	-	-	-	-	81,228
Accrued expenses	-	122,314	1,733,464	1,024,272	-	-	9,509	2,889,559
Line of credit	-	-	-	584,799	-	-	-	584,799
Due to primary government, current portion	-	-	715,743	862,437	-	-	-	1,578,180
Current portion, loan	-	110,071	-	-	-	-	-	110,071
Note payable due to primary government, current portion	-	-	150,000	-	-	-	-	150,000
Unearned revenue	-	-	153,380	2,023,273	26,800	-	-	2,203,453
Notes payable, current portion	-	-	-	342,000	-	-	222,000	564,000
Bonds payable, current portion	-	-	1,690,000	3,994,469	-	-	-	5,684,469
Total current liabilities	-	286,176	7,309,895	8,910,322	53,364	1,623	256,241	16,817,621
Long-term liabilities:								
Unearned revenue	-	-	-	11,704,137	-	-	-	11,704,137
Note payable due to primary government	-	-	2,550,000	-	-	-	-	2,550,000
Due to lessee	-	-	-	1,013,621	-	-	-	1,013,621
Loan payable	-	325,004	-	-	-	-	-	325,004
Notes payable	-	-	-	2,418,333	-	-	264,780	2,683,113
Bonds payable	-	-	52,032,562	39,545,749	-	-	-	91,578,311
Total long-term liabilities	-	325,004	54,582,562	54,681,840	-	-	264,780	109,854,186
Total Liabilities	-	611,180	61,892,457	63,592,162	53,364	1,623	521,021	126,671,807
Deferred Inflows of Resources:								
Deferred inflows of resources for pension	-	-	124,951	-	-	-	-	124,951
Refundable advances	-	1,000	-	-	-	-	-	1,000
Total Deferred Inflows of Resources	-	1,000	124,951	-	-	-	-	125,951
Net Position:								
Net investment in capital assets	-	199,540	12,029,500	785,748	-	-	-	13,014,788
Restricted - debt service	-	-	-	2,373,691	-	-	-	2,373,691
Unrestricted	576,062	1,163,229	3,156,908	(8,091,245)	305,255	949,995	7,910,079	5,970,283
Total Net Position	576,062	1,362,769	15,186,408	(4,931,806)	305,255	949,995	7,910,079	21,358,762
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 576,062	\$ 1,974,949	\$ 77,203,816	\$ 58,660,356	\$ 358,619	\$ 951,618	\$ 8,431,100	\$ 148,156,520

(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, 2021

		Program Revenues		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lancaster Industrial Development Authority	\$ 48,704	\$ 49,963	\$ -	\$ -
Lancaster Recreation Commission	3,211,248	2,588,520	826,395	-
The Parking Authority of the City of Lancaster	8,163,764	8,469,876	-	1,451,429
Redevelopment Authority of the City of Lancaster	6,715,023	765,613	3,900,808	-
Lancaster Downtown Investment District Authority *	481,754	424,912	62,227	-
City of Lancaster Land Bank Authority	19,676	1,047	-	-
City of Lancaster City Revitalization and Improvement Zone Authority	6,543,111	46,405	7,833,620	-
Total component units	<u>\$ 25,183,280</u>	<u>\$ 12,346,336</u>	<u>\$ 12,623,050</u>	<u>\$ 1,451,429</u>
General revenues:				
Investment earnings				
Total general revenues				
Change in Net Position				
Net Position:				
Beginning of year				
End of year				

* - Year ended April 30, 2021

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
\$ 1,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,259
-	203,667	-	-	-	-	-	203,667
-	-	1,757,541	-	-	-	-	1,757,541
-	-	-	(2,048,602)	-	-	-	(2,048,602)
-	-	-	-	5,385	-	-	5,385
-	-	-	-	-	(18,629)	-	(18,629)
-	-	-	-	-	-	1,336,914	1,336,914
1,259	203,667	1,757,541	(2,048,602)	5,385	(18,629)	1,336,914	1,237,535
-	567	(43,617)	2,520,514	-	374	-	2,477,838
-	567	(43,617)	2,520,514	-	374	-	2,477,838
1,259	204,234	1,713,924	471,912	5,385	(18,255)	1,336,914	3,715,373
574,803	1,158,535	13,472,484	(5,403,718)	299,870	968,250	6,573,165	17,643,389
\$ 576,062	\$ 1,362,769	\$15,186,408	\$ (4,931,806)	\$ 305,255	\$ 949,995	\$ 7,910,079	\$ 21,358,762

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021

- 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, 2021, 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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, the City paid the Parking Authority \$166,098 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, was \$1,766,617 for the year ended December 31, 2021. Of this amount, \$715,743 was due to the City as of December 31, 2021.

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.

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 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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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. During 2021, CRIZ authorized the distribution of CRIZ COVID-19 Small Business Recovery and Sustainability Grants to eligible businesses. The CRIZ operates on a fiscal year ending December 31.

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.

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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,

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, the City contributed \$150,000 to LEMSA.

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

Debt Service Fund

This fund accounts for the City's debt activity related to governmental funds.

American Rescue Plan Act (ARPA) Fund

This fund accounts for all ARPA activity.

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.

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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-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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

recorded in operations. Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings

40 years

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.

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. The billings provide for a 2% discount period through February 28 and for late payment penalties after April 30. 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 2021, the City assessed 11.70 mills for general government purposes.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 2021, the City's LERTA property tax abatements totaled \$550,708.

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, 2021, the aggregate cost to the City for the accumulated compensatory time has been estimated at \$1,241,950 and \$199,771 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

CITY OF LANCASTER, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2021

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, 2021, the aggregate cost to the City for accumulated vested sick days has been estimated at \$154,225 and \$10,694 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. 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, 2021, the aggregate cost to the City for accumulated vacation days has been estimated at \$360,488 and \$136,023 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.

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

The Governmental Accounting Standards Board (GASB) GASB has issued statements that will become effective in future years including 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 97 (Deferred Compensation Plans), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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, 2021, the book balance of the pooled funds was \$9,201,771 and the bank balance was \$11,029,041.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, the City's book balance was \$54,942,402 and the bank balance was \$56,672,784. Of the bank balance, \$585,150 was covered by federal depository insurance and the remaining 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	\$ 17,765,256
Restricted	4,972,936
Business-type activities:	
Unrestricted	1,195,520
Restricted	31,007,423
Fiduciary funds	1,267
Total cash and cash equivalents	<u>\$ 54,942,402</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

B. Investments

Investments consist of the following as of December 31, 2021:

	Level 1	Level 2	Total
Money market funds	\$ 16,930,913	\$ -	\$ 16,930,913
Mutual funds:			
Equity	8,037,095	-	8,037,095
Fixed income	220,836	-	220,836
Balanced	5,699,368	-	5,699,368
Common stock:			
Energy	10,661,614	-	10,661,614
Information technology	24,692,504	-	24,692,504
Consumer discretionary	10,913,782	-	10,913,782
Consumer staples	12,423,812	-	12,423,812
Industrials	4,762,868	-	4,762,868
Financials	10,472,670	-	10,472,670
Healthcare	15,541,045	-	15,541,045
Utilities	7,579,136	-	7,579,136
Telecom service	13,853,970	-	13,853,970
Exchange-traded funds:			
Equity	1,386,108	-	1,386,108
U.S. government obligations	36,338,652	-	36,338,652
U.S. government agency obligations	18,135	-	18,135
Corporate bonds:			
Domestic	-	11,144,565	11,144,565
Foreign	-	2,790,761	2,790,761
Total investments	\$ 179,532,508	\$ 13,935,326	\$ 193,467,834

Investments	
Governmental activities:	
Unrestricted	\$ 611,169
Restricted	4,798
Fiduciary funds	192,851,867
Total investments	\$ 193,467,834

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 \$179,991,316 held in the City's name or in the name of the City's multiple Pension Plans and \$13,476,518 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, 2021, 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, 2021:

	<u>Fair Value</u>	<u>Rating</u>
Money market funds	\$ 16,930,913	Unrated
U.S. government agency obligations	18,135	Unrated
Corporate bonds	3,478,886	AA-
Corporate bonds	4,585,805	A+
Corporate bonds	5,870,635	A-

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

	Fair Value	Investment Maturity			
		2022	2023-2027	2028-2032	2033+
Money market funds	\$ 16,930,913	\$ 16,930,913	\$ -	\$ -	\$ -
U.S. government obligations	18,135	-	7,528	10,607	-
U.S. government agency obligations	36,338,652	19,195,247	15,239,802	1,903,603	-
Corporate bonds	13,935,326	-	7,002,901	6,932,425	-
	<u>\$ 67,223,026</u>	<u>\$ 36,126,160</u>	<u>\$ 22,250,231</u>	<u>\$ 8,846,635</u>	<u>\$ -</u>

C. Restricted Cash, Cash Equivalents, and Investments

Governmental Activities

As of December 31, 2021, the City had restricted cash and cash equivalents of \$4,972,936 which represents \$100,000 restricted for the payment of workers' compensation claims, and \$4,872,936 restricted for various City projects.

Business-Type Activities

As of December 31, 2021, the City had cash and cash equivalents of \$31,007,423 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, 2021, LIDA's total bank deposits were \$379,202 (including cash and cash equivalents and certificates of deposit) and the carrying value was \$376,062. The deposits that were not covered by depository insurance amounted to \$129,202 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

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Commission

The carrying amount of the Commission's deposits was \$1,699,893 as of December 31, 2021. The bank balance totaled \$1,730,468 as of December 31, 2021.

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, 2021:

Insured	\$ 611,606
Collateralized:	
Collateral held by pledging bank's trust department not in the Commission's name	<u>1,118,862</u>
Total	<u><u>\$ 1,730,468</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, 2021 consist of the following:

Cash Deposits:	
Cash and cash equivalents	\$ 3,796,929
Petty cash	<u>21,014</u>
	<u><u>\$ 3,817,943</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

CITY OF LANCASTER, PENNSYLVANIA

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

As of December 31, 2021, the Parking Authority's cash deposits were \$3,817,943. The bank balance as of December 31, 2021 was \$4,185,384. At December 31, 2021, \$250,000 was covered by federal depository insurance and \$3,935,384 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 authorized by statute to invest its funds in certain governmental obligations as described in Note 2. The Parking Authority's investment policy is consistent with these limitations.

The Parking Authority's investments in money market funds are considered Level 1 based on quoted market prices. The Parking Authority's investments in negotiable certificates of deposits and Commercial paper are considered Level 2 investments. As December 31, 2021, the Parking Authority had the following investments:

Investments	Fair Value
Unrestricted:	
Money market funds	<u>\$ 232,892</u>
Restricted:	
Money market funds	\$ 9,159,655
Negotiable certificates of deposit	2,427,643
Government agency fixed income	<u>1,639,319</u>
Total restricted investments	<u>\$ 13,226,617</u>

CITY OF LANCASTER, PENNSYLVANIA

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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, 2021, 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, 2021, 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, 2021, the Parking Authority's investments had average maturities of approximately 2.5 years.

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.

CITY OF LANCASTER, PENNSYLVANIA

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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, 2021, \$1,894,740 of the Redevelopment Authority's bank balance of \$2,797,267 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>\$ 1,894,740</u>
Reconciliation to financial statements:	
Uninsured amount above	\$ 1,894,740
Insured amount	902,527
Outstanding checks	(32,827)
Money market fund shown as cash and cash equivalents	<u>2,590,487</u>
	<u>\$ 5,354,927</u>
Cash and cash equivalent - unrestricted per financial statements	\$ 1,014,225
Cash and cash equivalent - restricted per financial statements	<u>4,368,020</u>
Total cash per financial statements	<u>\$ 5,382,245</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, 2021, the Redevelopment Authority held investments in the GS Financial Square Treasury Obligations money market fund with a fair value of \$2,590,487, which is included as cash and cash equivalents - restricted in the financial statements. The

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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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, 2021, 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 April 30, 2021, 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, 2021, \$13,380 of LDIDA's bank balance of \$263,380 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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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determined proper by the Board and to name and use depositories for its money. LLBA adopted a formal investment policy. LLBA's cash is deposited in a bank account with a financial institution where balances customarily exceed FDIC insured 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, 2021, none of LLBA's bank balance of \$131,184 was exposed to custodial credit risk as it was all insured by federal depository insurance coverage.

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, 2021, LLBA held investments valued at amortized cost of \$810,947 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, 2021, LLBA has investments of \$810,947, which are subject to credit risk. PLGIT PRIME has a credit rating of AAAM by Standard and Poor's at December 31, 2021.

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, 2021, there were no concentrations for LLBA's investments.

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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, 2021.

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 formal deposit policy for custodial credit risk. At December 31, 2021, the CRIZ's total bank deposits were \$7,210,811. 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

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3. Receivables

Primary Government

Governmental Activities

Receivables as of December 31, 2021, 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	Debt Service Fund	ARPA	Non-major funds	Internal Services Fund	Governmental Activities
Taxes, gross	\$ 3,377,105	\$ -	\$ -	\$ -	\$ -	\$ 3,377,105
Allowance for uncollectibles	-	-	-	-	-	-
Taxes, net	3,377,105	-	-	-	-	3,377,105
Accounts, gross	487,074	-	-	88,877	-	575,951
Allowance for uncollectibles	-	-	-	-	-	-
Accounts, net	487,074	-	-	88,877	-	575,951
Notes, gross	-	-	-	7,034,270	-	7,034,270
Allowance for uncollectibles	-	-	-	(7,034,270)	-	(1,392,505)
Notes, net	-	-	-	-	-	5,641,765
Notes due from component unit, gross	2,700,000	-	-	-	-	2,700,000
Allowance for uncollectibles	(2,700,000)	-	-	-	-	-
Notes due from component unit, net	-	-	-	-	-	2,700,000
Investment income	-	-	-	85,463	-	85,463
Total receivables	\$ 3,864,179	\$ -	\$ -	\$ 174,340	\$ -	\$ 12,380,284

Notes Receivable

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 was due over a two-year period. In October 2019, the Redevelopment Authority assigned the full sale proceeds to the City. The remaining \$300,000 of the note receivable was received by the City during the year ended December 31, 2021 and no amount is outstanding at year end.

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As of December 31, 2021, the City has outstanding program loans (notes receivable) aggregating \$7,034,270. These various program loans bear interest at rates ranging from 0% to 7%, maturing over terms of one to 30 years, through 2040.

A summary of notes receivable activity for the year ended December 31, 2021 is as follows:

Balance January 1, 2021	New Loans Issued	Forgiveness/ Write-offs/ Principal Receipts	Balance December 31, 2021
<u>\$ 7,623,123</u>	<u>\$ 328,810</u>	<u>\$ (2,310,168)</u>	<u>\$ 5,641,765</u>

In addition, as of December 31, 2021, there were \$1,392,505 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	\$ 4,595,927	\$ 5,391,489	\$ 2,377,938	\$ 12,365,354
Allowances for uncollectibles	-	-	-	-
Accounts, net	<u>4,595,927</u>	<u>5,391,489</u>	<u>2,377,938</u>	<u>12,365,354</u>
Other, gross	118,128	5,569	43,835	167,532
Allowances for uncollectibles	-	-	-	-
Other, net	<u>118,128</u>	<u>5,569</u>	<u>43,835</u>	<u>167,532</u>
Total receivables	<u>\$ 4,714,055</u>	<u>\$ 5,397,058</u>	<u>\$ 2,421,773</u>	<u>\$ 12,532,886</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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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.

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, 2021, the Parking Authority's allowance for uncollectible accrued parking enforcement revenue was \$832,085.

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 Holiday Inn, 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,

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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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, 2021, CRIZ contributions totaled \$1,451,429.

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 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, 2021, the Redevelopment Authority purchased the full amount of delinquent real estate tax claims from the City for the year 2020 with a total carrying value of \$1,194,786 for total consideration of \$1,156,501. 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 for 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.

CITY OF LANCASTER, PENNSYLVANIA

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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 \$11,325,831 as of December 31, 2021 is presented as part of unearned revenue.

Future Minimum Rental Payments:

The following schedule represents the future minimum rental payments due to the Redevelopment Authority as of December 31, 2021:

2022	\$ 4,869,025
2023	4,926,338
2024	6,517,725
2025	2,746,740
2026	2,752,221
2027 - 2030	<u>23,623,627</u>
Total	<u>\$ 45,435,676</u>

Due from Other Governments

A summary of grants receivable due from other governmental units at December 31, 2021 follows:

Commonwealth of Pennsylvania:	
Infrastructure and Facilities Improvement Program Grant	\$ 4,182,813
Current portion	<u>729,008</u>
Long-term portion	<u>\$ 3,453,805</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, 2021

A summary of interest due from other governmental units which has been accrued on grants at December 31, 2021 follows:

Commonwealth of Pennsylvania:

Interest accrued on Infrastructure and Facilities Improvement Program Grant, carried at present value	\$ 290,490
Other accrued interest	56
Total	<u>\$ 290,546</u>

Notes Receivable

Notes receivable at December 31, 2021 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.

\$ 631,441

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.

603,285

1,234,726

712,130

Current portion

Long-term portion

\$ 522,596

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NOTES TO FINANCIAL STATEMENTS

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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 June 30
Face amount period	July 1 to August 31
10% penalty period	September 1 and Thereafter

For the year ending April 30, 2021, in response to the COVID-19 pandemic, the Board of LDIDA approved extending the discount period to September 30, 2020, extending the face period to April 30, 2021, and waiving penalties.

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 were 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 \$1,220,289 with principal payments scheduled to begin in 2022. On January 22, 2021 the parties to this note modified the loan to have a reduced payment period from January 15, 2021 until December 15, 2021, where the interest paid by CFF would be calculated at the reduced rate of 3.88 percent. All principal and interest in excess of the reduced rate were accrued but were deferred until the conclusion of the reduced payment period, where the deferred principal and interest will be amortized over the remaining term of the note. The outstanding principal balance of this participation agreement was \$1,220,289 at December 31, 2021 and is classified as notes receivable on the statements of net position. Interest earned was \$46,405 during 2021.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

4. Delinquent Tax Lien Receivables

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

In January 2022, the City sold the full amount of delinquent real estate tax lien receivables for the 2021 tax year. The full amount received by the City for this sale was \$757,059 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, 2021

As of December 31, 2021 the following properties were held for resale:

156 Juniata Avenue	\$ 8,500
759 Manor Street	17,000
445 East Strawberry Street	34,000
547 South Prince Street	17,000
607 Rockland Street*	90,000
609 Rockland Street*	90,000
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>\$ 816,585</u>

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

6. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2021 is as follows:

	December 31, 2020	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2021
Governmental activities				
Capital assets not being depreciated:				
Land, easements, right of ways	\$ 8,098,803	\$ -	\$ -	\$ 8,098,803
Construction in progress	7,256,566	7,132,856	(50,000)	14,339,422
Total capital assets not being depreciated	15,355,369	7,132,856	(50,000)	22,438,225
Capital assets being depreciated:				
Land improvements	16,593,551	170,457	-	16,764,008
Buildings	45,414,501	971,947	-	46,386,448
Machinery and equipment	60,195,561	3,855,246	-	64,050,807
Vehicles	5,863,952	372,081	(895,989)	5,340,044
Infrastructure	8,630,736	1,789,907	-	10,420,643
Total capital assets being depreciated	136,698,301	7,159,638	(895,989)	142,961,950
Less accumulated depreciation for:				
Land improvements	(7,910,449)	(787,776)	-	(8,698,225)
Buildings	(10,603,607)	(900,970)	-	(11,504,577)
Machinery and equipment	(4,618,003)	(266,888)	-	(4,884,891)
Vehicles	(5,052,665)	(447,200)	833,268	(4,666,597)
Infrastructure	(34,383,478)	(1,920,400)	-	(36,303,878)
Total accumulated depreciation	(62,568,202)	(4,323,234)	833,268	(66,058,168)
Total capital assets being depreciated, net	74,130,099	2,836,404	(62,721)	76,903,782
Governmental activities, capital assets, net	\$ 89,485,468	\$ 9,969,260	\$ (112,721)	\$ 99,342,007

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

Governmental Activities:

General government	\$ 89,659
Public safety	711,299
Community planning and economic development	31,891
Public works	<u>3,490,385</u>
Total depreciation expense - governmental activities	<u>\$ 4,323,234</u>

	December 31, 2020	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2021
Business-type activities:				
Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 1,484,824	\$ -	\$ -	\$ 1,484,824
Construction in progress	<u>688,993</u>	<u>7,120,740</u>	<u>-</u>	<u>7,809,733</u>
Total capital assets not being depreciated	<u>2,173,817</u>	<u>7,120,740</u>	<u>-</u>	<u>9,294,557</u>
Capital assets being depreciated:				
Sewer system	199,237,045	1,581,820	-	200,818,865
Equipment and vehicles	<u>4,989,702</u>	<u>667,954</u>	<u>(278,256)</u>	<u>5,379,400</u>
Total capital assets being depreciated	<u>204,226,747</u>	<u>2,249,774</u>	<u>(278,256)</u>	<u>206,198,265</u>
Less accumulated depreciation for:				
Sewer system	(87,997,658)	(4,004,781)	-	(92,002,439)
Equipment and vehicles	<u>(2,066,412)</u>	<u>(417,916)</u>	<u>278,256</u>	<u>(2,206,072)</u>
Total accumulated depreciation	<u>(90,064,070)</u>	<u>(4,422,697)</u>	<u>278,256</u>	<u>(94,208,511)</u>
Total capital assets being depreciated, net	<u>114,162,677</u>	<u>(2,172,923)</u>	<u>-</u>	<u>111,989,754</u>
Sewer Fund capital assets, net	<u>116,336,494</u>	<u>4,947,817</u>	<u>-</u>	<u>121,284,311</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

	December 31, 2020	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2021
Water Fund:				
Capital assets not being depreciated:				
Land	1,070,600	5,907,691	-	6,978,291
Construction in progress	31,626,486	19,630,513	(13,354,564)	37,902,435
Total capital assets not being depreciated	32,697,086	25,538,204	(13,354,564)	44,880,726
Capital assets being depreciated:				
Water system	233,400,151	5,043,565	169,530	238,613,246
Equipment and vehicles	6,805,548	11,800,478	(189,103)	18,416,923
Total capital assets being depreciated	240,205,699	16,844,043	(19,573)	257,030,169
Less accumulated depreciation for:				
Water system	(66,857,415)	(3,299,978)	-	(70,157,393)
Equipment and vehicles	(4,055,081)	(974,718)	19,573	(5,010,226)
Total accumulated depreciation	(70,912,496)	(4,274,696)	19,573	(75,167,619)
Total capital assets being depreciated, net	169,293,203	12,569,347	-	181,862,550
Water Fund capital assets, net	201,990,289	38,107,551	(13,354,564)	226,743,276

CITY OF LANCASTER, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2021

	December 31, 2020	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2021
Other enterprise funds:				
Capital assets not being depreciated:				
Land	177,200	-	-	177,200
Construction in progress	92,682	4,084,111	-	4,176,793
Total capital assets not being depreciated	269,882	4,084,111	-	4,353,993
Capital assets being depreciated:				
Buildings	519,402	-	-	519,402
Infrastructure	8,173,758	22,529	-	8,196,287
Equipment and vehicles	1,752,383	93,571	(341,242)	1,504,712
Total capital assets being depreciated	10,445,543	116,100	(341,242)	10,220,401
Less accumulated depreciation for:				
Buildings	(89,472)	(5,770)	-	(95,242)
Infrastructure	(491,852)	(194,288)	-	(686,140)
Equipment and vehicles	(672,316)	(170,129)	210,708	(631,737)
Total accumulated depreciation	(1,253,640)	(370,187)	210,708	(1,413,119)
Total other enterprise funds capital assets, net	9,191,903	(254,087)	(130,534)	8,807,282
Other enterprise funds capital assets, net	9,461,785	3,830,024	(130,534)	13,161,275
Business-type activities capital assets, net	\$ 327,788,568	\$ 46,885,392	\$ (13,485,098)	\$ 361,188,862

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Component Units

Commission

Major classifications of capital assets and their respective depreciable lives consist of the following as of December 31, 2021:

	<u>December 31, 2020</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>December 31, 2021</u>	<u>Depreciable Lives</u>
Capital assets being depreciated:					
Equipment	\$ 162,003	\$ 8,927	\$ -	\$ 170,930	3 - 10 years
Furniture and improvements	242,969	5,134	-	248,103	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	691,988	14,061	-	706,049	
Accumulated depreciation	<u>(469,041)</u>	<u>(37,468)</u>	<u>-</u>	<u>(506,509)</u>	
Total capital assets	<u>\$ 222,947</u>	<u>\$ (23,407)</u>	<u>\$ -</u>	<u>\$ 199,540</u>	

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Parking Authority

Capital asset activity for the year ended December 31, 2021 is as follows:

	December 31, 2021	Additions	Deletions	December 31, 2021
Capital assets not being depreciated:				
Construction in process	\$ 13,631,806	\$ 18,397,331	\$ -	\$ 32,029,137
Land	5,811,820	-	-	5,811,820
Total capital assets not being depreciated	19,443,626	18,397,331	-	37,840,957
Capital assets being depreciated:				
Parking garages, lots, and rental complex	45,268,026	875,896	2,275	46,141,647
Office furnishings and equipment	121,767	-	626	121,141
Equipment	3,861,681	46,424	13,484	3,894,621
Vehicles	247,224	81,100	23,400	304,924
Total capital assets being depreciated	49,498,698	1,003,420	39,785	50,462,333
Less accumulated depreciation for:				
Parking garages, lots, and rental complex	24,859,448	1,193,238	2,275	26,050,411
Office furnishings and equipment	81,954	12,923	625	94,252
Equipment	3,501,342	270,776	13,485	3,758,633
Vehicles	188,901	43,923	15,091	217,733
Total accumulated depreciation	28,631,645	1,520,860	31,476	30,121,029
Total capital assets being depreciated, net	20,867,053	(517,440)	8,309	20,341,304
Total capital assets, net	\$ 40,310,679	\$ 17,879,891	\$ 8,309	\$ 58,182,261

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Redevelopment Authority

Capital asset activity for the year ended December 31, 2021 is as follows:

	December 31, 2020	Additions	Deletions	December 31, 2021
Capital assets not being depreciated:				
Land and improvements	\$ 20,300	\$ 765,448	\$ -	\$ 785,748
Construction in progress	740,220	-	740,220	-
Total capital assets not being depreciated	<u>\$ 760,520</u>	<u>\$ 765,448</u>	<u>\$ 740,220</u>	<u>\$ 785,748</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, 2021. There were no borrowings on the line of credit as of December 31, 2021, leaving the entire balance available to draw.

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 in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. Any unforgiven portion is payable over two years at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender of, if the borrower does not apply for forgiveness, ten months after the end of the covered period.

The Commission met the Paycheck Protection Program's loan forgiveness requirements and, therefore, applied for forgiveness during January of 2021. On March 9, 2021, the Commission received legal release from the SBA and, therefore, will record the amount forgiven, \$228,600, as forgiveness income in its 2021 statement of revenues and expenses.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 for the year ended December 31, 2021. The interest rate was 4.75% for the year ended December 31, 2021. 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, 2025. During the year ended December 31, 2021, 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, 2021 was as follows:

	January 1, 2021	Additions	Reduction	December 31, 2021
Line of credit - delinquent real estate taxes	<u>\$ 611,737</u>	<u>\$ 1,117,452</u>	<u>\$ 1,144,390</u>	<u>\$ 584,799</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 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 to satisfy the unsecured note payable to the City. See below for the note maturity schedule as of December 31, 2021:

2022	\$	150,000
2023		150,000
2024		150,000
2025		150,000
2026		150,000
2027-2032		750,000
2033-2037		750,000
2038-2039		450,000
		<hr/>
	\$	2,700,000
		<hr/>

Component Unit

Redevelopment Authority

As of December 31, 2021, the following amounts were due to the primary government:

Accumulated gain on tax collections (Note 3)	\$	122,352
Amounts due for conveyed properties		<hr/> 740,085
	\$	<hr/> 862,437

The City conveyed two properties to the Redevelopment Authority during the year ended December 31, 2021 in the amount of \$180,000. 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 did not sell any properties during the year ended December 31, 2021. For the year ended December 31, 2021, the Redevelopment Authority recorded the properties and due to the City at the carrying value of \$740,085.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

9. Unearned Revenue

Component Unit

Redevelopment Authority

A summary of unearned revenue at December 31, 2021 follows:

Unearned grant revenue	\$ 2,401,579
Unearned interest income - capital lease (Note 3)	<u>11,325,831</u>
	13,727,410
Current portion	<u>2,023,273</u>
Long-term portion	<u><u>\$ 11,704,137</u></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 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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

10. Long-term Obligations

Primary Government

A summary of bonds and notes payable outstanding as of December 31, 2021 is as follows:

Date of Issue/Maturity	Amount of Original Issue	Description and Interest Rates	Balance Outstanding December 31, 2021
2014/2044	\$ 42,490,000	General Obligation Bonds	\$ 35,995,000
2015/2034	11,840,000	General Obligation Bonds	8,705,000
2016/2046	118,820,000	General Obligation Bonds	104,175,000
2016/2036	11,560,000	General Obligation Bonds	10,390,000
2018/2048	113,325,000	General Obligation Bonds	112,180,000
2019/2029	22,140,000	General Obligation Bonds	17,705,000
2021/2039	10,020,000	General Obligation Bonds	10,010,000
2021/2041	35,225,000	General Obligation Note, Series A	35,225,000
			<u>334,385,000</u>
Direct Borrowings:			
2013/2035	7,000,000	Note Payable to Financing Agency	3,030,435
2014/2037	5,500,000	Note Payable to Financing Agency	3,975,740
2021/2033	11,200,000	Note Payable to Financing Agency	4,943,075
2021/2029	8,579,468	Note Payable to Financing Agency	1,609,123
2021/2031	2,900,000	General Obligation Note, Series B	2,900,000
			<u>16,458,373</u>
Total			<u>\$ 350,843,373</u>

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, 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

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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. These bonds were currently refunded through the issuance of General Obligation Note, Series A of 2021.

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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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.

In 2021, the City issued 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, 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.

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NOTES TO FINANCIAL STATEMENTS

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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.

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, 2021, \$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, 2021, \$5,199,556 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. This general obligation note was currently refunded through the issuance of the General Obligation Note, Series A of 2021.

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

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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. The debt service on this note is paid by the Capital Projects Fund. This general obligation note was advance refunded through the issuance of the General Obligation Note, Series B of 2021.

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. As of December 31, 2021, a total of \$4,943,075 was drawn down. 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. As of December 31, 2021, a total of \$1,609,123 was drawn down. The debt service on this note will be paid by the Water Fund.

In 2021, the City issued a general obligation note Series A of 2021 in the amount of \$32,225,000, bearing fixed interests rate between 2-4%. The proceeds of the note issuance were used to currently refund: General Obligation Bonds Series of 2011, General Obligation Note Series of 2015, and a portion of General Obligation Bonds Series of 2016. The debt service on this note is paid by the General Fund, Sewer Fund, and Water Fund. The current refunding decreased the City's total debt service by \$7,088,295 and resulted in a net economic gain (difference between present values of the old and new debt service payments) of \$7,216,186.

In 2021, the City issued a direct borrowing general obligation note Series B of 2021 in the amount of \$2,900,000, bearing fixed interests at 1.95%. The proceeds of the note issuance were used to partially advance refund 2016 Bonds and partially advance refunding 2019 Bonds. The debt service on this note is paid by the General Fund and Sewer Fund. The

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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refunding decreased the City's total debt service by \$369,478 and resulted in a net economic gain (difference between present values of the old and new debt service payments) of \$94,921.

Bonds and Notes Payable

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

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2022	\$ 1,870,000	\$ 2,781,149	\$ 4,651,149
2023	4,005,000	2,683,874	6,688,874
2024	4,155,000	2,526,531	6,681,531
2025	4,345,000	2,341,015	6,686,015
2026	4,545,000	2,146,825	6,691,825
2027-2031	22,530,000	7,681,965	30,211,965
2032-2036	15,400,000	4,072,216	19,472,216
2037-2041	11,630,000	1,904,188	13,534,188
2042-2043	3,760,000	227,000	3,987,000
	<u>\$ 72,240,000</u>	<u>\$ 26,364,763</u>	<u>\$ 98,604,763</u>

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

Year Ending December 31,	Principal Maturity	Interest Maturity	Total
2022	\$ 6,734,205	\$ 10,442,178	\$ 17,176,383
2023	8,733,824	10,097,222	18,831,046
2024	9,074,608	9,758,294	18,832,902
2025	8,866,524	9,420,984	18,287,508
2026	8,266,886	9,120,495	17,387,381
2027-2031	44,379,441	40,670,469	85,049,910
2032-2036	47,233,911	32,812,070	80,045,981
2037-2041	54,878,974	24,279,420	79,158,394
2042-2046	62,680,000	13,136,800	75,816,800
2047-2048	27,755,000	1,676,200	29,431,200
	<u>\$ 278,603,373</u>	<u>\$ 161,414,132</u>	<u>\$ 440,017,505</u>

CITY OF LANCASTER, PENNSYLVANIA

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

Capital Leases

Governmental Activities

In 2018 through 2021, 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, 2021, the assets are included as governmental activities in the government-wide financial statements at a cost of \$4,284,440 and accumulated depreciation of \$612,923.

The future minimum payments under the capital leases and the present value of the minimum lease payments at December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ 676,731
2023	617,690
2024	559,618
2025	381,963
2026	289,849
2027-2030	<u>868,876</u>
Total minimum lease payments	3,394,727
Less: amount representing interest	<u>(440,558)</u>
Present value of future minimum lease payments	<u><u>\$ 2,954,169</u></u>

Business-type Activities

In 2018 through 2021, 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, 2021, the assets are included as business-type activities in the government-wide financial statements at a cost of \$3,590,897 and accumulated depreciation of \$585,748.

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The future minimum payments under the capital leases and the present value of the minimum lease payments at December 31, 2021 are as follows:

Year Ending December 31,	Total
2022	\$ 714,554
2023	536,590
2024	434,134
2025	160,699
Total minimum lease payments	1,845,977
Less: amount representing interest	(120,089)
Present value of future minimum lease payments	<u>\$ 1,725,888</u>

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	December 31, 2020	Increase	Decrease	December 31, 2021	Amount Due Within One Year
Governmental activities:					
Bonds payable	\$ 61,045,000	\$ 10,020,000	\$ (7,945,000)	\$ 63,120,000	\$ 1,475,000
Unamortized premium	3,020,948	2,077,815	(441,176)	4,657,587	-
Notes payable	7,685,617	16,313,747	(14,879,364)	9,120,000	395,000
Compensated absences	1,699,780	3,794,377	(3,737,494)	1,756,663	404,208
Capital leases	2,055,010	1,491,828	(592,669)	2,954,169	563,793
Workers' compensation payable	788,781	1,075,009	(51,939)	1,811,851	442,563
Total governmental activities	<u>\$ 76,295,136</u>	<u>\$ 34,772,776</u>	<u>\$ (27,647,642)</u>	<u>\$ 83,420,270</u>	<u>\$ 3,280,564</u>

	December 31, 2020	Increase	Decrease	December 31, 2021	Amount Due Within One Year
Business-type activities:					
Bonds payable	\$ 270,130,000	\$ -	\$ (34,090,000)	\$ 236,040,000	\$ 4,995,000
Unamortized premium	7,480,433	2,982,598	(905,589)	9,557,442	-
Notes payable	7,841,204	35,701,882	(979,713)	42,563,373	1,739,205
Compensated absences	334,733	1,847,611	(1,835,856)	346,488	76,873
Capital leases	1,797,698	752,342	(824,152)	1,725,888	655,023
Workers' compensation payable	600	1,872	-	2,472	-
Total business-type activities	<u>\$ 287,584,668</u>	<u>\$ 41,286,305</u>	<u>\$ (38,635,310)</u>	<u>\$ 290,235,663</u>	<u>\$ 7,466,101</u>

CITY OF LANCASTER, PENNSYLVANIA

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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. 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 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

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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, 2021.

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 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. 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 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.

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

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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.

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 January 1, 2021	Additions	Repayments	Balance December 31, 2021	Amount Due Within One Year
Series of 2016 Parking Revenue Bonds	\$ 4,850,000	\$ -	\$ 995,000	\$ 3,855,000	\$ 1,020,000
Series A of 2019 Parking Revenue Bonds	27,825,000	-	-	27,825,000	-
Series B of 2019 Parking Revenue Bonds	1,325,000	-	485,000	840,000	635,000
Series A of 2020 Parking Revenue Bonds	13,520,000	-	25,000	13,495,000	35,000
Series B of 2020 Parking Revenue Bonds	5,260,000	-	-	5,260,000	-
	<u>\$ 52,780,000</u>	<u>\$ -</u>	<u>\$ 1,505,000</u>	<u>\$ 51,275,000</u>	<u>\$ 1,690,000</u>

CITY OF LANCASTER, PENNSYLVANIA

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Future maturities are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 1,690,000	\$ 1,650,517	\$ 3,340,517
2023	2,070,000	1,582,392	3,652,392
2024	2,150,000	1,519,673	3,669,673
2025	2,245,000	1,425,223	3,670,223
2026	2,390,000	1,333,523	3,723,523
2027-2031	13,250,000	5,376,513	18,626,513
2032-2036	12,630,000	3,239,744	15,869,744
2037-2041	8,940,000	1,720,856	10,660,856
2042-2044	5,910,000	369,843	6,279,843
Total	<u>\$ 51,275,000</u>	<u>\$ 18,218,284</u>	<u>\$ 69,493,284</u>

Interest Expense

Interest expense on the bonds, excluding amortization of deferred charge on debt refunding, premiums (discounts), and prepaid insurance totaled \$1,684,907 for the year ended December 31, 2021.

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, 2021 the amount due is \$1,013,621.

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 was paid in full in 2021.

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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 decreased 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 constructed, if desired. The loan matures December 15, 2028. The outstanding balance as of December 31, 2021 is \$2,760,333, of which \$342,000 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, 2021 is \$2,210,216, of which \$463,953 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, 2021 is \$1,243,589, of which \$282,494 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

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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, 2021. 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 certain taxes on the project. The bonds mature in December 2024. The outstanding balance as of December 31, 2021 is \$7,332,307, of which \$1,811,769 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, 2021 is \$7,650,890, of which \$341,496 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, 2021. 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, 2021 is \$25,103,216, of which \$1,061,757 is due within one year.

All of the Redevelopment Authority's long-term debt are direct placement obligations.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Aggregate maturities required on bonds and notes payable at December 31, 2021 are as follows:

	Principal	Interest	Total
2022	\$ 4,336,469	\$ 2,230,023	\$ 6,566,492
2023	4,574,279	1,967,413	6,541,692
2024	6,259,256	1,690,103	7,949,359
2025	2,885,550	1,477,208	4,362,758
2026	2,033,675	1,335,892	3,369,567
2027-2029	26,211,322	2,900,465	29,111,787
Total	<u>\$ 46,300,551</u>	<u>\$ 11,601,104</u>	<u>\$ 57,901,655</u>

Long-term obligation activity for the year ended December 31, 2021 can be summarized as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021
Due to lessee	\$ 1,013,604	\$ 17	\$ -	\$ 1,013,621
LCCCA Obligation	50,000	-	(50,000)	-
Notes payable	3,088,333	-	(328,000)	2,760,333
Bonds payable	46,314,280	-	(2,774,062)	43,540,218
	<u>\$ 50,466,217</u>	<u>\$ 17</u>	<u>\$ (3,152,062)</u>	<u>\$ 47,314,172</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 \$3,453,805 as of December 31, 2021, 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 \$729,008 as of December 31, 2021. 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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021 is \$7,332,307 and future interest payments, based on current interest rates, are \$584,897. The current tax-exempt assessment for the property is \$59,660,800 and the applicable combined millage rate is 37.2841. 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 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, 2021:

\$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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CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

The following is a summary of long-term debt from direct borrowings:

Long-term debt at January 1:	\$ 486,780
Additions	-
Long-term debt at December 31:	486,780
Current portion	222,000
Long-term debt, net	<u>\$ 264,780</u>

Note availability consists of the following at December 31, 2021:

Series of 2020 note amount available	\$ 5,500,000
Total draws on note as of December 31, 2021	486,780
Balance of note available to draw down at December 31, 2021	<u>\$ 5,013,220</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:

	Principal	Interest	Total
Years ending December 31:			
2022	\$ 222,000	\$ 213,950	\$ 435,950
2023	231,000	205,314	436,314
2024	33,780	196,328	230,108
Total	<u>\$ 486,780</u>	<u>\$ 615,592</u>	<u>\$ 1,102,372</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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, 2021, none of the FPP's and PPP's investments were more than five percent of the total asset value for each plan.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Plan Participants

At December 31, 2021, employee membership data related to the FPP and PPP was as follows:

	FPP	PPP
Inactive plan members or beneficiaries currently receiving benefits	130	190
Inactive plan members entitled to but not yet receiving benefits	1	4
Active plan members	55	134
Total	186	328

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 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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, there were 9 participants in the DROP. As of December 31, 2021, the balance held by the FPP pursuant to the DROP totaled \$1,051,967.

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.

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 \$2,200,532 and \$4,306,685 for the year ended December 31, 2021 to the FPP and PPP, respectively.

Administrative Expenses

FPP and PPP administration costs are financed through investment income.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Changes in Net Pension Liability

The changes in the net pension liability for the FPP and PPP at December 31, 2021 were as follows:

	Increase (Decrease)		
FPP:	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 56,420,163	\$ 48,730,022	\$ 7,690,141
Changes for the year:			
Service cost	739,246	-	739,246
Interest	4,704,258	-	4,704,258
Changes for experience	316,316	-	316,316
Changes of assumptions	1,384,779	-	1,384,779
Contributions - employer	-	2,200,532	(2,200,532)
Contributions - employees	-	280,540	(280,540)
Net investment income	-	7,604,078	(7,604,078)
Benefit payments, including refunds	(4,220,092)	(4,220,092)	-
Net changes	2,924,507	5,865,058	(2,940,551)
Balances at December 31, 2021	<u>\$ 59,344,670</u>	<u>\$ 54,595,080</u>	<u>\$ 4,749,590</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>92.00%</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
PPP:			
Balances at December 31, 2020	\$ 106,218,180	\$ 83,625,720	\$ 22,592,460
Changes for the year:			
Service cost	1,942,930	-	1,942,930
Interest	8,442,909	-	8,442,909
Changes for experience	945,178	-	945,178
Changes of assumptions	3,031,610	-	3,031,610
Contributions - employer	-	4,306,685	(4,306,685)
Contributions - employees	-	700,490	(700,490)
Net investment income	-	13,145,593	(13,145,593)
Benefit payments, including refunds	(6,394,284)	(6,394,284)	-
Net changes	7,968,343	11,758,484	(3,790,141)
Balances at December 31, 2021	<u>\$ 114,186,523</u>	<u>\$ 95,384,204</u>	<u>\$ 18,802,319</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>83.53%</u>

The net pension liability was measured as of December 31, 2021 and was determined by rolling forward liabilities from the January 1, 2021 actuarial valuation. No significant events or changes occurred between the valuation date and the fiscal year-end.

Actuarial Assumptions - The January 1, 2021 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) 7.75% 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.

Change in Assumptions - The investment rate of return was updated from 8.00% from the December 31, 2020 valuation to 7.75% for the December 31, 2021 valuation.

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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, 2021, the annual money-weighted rate of return on Plan investments, net of investment expense, was 16.04% and 16.09% for the FPP and PPP, respectively.

Discount Rate - The discount rate used to measure the total pension liability as of December 31, 2021 was 7.75% 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.

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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
FPP	<u>\$ 7,443,856</u>	<u>\$ 4,749,590</u>	<u>\$ 2,273,286</u>
PPP	<u>\$ 32,868,392</u>	<u>\$ 18,802,319</u>	<u>\$ 7,115,289</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

B. Plan Description and Contribution Information

Plan Participants

At December 31, 2021, employee membership data related to the CBPP was as follows:

Inactive plan members or beneficiaries currently receiving benefits	65
Inactive plan members entitled to but not yet receiving benefits	45
Active members	<u>307</u>
Total	<u><u>417</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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

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 \$1,403,662 to the CBPP for the year ended December 31, 2021.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Changes in the Net Pension Liability

The changes in the net pension liability for the CBPP at December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 21,548,556	\$ 17,427,114	\$ 4,121,442
Service cost	810,897	-	810,897
Interest	1,569,911	-	1,569,911
Changes for experience	(435,205)	-	(435,205)
Changes of assumptions	289,584	-	289,584
Contributions - employer	-	1,403,662	(1,403,662)
Net investment income	-	2,706,152	(2,706,152)
Benefit payments, including refunds	(1,119,780)	(1,119,780)	-
Net changes	1,115,407	2,990,034	(1,874,627)
Balances at December 31, 2021	<u>\$ 22,663,963</u>	<u>\$ 20,417,148</u>	<u>\$ 2,246,815</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>90.09%</u>

The net pension liability of the pension plan is allocated between governmental activities and business-type activities in the amounts of \$1,315,072 and \$931,743, respectively, at December 31, 2021.

The net pension liability was measured as of December 31, 2021 and was determined by rolling forward liabilities from the January 1, 2021 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, 2021

Actuarial Assumptions - The January 1, 2021 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	7.25%
Projected salary increases	4.50%
Underlying inflation rate	3.00%
Basis for Mortality Rates	PubG-2010 Mortality Table

Changes in assumptions - the actuarial valuation for 2021 had the investment rate of return updated from 7.50% to 7.25%.

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, 2021

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the CBPP as of December 31, 2021 are summarized in the following table:

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

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, 2021, the annual money-weighted rate of return on CBPP investments, net of investment expense, was 16.00%.

Concentrations – At December 31, 2021, 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, 2021 was 7.25%. 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 (Asset) Changes in the Discount Rate – The following presents the net pension liability (asset) of the CBPP calculated using the discount rate described above, as well as what the CBPP's net pension liabilities (asset) would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 5,707,097	\$ 2,246,815	\$ (600,832)

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

For the year ended December 31, 2021, the governmental activities and business-type activities recognized pension expense of \$3,972,408 and \$483,670, respectively.

At December 31, 2021, 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	\$ 1,212,318	\$ -
Changes of assumptions	5,706,921	541,084
Total Deferred Outflows of Resources	<u>\$ 6,919,239</u>	<u>\$ 541,084</u>
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 1,205,533	\$ 392,348
Net difference between projected and actual earnings on pension plan investments	13,094,542	863,284
Total Deferred Inflows of Resources	<u>\$ 14,300,075</u>	<u>\$ 1,255,632</u>

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>	Governmental Activities	Business-type Activities
2022	\$ (710,314)	\$ (174,222)
2023	(4,306,708)	(330,773)
2024	(1,583,765)	(177,020)
2025	(1,596,892)	(131,820)
2026	683,497	12,363
Thereafter	133,346	86,924
	<u>\$ (7,380,836)</u>	<u>\$ (714,548)</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, there were 508 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, 2021, SSP participants and the City made contributions of \$1,465,142 and \$344,766 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, 2021

Pension Financial Statements

Financial statements for the individual pension plans are presented below:

Statement of Net Position December 31, 2021

	FPP	PPP	CBPP	SPP
Assets:				
Investments	\$ 54,703,369	\$ 95,161,091	\$ 20,419,049	\$13,476,518
Receivables:				
Investment income	58,165	223,113	-	-
Total Assets	<u>54,761,534</u>	<u>95,384,204</u>	<u>20,419,049</u>	<u>13,476,518</u>
Liabilities:				
Benefits payable	166,454	-	1,901	-
Net position restricted for pension benefits	<u>\$ 54,595,080</u>	<u>\$ 95,384,204</u>	<u>\$ 20,417,148</u>	<u>\$13,476,518</u>

Statement of Changes in Net Position Year Ended December 31, 2021

	FPP	PPP	CBPP	SPP
Additions:				
Contributions:				
Employees	\$ 280,540	\$ 700,490	\$ -	\$ 1,465,142
Employer	2,200,532	4,306,685	1,403,662	344,766
Total contributions	<u>2,481,072</u>	<u>5,007,175</u>	<u>1,403,662</u>	<u>1,809,908</u>
Investment income:				
Net appreciation in fair value of investments	6,795,343	11,753,615	2,455,090	728,754
Interest and dividends	962,991	1,782,556	373,499	497,726
Total investment income	<u>7,758,334</u>	<u>13,536,171</u>	<u>2,828,589</u>	<u>1,226,480</u>
Less: investment expenses	<u>(154,256)</u>	<u>(390,578)</u>	<u>(122,437)</u>	<u>(73,949)</u>
Net investment income	<u>7,604,078</u>	<u>13,145,593</u>	<u>2,706,152</u>	<u>1,152,531</u>
Total additions	<u>10,085,150</u>	<u>18,152,768</u>	<u>4,109,814</u>	<u>2,962,439</u>
Deductions:				
Benefits	<u>4,220,092</u>	<u>6,394,284</u>	<u>1,119,780</u>	<u>1,061,199</u>
Total deductions	<u>4,220,092</u>	<u>6,394,284</u>	<u>1,119,780</u>	<u>1,061,199</u>
Change in net position	<u>5,865,058</u>	<u>11,758,484</u>	<u>2,990,034</u>	<u>1,901,240</u>
Net position restricted for pension benefits:				
Beginning of year	<u>48,730,022</u>	<u>83,625,720</u>	<u>17,427,114</u>	<u>11,575,278</u>
End of year	<u>\$ 54,595,080</u>	<u>\$ 95,384,204</u>	<u>\$ 20,417,148</u>	<u>\$13,476,518</u>

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YEAR ENDED DECEMBER 31, 2021

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 \$48,235 for the year ended December 31, 2021.

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.

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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	-
Total	<u>44</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, 2021, the Parking Authority made a contribution of \$55,502 and the MMO was \$55,502. During the year ended December 31, 2020, the Parking Authority made a contribution of \$75,417 and the MMO was \$75,437. The 2020 contribution is reported as a deferred outflow of resources at December 31, 2021.

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Changes in the Net Pension Liability (Asset)

Pension information and amounts included in the Parking Authority's Statement of Net Position, footnote disclosures and Required Supplementary Information 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, 2021 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	\$ 1,539,426	\$ 1,444,598	\$ 94,828
Changes for the year:			
Service cost	166,423	-	166,423
Interest	85,763	-	85,763
Contributions - employer	-	64,525	(64,525)
Contributions - employee	-	95,042	(95,042)
Net investment income (loss)	-	281,068	(281,068)
Benefit payments, including refunds	(104,098)	(104,098)	-
Administrative expenses	-	(4,055)	4,055
Net changes	148,088	332,482	(184,394)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	\$ 1,687,514	\$ 1,777,080	\$ (89,566)
Plan fiduciary net position as a percentage of the total pension liability			105.31%

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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, 2019, 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. Based on the four-part analysis, the PMRS Board established the System’s long-term expected rate of return at 6.7%. 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.

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, 2019 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

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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:

December 31, 2021:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
\$ 101,428	\$ (89,566)	\$ (249,367)

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

For the year ended December 31, 2021, the Parking Authority recognized pension expense of \$57,178.

At December 31, 2021, 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	\$ 7,698	\$ 41,993
2020 Parking Authority contributions subsequent to the measurement date of December 31, 2019	69,163	-
Changes of assumptions	6,027	-
Net difference between projected and actual earnings on pension plan investments	-	82,598
Total	\$ 82,888	\$ 124,591

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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 2020 (subsequent to measurement date at December 31, 2019) will be recorded as a reduction to the pension liability during the year ending December 31, 2022. Other amounts 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>	
2022	\$ (31,478)
2023	(32,045)
2024	2,141
2025	<u>(49,484)</u>
	<u>\$ (110,866)</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.

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NOTES TO FINANCIAL STATEMENTS

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Method Used to Value Investments

Investments are reported at fair value.

B. Plan Description and Contribution Information

At December 31, 2021, participants in the OPEB Plans were as follows:

	OPEB Plan	Water OPEB Plan	Sewer OPEB Plan
Inactive plan members or beneficiaries currently receiving benefits	348	38	21
Inactive plan members entitled to but not yet receiving benefits	32	-	-
Active plan members	417	70	47
	<u>797</u>	<u>108</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.

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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 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.

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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.

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 \$4,219,772, \$895,612, and \$309,562 to the OPEB Plan, Water OPEB Plan, and Sewer OPEB Plan, respectively, for the year ended December 31, 2021.

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 nonuniform 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.

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

Changes in Net OPEB Liability

The changes in the net OPEB liability of the OPEB Plans at December 31, 2021 were as follows:

	Increase (Decrease)		
OPEB Plan:	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2020	\$ 159,546,483	\$ -	\$ 159,546,483
Changes for the year:			
Service cost	7,040,694	-	7,040,694
Interest	3,286,026	-	3,286,026
Changes of assumptions	(15,110,603)	-	(15,110,603)
Contributions - employer	-	4,219,772	(4,219,772)
Benefit payments, including refunds	(4,219,772)	(4,219,772)	-
Net changes	(9,003,655)	-	(9,003,655)
Balances at December 31, 2021	<u>\$ 150,542,828</u>	<u>\$ -</u>	<u>\$ 150,542,828</u>
Plan fiduciary net position as a percentage of the total OPEB liability			<u>0.00%</u>

The net OPEB liability of the OPEB Plan is allocated between governmental and business-type activities in the amounts of \$146,638,607 and \$3,904,221, respectively, at December 31, 2021.

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	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Water OPEB Plan:			
Balances at December 31, 2020	\$ 19,187,759	\$ 7,428,141	\$ 11,759,618
Changes for the year:			
Service cost	854,424	-	854,424
Interest	396,245	-	396,245
Changes of assumptions	(2,071,319)	-	(2,071,319)
Contributions - employer	-	895,612	(895,612)
Net investment income	-	761	(761)
Benefit payments, including refunds	(424,501)	(424,501)	-
Administrative expenses	-	(34,176)	34,176
Net changes	(1,245,151)	437,696	(1,682,847)
Balances at December 31, 2021	\$ 17,942,608	\$ 7,865,837	\$ 10,076,771
Plan fiduciary net position as a percentage of the total OPEB liability			43.84%

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Sewer OPEB Plan:			
Balances at December 31, 2020	\$ 10,557,702	\$ 778,293	\$ 9,779,409
Changes for the year:			
Service cost	679,747	-	679,747
Interest	222,228	-	222,228
Changes of assumptions	(1,100,404)	-	(1,100,404)
Contributions - employer	-	309,562	(309,562)
Net investment income	-	81	(81)
Benefit payments, including refunds	(232,646)	(232,646)	-
Administrative expenses	-	(3,636)	3,636
Net changes	(431,075)	73,361	(504,436)
Balances at December 31, 2021	\$ 10,126,627	\$ 851,654	\$ 9,274,973
Plan fiduciary net position as a percentage of the total OPEB liability			8.41%

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The net OPEB liability was measured as of December 31, 2021 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	2.31%
Medical inflation	5.5% in 2021. 6.5% in 2022, decreasing by 0.5% each year until 2024. Rates gradually decrease from 5.5% in 2024-25 to 3.9% 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 2.00% in the January 1, 2020 actuarial valuation as of December 31, 2020 to 2.31% in the January 1, 2020 actuarial valuation as of December 31, 2021. 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

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100% of the Sewer and Water OPEB Trusts in a Fidelity Money Market Fund managed by the Trust administrator, Mission Square.

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 2023 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, 2021 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, 2021, the annual money-weighted rate of return on the Sewer and Water OPEB Plan investments, net of investment expense, was (-0.44%).

Concentrations – At December 31, 2021, none of the OPEB Plans' investments were more than five percent of the OPEB Plans' total asset value.

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Discount Rate – The discount rate used to measure the total OPEB liability as of December 31, 2021 was 2.31%. 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 \$842,000 (which represents the average employer contributions to the OPEB trust over the last five years).

The rate of 2.31% as of December 31, 2021 is the single-effective discount rate using 4.50% on projected assets sufficient to cover expected cash flows and 2.31% 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 2.31% was used beginning in the cross-over depletion year of 2028, which is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

In using the discount rate of 2.31% as of December 31, 2021, 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 2030. Therefore, the long-term expected rate of return on OPEB Plans' investments was applied to periods of projected benefit payments through year 2030 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, 2021:

	1% Decrease (1.31%)	Current Discount Rate (2.31%)	1% Increase (3.31%)
OPEB Plan	\$ 178,046,240	\$ 150,542,828	\$ 129,097,474
Water OPEB Plan	\$ 13,675,671	\$ 10,076,771	\$ 7,299,880
Sewer OPEB Plan	\$ 11,163,277	\$ 9,274,973	\$ 7,796,695

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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, 2021:

	1% Decrease (4.5%)	Current Rates (5.5%)	1% Increase (6.5%)
OPEB Plan	\$ 124,489,231	\$ 150,542,828	\$ 184,767,580
Water OPEB Plan	\$ 6,615,250	\$ 10,076,771	\$ 14,684,792
Sewer OPEB Plan	\$ 7,407,446	\$ 9,274,973	\$ 11,741,410

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

For the year ended December 31, 2021, the governmental activities and business-type activities recognized OPEB expense of \$1,908,885 and \$75,186, respectively.

At December 31, 2021, 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	\$ 30,609,978	\$ 6,999,824
Differences between expected and actual experience	-	503,169
Net difference between projected and actual earnings on OPEB plan investments	-	617,620
Total Deferred Outflows of Resources	<u>\$ 30,609,978</u>	<u>\$ 8,120,613</u>
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 27,897,984	\$ 5,214,598
Changes of assumptions	14,275,821	3,890,824
Total Deferred Inflows of Resources	<u>\$ 42,173,805</u>	<u>\$ 9,105,422</u>

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

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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>
2022	\$ (3,743,826)	\$ (398,248)
2023	(3,743,826)	(433,894)
2024	(3,743,835)	(471,589)
2025	2,109,673	923,965
2026	(2,442,013)	(605,043)
	<u>\$ (11,563,827)</u>	<u>\$ (984,809)</u>

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Financial statements for the OPEB Trust Funds are presented below:

Statement of Net Position December 31, 2021

	Sewer OPEB Trust	Water OPEB Trust
Assets:		
Investments	\$ 851,654	\$ 7,865,837
Total Assets	851,654	7,865,837
Net position restricted for other post-employment benefits	\$ 851,654	\$ 7,865,837

Statement of Changes in Net Position Year Ended December 31, 2021

	Sewer OPEB Trust	Water OPEB Trust
Additions:		
Contributions:		
Employer	\$ 309,562	\$ 895,612
Total contributions	309,562	895,612
Investment income:		
Interest and dividends	81	761
Total investment income	81	761
Total additions	309,643	896,373
Deductions:		
Benefits	232,646	424,501
Administrative expenses	3,636	34,176
Total deductions	236,282	458,677
Change in net position	73,361	437,696
Net position restricted for other post-employment benefits:		
Beginning of year	778,293	7,428,141
End of year	\$ 851,654	\$ 7,865,837

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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 2021, 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, 2021 and 2020 is as follows:

Unpaid claims as of January 1, 2020	\$ 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	789,381
Incurred claims and change in estimates during 2021	1,076,880
Payments during 2021	<u>(51,939)</u>
Unpaid claims as of December 31, 2021	<u><u>\$ 1,814,322</u></u>

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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 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, 2021 and 2020 is as follows:

Unpaid claims as of January 1, 2020	\$ 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	1,012,372
Incurred claims and change in estimates during 2021	15,004,443
Payments during 2021	<u>(13,893,886)</u>
Unpaid claims as of December 31, 2021	<u><u>\$ 2,122,929</u></u>

14. Property Sales

Component Unit

Redevelopment Authority

During the year ended December 31, 2021, one property, which was 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

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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 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, 2021:

Property	Net Proceeds from Property Sales	Cost of Property Sold	Gain (Loss)
529 Locust Street	\$ 25,880	\$ 24,000	\$ 1,880
Other Property Revenues	9,750	40,159	(30,409)
	<u>\$ 35,630</u>	<u>\$ 64,159</u>	<u>\$ (28,529)</u>

LLBA

During the year ended December 31, 2021, zero properties which were acquired by purchase, were 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.

LLBA did not have any property sales for the year ended December 31, 2021.

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.

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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. For the year ended December 31, 2021, \$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, 2021, 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 was not material to the financial statements and was resolved in 2021. The Redevelopment Authority entered into an agreement with PSP (Note 16) in 2021, whereby PSP covered the grant funding short-fall so that the Redevelopment Authority was 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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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 \$200,807 during the year ended December 31, 2021. 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.

On March 26, 2021, the Redevelopment Authority entered into an Economic and Community Development Initiatives Program Grant with PSP. The Redevelopment Authority will receive grant proceeds as reimbursement and as payment for eligible projects costs, up to \$3,700,000. Upon receipt, the Redevelopment Authority disbursed those proceeds to PSP to assist with payment of project costs. The Redevelopment Authority received and subsequently disbursed \$3,700,000 under this grant agreement during the year ended December 31, 2021.

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% and 5.06% (Note 14).

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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 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, 2021 was \$225,102 and \$168,826 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, 2021, the Redevelopment Authority recognized interest income from the underlying capital lease in the amount of \$2,216,550 and received base rent cash flow in the amount of \$3,443,332. These funds were utilized to make principal payments in the amount of \$1,043,033 and interest payments in the amount of \$1,778,602.

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

Component Unit

Redevelopment Authority

Until June 2019, the Redevelopment Authority owned the property at 400 North Market Street where the North Queen Street Parking Garage was built to provide parking to future tenants of the Lancaster Press Building, current lot users, and the public. In June 2019, the Redevelopment Authority sold the North Queen Street Parking Garage to the Lancaster Parking Authority. The Redevelopment Authority has retained the related debt for the garage (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, 2021:

City of Lancaster	\$ 226,624
Lancaster County	56,385
School District of Lancaster	446,974
Total	<u>\$ 729,983</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. The Redevelopment Authority is required to establish a \$100,000 reserve fund from TIF revenues for future capital repairs.

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. Construction on the park area began in 2018. The public urban park was opened in 2021 and depreciation will commence in 2022. The

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total amount paid for construction and design during the year ended December 31, 2021 was \$25,228.

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 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, 2021, the Redevelopment Authority made the required annual payment totaling \$343,928.

Through the agreements described above, the Redevelopment Authority has committed to make future minimum annual PILOT and marketing payments to be provided to the City and the Lancaster County Convention Center as follows:

2022	\$ 405,746
2023	417,918
2024	430,456
2025	443,370
2026	456,671
Thereafter	<u>1,453,869</u>
	<u>\$ 3,608,030</u>

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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.

A reconciliation of the interfund receivables and payables at December 31, 2021 is as follows:

	Due From Other Funds	Due To Other Funds
Governmental funds:		
General Fund	\$ 14,386,573	\$ -
ARPA Fund	-	924,891
Non-major governmental funds	-	3,000,000
Proprietary funds:		
Sewer Fund	-	2,265,000
Water Fund	1,500,000	9,167,601
Other Enterprise Funds	-	529,081
	<u>\$ 15,886,573</u>	<u>\$ 15,886,573</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 in 2020, the City has been studying options for the expansion of its fiber optic system. In May 2022, the City issued an RFP to seek fiber optic service providers to submit proposals for providing fiber-to-the-home (FttH) services to the entire City using the City-owned fiber optic backbone as part of a larger system that would reach all City homes and many businesses. The City received multiple proposals and is in the process of reviewing potential contractual relationships with one of the submitting companies. The City anticipates that through this plan, the interfund borrowing of \$3,000,000 can be repaid through future City revenues derived from the City-owned 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.

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Interfund transfers for the year ended December 31, 2021 are as follows:

	Interfund Transfers In	Interfund Transfers Out
Governmental funds:		
General Fund	\$ 8,084,667	\$ 4,838,748
Debt Service	4,890,360	7,193,747
ARPA Fund	-	9,984,667
Non-major governmental funds	7,193,747	51,612
Proprietary funds:		
Water Fund	5,900,000	4,000,000
	<u>\$ 26,068,774</u>	<u>\$ 26,068,774</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 2021.

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

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reimbursement of unallowed costs, which may arise as a result of these audits, if any, would not materially affect the City's financial position.

Contract Commitments

The City, through Capital Projects, a nonmajor fund, has entered into contracts with construction contractors totaling \$12,863,859. The commitment remaining on the contracts at December 31, 2021 was \$3,140,346.

The City, through the Sewer Fund, has entered into contracts with construction contractors totaling \$18,552,323. The commitment remaining on the contracts at December 31, 2021 was \$6,290,682.

The City, through the Water Fund, has entered into contracts with construction contractors totaling \$37,413,039. The commitment remaining on the contracts at December 31, 2021 was \$3,268,540.

The City, through the Stormwater Fund, an other enterprise fund, has entered into contracts with construction contractors totaling \$13,673,270. The commitment remaining on the contracts at December 31, 2021 was \$6,030,019.

Guarantee

The City is guarantor of the outstanding revenue bonds of the Parking Authority. As of December 31, 2021, the outstanding bonds amounted to \$51,275,000. 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

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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 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, 2021.

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, 2021, there were bonds and notes issued and outstanding of \$273,832,097.

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

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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.

In 2015, the Parking Authority entered into a lease agreement with the Holiday Inn. The lease provides Holiday Inn with 134 guaranteed spaces for an annual rent of \$80,400. As of April 1, 2019, Holiday Inn 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 \$33,748,671 for development and construction of the Christian Street mixed-use parking garage. The commitments outstanding on the contracts were \$2,860,962 as of December 31, 2021.

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 had \$34,000 accrued as of December 31, 2021.

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

As of December 31, 2021, LanCity Connect Fund (other governmental fund) had a deficit in fund balance of \$3,143,318. 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 futures revenues derived from the City-owned fiber optic system.

As of December 31, 2021, Stormwater Fund (other enterprise fund) had a deficit in net position totaling \$2,306,374. 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, 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

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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 late 2021, the City undertook a refinancing/restructuring of several bond issues/notes with the net result of a \$5.3 million savings in the Sewer Fund. This savings is achieved primarily in 2021 (\$2.3 million) and 2022 (\$1.8 million), with smaller savings in subsequent years. This savings, along with the above noted rate increases and resolution of the bulk sewer disputes has resulted in significant improvement in the Sewer Fund financials. Subsequent rate increases will be necessary to ensure this trend continues.

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 increased 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 ultimately filed a PUC rate case in September 2021 and arrived at a settlement approved by the PUC for a 13.2% rate increase for outside City customers that will produce approximately \$2.5 million in new revenues on an annual basis. The City then increased inside City customer consumption rates in August 2022 by approximately 15% to produce approximately \$800,000 in new revenues annually. These water rate increases delayed by the COVID-19 pandemic were needed to offset a scheduled increase in Water Fund debt service payments of \$2.0 million between 2020 and 2021. The rate increase delay impacted the Water Fund due to higher debt service costs that were not offset by higher rates until nearly 18 months later.

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 2019). Subsequent refinancings in 2019 and 2021 saved an additional \$2.0 million in the Water

CITY OF LANCASTER, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2021

Fund. These savings and the above described water rate increases are anticipated to move the Water Fund into stronger financial position in subsequent years. Another PUC rate case is planned for early 2024 (the earliest allowed by the PUC) and an inside rate increase is likely before that.

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

Component Units

Redevelopment Authority

Following the process described in Note 3, subsequent to December 31, 2021, the Redevelopment Authority purchased the City's 2021 delinquent real estate taxes. The Redevelopment Authority drew down approximately \$833,000 on its line of credit (Note 7) to finance the purchase price of approximately \$757,000 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

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:								
Service cost	\$ 739,246	\$ 750,888	\$ 715,131	\$ 703,268	\$ 669,779	\$ 701,974	\$ 668,547	\$ 646,693
Interest	4,704,258	4,908,370	4,144,585	4,374,735	4,010,127	4,093,510	3,963,234	3,820,058
Changes for experience	316,316	-	(1,392,943)	-	(3,048,275)	-	(658,793)	-
Changes of assumptions	1,384,779	-	1,237,133	-	1,004,921	-	-	-
Benefit payments, including refunds	(4,220,092)	(3,902,896)	(3,603,314)	(3,591,266)	(3,726,084)	(4,162,059)	(3,517,597)	(3,163,900)
Net Changes in Total Pension Liability	2,924,507	1,756,362	1,100,592	1,486,737	(1,089,532)	633,425	455,391	1,302,851
Total Pension Liability - Beginning	56,420,163	54,663,801	53,563,209	52,076,472	53,166,004	52,532,579	52,077,188	50,774,337
Total Pension Liability - Ending (a)	\$ 59,344,670	\$ 56,420,163	\$ 54,663,801	\$ 53,563,209	\$ 52,076,472	\$ 53,166,004	\$ 52,532,579	\$ 52,077,188
Plan Fiduciary Net Position:								
Contributions - employer	\$ 2,200,532	\$ 2,047,022	\$ 1,983,633	\$ 2,315,107	\$ 2,257,853	\$ 2,153,346	\$ 2,059,043	\$ 1,623,658
Contributions - employees	280,540	298,005	286,474	284,272	274,034	288,150	290,678	293,263
Net investment income (loss)	7,604,078	4,569,781	7,848,496	(2,327,495)	4,556,627	2,547,826	531,376	3,312,384
Benefit payments, including refunds	(4,220,092)	(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)
Net Change in Plan Fiduciary Net Position	5,865,058	3,011,912	6,515,289	(3,346,013)	3,353,730	820,883	(669,201)	2,059,715
Plan Fiduciary Net Position - Beginning	48,730,022	45,718,110	39,202,821	42,548,834	39,195,104	38,374,221	39,043,422	36,983,707
Plan Fiduciary Net Position - Ending (b)	\$ 54,595,080	\$ 48,730,022	\$ 45,718,110	\$ 39,202,821	\$ 42,548,834	\$ 39,195,104	\$ 38,374,221	\$ 39,043,422
Net Pension Liability - Ending (a-b)	\$ 4,749,590	\$ 7,690,141	\$ 8,945,691	\$ 14,360,388	\$ 9,527,638	\$ 13,970,900	\$ 14,158,358	\$ 13,033,766
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	86.37%	83.64%	73.19%	81.70%	73.72%	73.05%	74.97%
Covered Payroll	\$ 5,830,372	\$ 5,074,808	\$ 5,412,936	\$ 4,947,462	\$ 4,822,392	\$ 4,832,626	\$ 4,521,715	\$ 4,122,312
Net Pension Liability as a Percentage of Covered Payroll	81.46%	151.54%	165.27%	290.26%	197.57%	289.10%	313.12%	316.18%

* 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

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:								
Service cost	\$ 1,942,930	\$ 1,823,572	\$ 1,736,735	\$ 1,782,287	\$ 1,697,416	\$ 1,811,305	\$ 1,725,052	\$ 1,755,477
Interest	8,442,909	8,093,024	7,795,539	7,437,735	7,156,987	6,673,575	6,375,804	6,117,633
Changes for experience	945,178	-	(887,895)	-	1,124,608	-	(613,024)	-
Changes of assumptions	3,031,610	-	1,846,367	-	1,556,000	-	-	-
Benefit payments, including refunds	(6,394,284)	(6,075,280)	(5,725,826)	(5,594,950)	(5,264,907)	(4,752,979)	(4,176,983)	(3,828,043)
Net Changes in Total Pension Liability	7,968,343	3,841,316	4,764,920	3,625,072	6,270,104	3,731,901	3,310,849	4,045,067
Total Pension Liability - Beginning	106,218,180	102,376,864	97,611,944	93,986,872	87,716,768	83,984,867	80,674,018	76,628,951
Total Pension Liability - Ending (a)	\$ 114,186,523	\$ 106,218,180	\$ 102,376,864	\$ 97,611,944	\$ 93,986,872	\$ 87,716,768	\$ 83,984,867	\$ 80,674,018
Plan Fiduciary Net Position:								
Contributions - employer	\$ 4,306,685	\$ 3,742,138	\$ 3,674,585	\$ 3,104,156	\$ 2,996,610	\$ 2,814,350	\$ 2,748,596	\$ 2,439,350
Contributions - employees	700,490	839,680	629,147	617,420	621,225	699,760	636,599	723,981
Net investment income (loss)	13,145,593	7,721,055	13,229,706	(3,800,159)	7,547,203	4,172,859	809,462	5,207,899
Benefit payments, including refunds	(6,394,284)	(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)
Net Change in Plan Fiduciary Net Position	11,758,484	6,227,593	11,807,612	(5,704,085)	5,895,961	2,907,890	6,330	4,538,647
Plan Fiduciary Net Position - Beginning	83,625,720	77,398,127	65,590,515	71,294,600	65,398,639	62,490,749	62,484,419	57,945,772
Plan Fiduciary Net Position - Ending (b)	\$ 95,384,204	\$ 83,625,720	\$ 77,398,127	\$ 65,590,515	\$ 71,294,600	\$ 65,398,639	\$ 62,490,749	\$ 62,484,419
Net Pension Liability - Ending (a-b)	\$ 18,802,319	\$ 22,592,460	\$ 24,978,737	\$ 32,021,429	\$ 22,692,272	\$ 22,318,129	\$ 21,494,118	\$ 18,189,599
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.53%	78.73%	75.60%	67.20%	75.86%	74.56%	74.41%	77.45%
Covered Payroll	\$ 12,556,248	\$ 12,887,593	\$ 12,230,601	\$ 11,716,931	\$ 11,562,299	\$ 10,995,284	\$ 10,972,837	\$ 10,707,385
Net Pension Liability as a Percentage of Covered Payroll	149.74%	175.30%	204.23%	273.29%	196.26%	202.98%	195.88%	169.88%

* 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

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:								
Service cost	\$ 810,897	\$ 731,328	\$ 699,835	\$ 645,808	\$ 617,998	\$ 569,268	\$ 542,160	\$ 533,032
Interest	1,569,911	1,549,312	1,466,665	1,342,427	1,270,257	1,168,991	1,096,819	1,048,689
Changes for experience	(435,205)	-	(242,686)	-	(208,366)	-	(184,304)	-
Changes of assumptions	289,584	-	884,539	-	372,079	-	-	-
Benefit payments, including refunds	(1,119,780)	(1,316,501)	(875,567)	(1,179,643)	(727,961)	(473,019)	(934,559)	(595,063)
Net Changes in Total Pension Liability	1,115,407	964,139	1,932,786	808,592	1,324,007	1,265,240	520,116	986,658
Total Pension Liability - Beginning	21,548,556	20,584,417	18,651,631	17,843,039	16,519,032	15,253,792	14,733,676	13,747,018
Total Pension Liability - Ending (a)	\$ 22,663,963	\$ 21,548,556	\$ 20,584,417	\$ 18,651,631	\$ 17,843,039	\$ 16,519,032	\$ 15,253,792	\$ 14,733,676
Plan Fiduciary Net Position:								
Contributions - employer	\$ 1,403,662	\$ 1,239,914	\$ 1,221,228	\$ 1,097,191	\$ 1,050,161	\$ 931,774	\$ 900,704	\$ 697,517
Net investment income (loss)	2,752,495	1,651,411	2,564,992	(585,458)	1,419,263	722,581	139,124	854,651
Benefit payments, including refunds	(1,119,780)	(1,316,501)	(875,567)	(1,179,643)	(727,961)	(473,019)	(934,559)	(595,063)
Administrative expenses	(46,343)	(33,450)	(5,872)	(36,559)	(28,655)	(26,770)	(27,730)	(24,140)
Net Change in Plan Fiduciary Net Position	2,990,034	1,541,374	2,904,781	(704,469)	1,712,808	1,154,566	77,539	932,965
Plan Fiduciary Net Position - Beginning	17,427,114	15,885,740	12,980,959	13,685,428	11,972,620	10,818,054	10,740,515	9,807,550
Plan Fiduciary Net Position - Ending (b)	\$ 20,417,148	\$ 17,427,114	\$ 15,885,740	\$ 12,980,959	\$ 13,685,428	\$ 11,972,620	\$ 10,818,054	\$ 10,740,515
Net Pension Liability - Ending (a-b)	\$ 2,246,815	\$ 4,121,442	\$ 4,698,677	\$ 5,670,672	\$ 4,157,611	\$ 4,546,412	\$ 4,435,738	\$ 3,993,161
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.09%	80.87%	77.17%	69.60%	76.70%	72.48%	70.92%	72.90%
Covered Payroll	\$ 17,692,934	\$ 17,850,119	\$ 17,186,114	\$ 16,675,240	\$ 16,203,075	\$ 15,105,036	\$ 14,312,665	\$ 13,618,505
Net Pension Liability as a Percentage of Covered Payroll	12.70%	23.09%	27.34%	34.01%	25.66%	30.10%	30.99%	29.32%

* 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

	2020*	2019*	2018*	2017*	2016*	2015*
Total Pension Liability:						
Service cost	\$ 166,423	\$ 156,403	\$ 97,605	\$ 69,238	\$ 64,414	\$ 34,602
Interest	85,763	81,652	75,453	72,523	71,493	70,961
Benefit payments, including refunds	(104,098)	(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
Net Changes in Total Pension Liability	148,088	72,872	66,037	86,402	19,787	(29,343)
Total Pension Liability - Beginning	1,539,426	1,466,554	1,400,517	1,314,115	1,294,328	1,323,671
Total Pension Liability - Ending (a)	\$ 1,687,514	\$ 1,539,426	\$ 1,466,554	\$ 1,400,517	\$ 1,314,115	\$ 1,294,328
Plan Fiduciary Net Position:						
Contributions - employer	\$ 64,525	\$ 31,163	\$ 19,000	\$ 20,875	\$ 5,112	\$ 7,687
Contributions - employees	95,042	81,810	47,920	31,547	24,532	16,561
Net investment income (loss)	281,068	(179,827)	247,783	143,577	(43,585)	104,945
Benefit payments, including refunds	(104,098)	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Administrative expenses	(4,055)	(4,354)	(4,314)	(4,590)	(3,948)	(3,843)
Net Change in Plan Fiduciary Net Position	332,482	(173,402)	203,368	67,433	(137,229)	(12,641)
Plan Fiduciary Net Position - Beginning	1,444,598	1,618,000	1,414,632	1,347,199	1,484,428	1,497,069
Plan Fiduciary Net Position - Ending (b)	\$ 1,777,080	\$ 1,444,598	\$ 1,618,000	\$ 1,414,632	\$ 1,347,199	\$ 1,484,428
Net Pension Liability (Asset) - Ending (a-b)	\$ (89,566)	\$ 94,828	\$ (151,446)	\$ (14,115)	\$ (33,084)	\$ (190,100)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.3%	93.8%	110.3%	101.0%	102.5%	114.7%
Covered Payroll	\$ 1,535,928	\$ 1,364,462	\$ 910,049	\$ 696,471	\$ 697,602	\$ 396,954
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-5.83%	6.95%	-16.64%	-2.03%	-4.74%	-47.89%

* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

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

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 2,200,532	\$ 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
Contributions in relation to the actuarially determined contribution	<u>2,200,532</u>	<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> (1)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 5,830,372</u>	<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	37.74%	40.34%	36.65%	46.79%	46.82%	44.56%	45.54%	39.39%		

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

Investment Returns	
Annual money-weighted rate of return, net of investment expense	16.04% 10.34% 20.54% -5.60% 12.22% 7.03% 1.30% 9.42%

* 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 CITY CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 4,306,685	\$ 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
Contributions in relation to the actuarially determined contribution	4,306,685	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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,556,248	\$ 12,887,593	\$ 12,230,601	\$ 11,716,931	\$ 11,562,299	\$ 10,995,284	\$ 10,972,837	\$ 10,707,385		
Contributions as a percentage of covered payroll	34.30%	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	16.09%	10.23%	20.60%	-5.47%	12.04%	7.10%	1.22%	9.29%		

* 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 CITY CONTRIBUTIONS AND INVESTMENT RETURNS - CASH BALANCE PENSION PLAN

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 1,403,662	\$ 1,239,914	\$ 1,221,228	\$ 1,097,191	\$ 1,050,161	\$ 931,774	\$ 900,704	\$ 697,516	\$ 658,895	\$ 516,512
Contributions in relation to the actuarially determined contribution	<u>1,403,662</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 17,692,934</u>	<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	7.93%	6.95%	7.11%	6.58%	6.48%	6.17%	6.29%	5.12%		
Investment Returns										
Annual money-weighted rate of return, net of investment expense	16.00%	11.11%	19.80%	-4.41%	12.15%	6.86%	1.23%	8.89%		

* 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 PARKING AUTHORITY CONTRIBUTIONS AND INVESTMENT RETURNS

	2020*	2019*	2018*	2017*	2016*	2015*	2014	2013	2012	2011
Actuarially determined contribution under Act 205	\$ 64,365	\$ 31,043	\$ 18,720	\$ 20,835	\$ 5,032	\$ 6,907	\$ 2,736	\$ 14,139	\$ 13,371	\$ 10,008
Contribution in relation to the actuarially determined contribution	64,525	31,163	19,000	20,875	5,112	7,687	2,736	14,139	13,371	10,008
Contribution deficiency (excess)	<u>\$ (160)</u>	<u>\$ (120)</u>	<u>\$ (280)</u>	<u>\$ (40)</u>	<u>\$ (80)</u>	<u>\$ (780)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,535,928</u>	<u>\$ 1,364,462</u>	<u>\$ 910,049</u>	<u>\$ 696,471</u>	<u>\$ 697,602</u>	<u>\$ 396,954</u>				
Contributions as a percentage of covered payroll	4.20%	2.28%	2.09%	3.00%	0.73%	1.94%				

* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Parking Authority is presenting information for those years only for which information is available.

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:

	FPP	PPP	CBPP
Actuarial valuation date	1/1/2019	1/1/2019	1/1/2019
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	6 years	10 years	12 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	PubS-2010	PubS-2010	PubG-2010

Changes in Actuarial Assumptions

In the January 1, 2019 FPP and PPP actuarial valuations, the mortality table was changed to the PubS-2010 from the IRS 2017 Static Combined Table for Small Plans and the remaining amortization period was updated from 5 years to 6 years and 11 to 10 years, respectively.

In the January 1, 2019 CBPP actuarial valuation, the mortality table was changed to the PubS-2010 from the IRS 2017 Static Combined Table for Small Plans and the remaining amortization period was updated from 13 to 12 years.

CITY OF LANCASTER, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

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.

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

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	1/1/2017
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	5.3%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	2.8%
Post-retirement cost-of-living adjustment increase	2.8%, subject to plan limitations
Pre-retirement mortality:	
Males: RP 2000 with Annuitant Male table projected 5 years with Scale AA	
Females: RP 2000 with Annuitant Female table projected 10 years with Scale	
Post-retirement mortality:	
Males: RP 2000 with Annuitant Male table projected 5 years with Scale AA	

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

	2021*	2020*	2019*	2018*	2017*
Total OPEB Liability:					
Service cost	\$ 7,040,694	\$ 5,764,796	\$ 4,597,057	\$ 6,922,393	\$ 6,592,755
Interest	3,286,026	4,726,538	4,327,650	4,886,806	4,638,834
Benefit payments	(4,219,772)	(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	(15,110,603)	30,867,120	18,790,344	(4,953,863)	-
Net Changes in Total OPEB Liability	(9,003,655)	19,897,721	23,981,624	(33,659,637)	7,636,782
Total OPEB Liability - Beginning	159,546,483	139,648,762	115,667,138	149,326,775	141,689,993
Total OPEB Liability - Ending (a)	<u>\$ 150,542,828</u>	<u>\$ 159,546,483</u>	<u>\$ 139,648,762</u>	<u>\$ 115,667,138</u>	<u>\$ 149,326,775</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 4,219,772	\$ 4,033,879	\$ 3,733,427	\$ 3,860,539	\$ 3,594,807
Net investment income	-	-	-	-	-
Benefit payments	(4,219,772)	(4,033,879)	(3,733,427)	(3,860,539)	(3,594,807)
Administrative expense	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 150,542,828</u>	<u>\$ 159,546,483</u>	<u>\$ 139,648,762</u>	<u>\$ 115,667,138</u>	<u>\$ 149,326,775</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	<u>0.00%</u>	<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

	2021*	2020*	2019*	2018*	2017*
Total OPEB Liability:					
Service cost	\$ 854,424	\$ 570,141	\$ 451,320	\$ 978,590	\$ 931,990
Interest	396,245	572,746	515,196	619,303	583,655
Benefit payments	(424,501)	(428,747)	(435,383)	(435,122)	(440,716)
Changes for experience	-	(2,580,399)	-	(4,747,005)	-
Changes of assumptions	(2,071,319)	4,035,969	2,625,999	(1,348,338)	-
Net Changes in Total OPEB Liability	(1,245,151)	2,169,710	3,157,132	(4,932,572)	1,074,929
Total OPEB Liability - Beginning	19,187,759	17,018,049	13,860,917	18,793,489	17,718,560
Total OPEB Liability - Ending (a)	\$ 17,942,608	\$ 19,187,759	\$ 17,018,049	\$ 13,860,917	\$ 18,793,489
Plan Fiduciary Net Position:					
Contributions - employer	\$ 895,612	\$ 890,990	\$ 1,447,582	\$ 1,340,156	\$ 1,354,601
Net investment income	761	17,982	115,919	79,521	23,346
Benefit payments	(424,501)	(428,747)	(435,383)	(435,122)	(440,716)
Administrative expense	(34,176)	(32,184)	(28,344)	(23,751)	(19,549)
Net Change in Plan Fiduciary Net Position	437,696	448,041	1,099,774	960,804	917,682
Plan Fiduciary Net Position - Beginning	7,428,141	6,980,100	5,880,326	4,919,522	4,001,840
Plan Fiduciary Net Position - Ending (b)	\$ 7,865,837	\$ 7,428,141	\$ 6,980,100	\$ 5,880,326	\$ 4,919,522
Net OPEB Liability - Ending (a-b)	\$ 10,076,771	\$ 11,759,618	\$ 10,037,949	\$ 7,980,591	\$ 13,873,967
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	43.84%	38.71%	41.02%	42.42%	26.18%

* 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

	2021*	2020*	2019*	2018*	2017*
Total OPEB Liability:					
Service cost	\$ 679,747	\$ 341,895	\$ 270,990	\$ 509,182	\$ 484,935
Interest	222,228	281,580	254,070	320,534	302,702
Benefit payments	(232,646)	(248,205)	(235,276)	(264,372)	(231,564)
Changes for experience	-	(237,103)	-	(2,974,945)	-
Changes of assumptions	(1,100,404)	2,094,264	1,237,236	(537,672)	-
Net Changes in Total OPEB Liability	(431,075)	2,232,431	1,527,020	(2,947,273)	556,073
Total OPEB Liability - Beginning	10,557,702	8,325,271	6,798,251	9,745,524	9,189,451
Total OPEB Liability - Ending (a)	\$ 10,126,627	\$ 10,557,702	\$ 8,325,271	\$ 6,798,251	\$ 9,745,524
Plan Fiduciary Net Position:					
Contributions - employer	\$ 309,562	\$ 302,968	\$ 345,761	\$ 365,769	\$ 335,755
Net investment income	81	1,872	11,987	8,124	2,340
Benefit payments	(232,646)	(248,205)	(235,276)	(264,372)	(231,564)
Administrative expense	(3,636)	(3,382)	(3,191)	(2,421)	(1,948)
Net Change in Plan Fiduciary Net Position	73,361	53,253	119,281	107,100	104,583
Plan Fiduciary Net Position - Beginning	778,293	725,040	605,759	498,659	394,076
Plan Fiduciary Net Position - Ending (b)	\$ 851,654	\$ 778,293	\$ 725,040	\$ 605,759	\$ 498,659
Net OPEB Liability - Ending (a-b)	\$ 9,274,973	\$ 9,779,409	\$ 7,600,231	\$ 6,192,492	\$ 9,246,865
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	8.41%	7.37%	8.71%	8.91%	5.12%

* 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:

Schedule of City Contributions	2021*	2020*	2019*	2018*	2017*
Actuarially determined contribution	\$ 4,219,772	\$ 4,033,879	\$ 3,733,427	\$ 3,860,539	\$ 3,594,807
Contributions in relation to the actuarially determined contribution	4,219,772	4,033,879	3,733,427	3,860,539	3,594,807
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Returns					
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A	N/A

OPEB WATER PLAN:

Schedule of City Contributions					
Actuarially determined contribution	\$ 895,612	\$ 890,990	\$ 1,447,582	\$ 1,340,156	\$ 1,354,601
Contributions in relation to the actuarially determined contribution	895,612	890,990	1,447,582	1,340,156	1,354,601
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Returns					
Annual money-weighted rate of return, net of investment expense	(-0.44%)	0.24%	1.81%	1.47%	0.52%

OPEB SEWER PLAN:

Schedule of City Contributions					
Actuarially determined contribution	\$ 309,562	\$ 302,968	\$ 345,761	\$ 365,769	\$ 335,755
Contributions in relation to the actuarially determined contribution	309,562	302,968	345,761	365,769	335,755
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Returns					
Annual money-weighted rate of return, net of investment expense	(-0.44%)	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

1. Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at December 31, 2021. 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	2.31%
Medical inflation	5.5% in 2021. 6.5% in 2022, decreasing 0.5% each year until 2024. rates gradually decrease from 5.5% in 2024-25 to 3.9% 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 was increased from 2.00% to 2.31% in the January 1, 2020 actuarial valuation as of December 31, 2021. In addition, the healthcare cost trend rates were also updated.

CITY OF LANCASTER

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS

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 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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:				
Real estate taxes, net of discount	\$ 30,300,000	\$ 30,300,000	\$ 30,814,168	\$ 514,168
Real estate transfer tax	1,300,000	1,300,000	1,916,420	616,420
Penalties, interest, and costs on delinquent real estate taxes	101,000	101,000	145,332	44,332
Earned income tax	6,500,000	6,500,000	7,117,825	617,825
Local services tax	1,550,000	1,550,000	1,565,610	15,610
Total taxes	39,751,000	39,751,000	41,559,355	1,808,355
Intergovernmental revenues:				
Grants	11,000	11,000	20,278	9,278
PA state reimbursement	25,000	25,000	106,383	81,383
Pension state aid	3,005,000	3,005,000	2,778,838	(226,162)
Public utility realty tax	35,000	35,000	38,678	3,678
Alcohol beverage tax	31,000	31,000	1,000	(30,000)
Total intergovernmental revenues	3,107,000	3,107,000	2,945,177	(161,823)
Licenses and permits	2,455,000	2,455,000	2,452,688	(2,312)
Fines and forfeitures	2,010,000	2,010,000	1,971,756	(38,244)
Rents and charges for services	1,003,500	1,003,500	1,399,896	396,396
Investment income	500	500	107,239	106,739
Miscellaneous	2,557,633	2,557,633	2,659,715	102,082
Other financing sources:				
Interfund reimbursements	4,181,052	4,181,052	3,912,087	(268,965)
Sale of general capital assets	510,000	510,000	578,985	68,985
Transfers in	4,000,000	4,000,000	8,084,667	4,084,667
Total other financing sources	8,691,052	8,691,052	12,575,739	3,884,687
Total revenues and other financing sources	\$ 59,575,685	\$ 59,575,685	\$ 65,671,565	\$ 6,095,880

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Executive department:				
Office of the Mayor	\$ 288,701	\$ 288,701	\$ 273,220	\$ 15,481
Office of Neighborhood Engagement	603,772	603,772	558,770	45,002
Office of the City Solicitor	308,700	308,700	282,051	26,649
	<u>1,201,173</u>	<u>1,201,173</u>	<u>1,114,041</u>	<u>87,132</u>
Legislative department:				
Office of the City Council	69,700	69,700	64,103	5,597
Office of the City Clerk	85,167	85,167	76,459	8,708
	<u>154,867</u>	<u>154,867</u>	<u>140,562</u>	<u>14,305</u>
Office of the City Treasurer/Controller	<u>17,000</u>	<u>17,000</u>	<u>17,349</u>	<u>(349)</u>
Administrative services:				
Bureau of Accounting	983,298	983,298	963,036	20,262
Bureau of Procurement and Collections	99,986	99,986	112,002	(12,016)
Bureau of Human Resources	492,759	492,759	494,535	(1,776)
Bureau of Information Services	744,415	744,415	824,602	(80,187)
Community Involvement	659,306	659,306	681,583	(22,277)
Insurance	647,900	647,900	592,777	55,123
Fringe benefits	3,060,000	3,060,000	3,453,559	(393,559)
	<u>6,687,664</u>	<u>6,687,664</u>	<u>7,122,094</u>	<u>(434,430)</u>
Public safety:				
Bureau of Police	26,643,612	26,643,612	26,873,576	(229,964)
Bureau of Fire	11,847,089	11,847,089	12,917,728	(1,070,639)
	<u>38,490,701</u>	<u>38,490,701</u>	<u>39,791,304</u>	<u>(1,300,603)</u>
Community planning and economic development:				
Office of the Director	1,656,862	1,656,862	1,538,717	118,145
Building Code Administration	513,407	513,407	490,985	22,422
Property Maintenance	1,394,848	1,394,848	1,213,044	181,804
Bureau of Planning	585,174	585,174	491,674	93,500
Bureau of Health	286,438	286,438	199,017	87,421
	<u>4,436,729</u>	<u>4,436,729</u>	<u>3,933,437</u>	<u>503,292</u>
Public works:				
Office of the Director	1,412,890	1,412,890	1,915,841	(502,951)
Bureau of Engineering	736,437	736,437	761,625	(25,188)
Bureau of Streets:				
Administration	243,710	243,710	237,019	6,691
Maintenance	640,580	640,580	406,061	234,519
Traffic	1,061,708	1,061,708	994,798	66,910
Motor Vehicles	314,987	314,987	312,687	2,300
Bureau of Parks:				
Administration	158,350	158,350	159,755	(1,405)
Buildings	1,307,297	1,307,297	1,456,951	(149,654)
Parks	934,117	934,117	806,175	127,942
Trees	219,810	219,810	178,610	41,200
Central Market building	130,735	130,735	116,725	14,010
	<u>7,160,621</u>	<u>7,160,621</u>	<u>7,346,247</u>	<u>(185,626)</u>
Other financing uses:				
Transfers out	6,412,303	6,412,303	4,838,748	1,573,555
Total expenditures and other financing uses	<u>\$ 64,561,058</u>	<u>\$ 64,561,058</u>	<u>\$ 64,303,782</u>	<u>\$ 257,276</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, 2021

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>
Office of the City Treasurer/Controller	\$ 17,000	\$ 17,349
Administrative services:		
Bureau of Procurement and Collections	99,986	112,002
Bureau of Human Resources	492,759	494,535
Bureau of Information Services	744,415	824,602
Community Involvement	659,306	681,583
Fringe Benefits	3,060,000	3,453,559
Public safety:		
Bureau of Police	26,643,612	26,873,576
Bureau of Fire	11,847,089	12,917,728
Public works:		
Office of the Director	1,412,890	1,915,841
Bureau of Engineering	736,437	761,625
Administration	158,350	159,755
Buildings	1,307,297	1,456,951

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, 2021

Direct Expenses and Costs:

City Bureau of Sewers (Administration - 880)	\$ 1,767,967
Collection system (881) *	1,692,518
Sewage pumping stations (882)	1,383,397
Sewage treatment plants (883)	4,706,609
Sewage grounds maintenance (884)	41,349
	<hr/>
	9,591,840
Allowance per contracts for indirect expenses and costs (\$9,591,840 x 5.0%)	<hr/>
	479,592
	<hr/>
	10,071,432
	<hr/>
Less reimbursements (as defined in agreements):	
Miscellaneous	694,357
Industrial waste surcharge	588,387
Management and operation service fee	161,577
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	1,444,321
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Net Cost of Operations of the City Sewer System	\$ 8,627,111

* Combined total for all municipalities

CITY OF LANCASTER, PENNSYLVANIA

SCHEDULE OF DIRECT EXPENSES AND COSTS

YEAR ENDED DECEMBER 31, 2021

City Bureau of Sewers (Administration - 880):

Salaries and wages	\$ 261,828
Consultant and contract services	72,441
Training	18,270
Uniforms	15,309
Telephone	36,312
Insurance package	196,622
Miscellaneous expense	116,662
Fringe benefits	1,050,523
	<hr/>
	1,767,967

Collection System (881) *:

Salaries and wages	999,489
Vehicle maintenance	83,219
Gasoline and oil	51,329
Miscellaneous expenses	558,481
	<hr/>
	1,692,518

Sewage Pumping Stations (882):

Salaries and wages	854,755
Equipment maintenance	89,176
Building maintenance	1,863
Fuel	13,288
Power	422,341
Miscellaneous expenses	1,974
	<hr/>
	1,383,397

Sewage Treatment Plants (883):

Salaries and wages	966,281
Chemicals and laboratory supplies	644,873
Equipment maintenance	303,533
Vehicle maintenance	13,845
Gasoline, oil, and fuel	63,208
Water utility expense	89,465
Power	696,920
Building maintenance	12,291
Sludge disposal	1,651,277
Miscellaneous expenses	264,916
	<hr/>
	4,706,609

Sewer Grounds Maintenance (884):

Salaries and wages	9,493
Operating equipment	27,102
Fringe benefits	4,754
	<hr/>
	41,349

Total Direct Expenses and Costs

\$ 9,591,840

* Combined total for all municipalities

CITY OF LANCASTER, PENNSYLVANIA

SCHEDULE OF COST OF TREATING EACH 1,000 GALLONS OF SEWAGE

YEAR ENDED DECEMBER 31, 2021

Net cost of operation of the City of Lancaster sewer system *	\$ 8,627,111
Number of units of 1,000 gallons of sewage treated per records of the City of Lancaster (unaudited)	<u>6,989,374</u>
Net Cost of Treating 1,000 Gallons of Sewage (unaudited) **	<u><u>\$ 1.2343</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.