

City of Lancaster, Pennsylvania

Financial Statements and Required
Supplementary Information

Year Ended December 31, 2023
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, 2023

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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, 2023, 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, 2023, 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 Lancaster Downtown Investment District Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority, which represent 11 percent, 25 percent, and 48 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 October 31, 2024 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
October 31, 2024



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, 2023 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 2023, the liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources by \$45.092 million. The City's net position increased by \$15.423 million (25.49 percent) during the fiscal year. The governmental activities net position increased by \$9.316 million (6.87 percent) and the business-type activities net position increased by \$6.107 million (8.14 percent).
- At the close of 2023, the City's governmental funds reported a combined ending fund balance of \$31.996 million, a decrease of \$4.325 million (-11.91 percent). Of this amount, approximately \$20.697 million is legally restricted and/or unavailable to spend, and \$11.009 million is committed and/or assigned for designated projects, resulting in a balance of \$0.289 million for the government's discretion (unassigned fund balance) spending.
- The City's total outstanding bonded debt decreased by \$8.513 million (-2.1 percent) during the current fiscal year to \$392.807 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, 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, 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, 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, 2023 by approximately \$45.092 million.

Statement of Net Position

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

	Governmental Activities		Business-Types Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	64,747	76,736	62,852	61,871	127,599	138,607
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	107,476	103,513	373,181	373,479	480,657	476,992
Deferred Charge on Refunding, Pension, and OPEB	38,948	50,003	10,294	12,236	49,242	62,239
Total Assets & Deferred Outflows of Resources	211,171	230,252	446,327	447,586	657,498	677,838
Current and Other Liabilities	23,134	30,442	9,307	7,488	32,441	37,930
Long-Term Liabilities	259,686	266,282	340,890	346,063	600,576	612,345
Deferred Inflows for Pensions and OPEB	54,602	69,096	14,971	18,984	69,573	88,080
Total Liabilities & Deferred Inflows of Resources	337,422	365,820	365,168	372,535	702,590	738,355
Net Position						
Invested in Capital Assets, Net of Related Debt	48,139	43,927	92,936	96,410	141,075	140,337
Restricted	5,317	2,709	1,736	2,510	7,053	5,219
Unrestricted	(179,707)	(182,203)	(13,514)	(23,869)	(193,221)	(206,072)
Total Net Positions	(126,251)	(135,567)	81,158	75,051	(45,092)	(60,516)

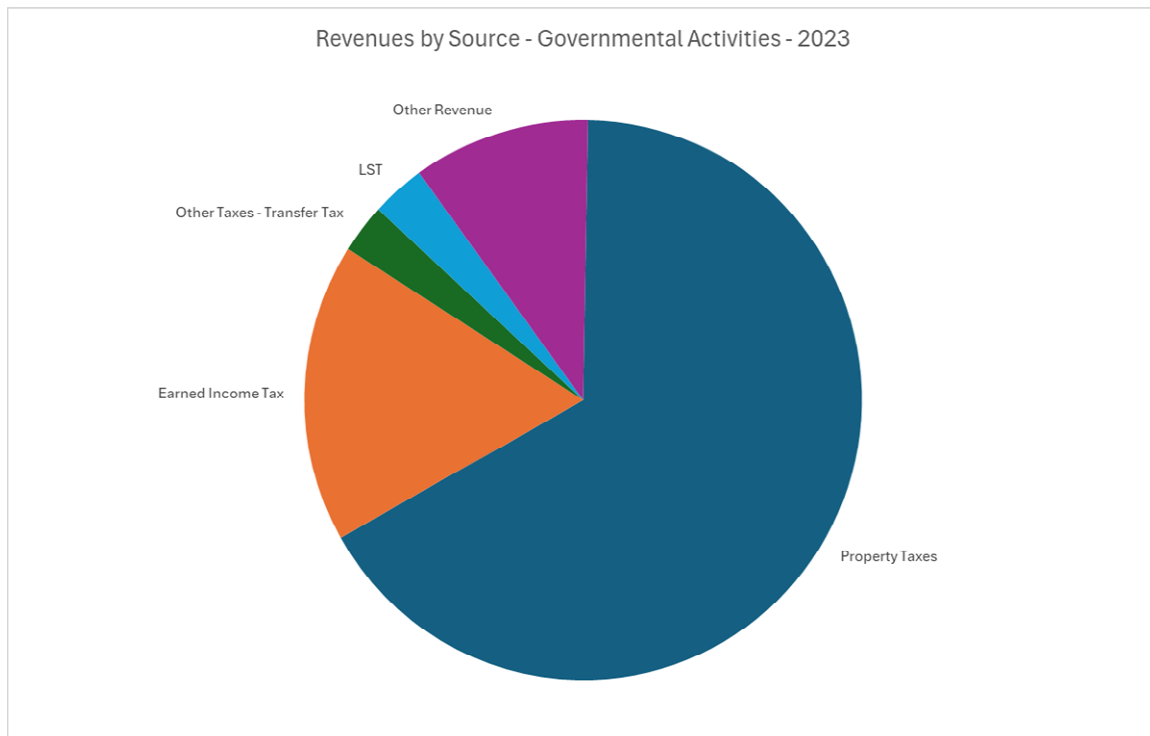
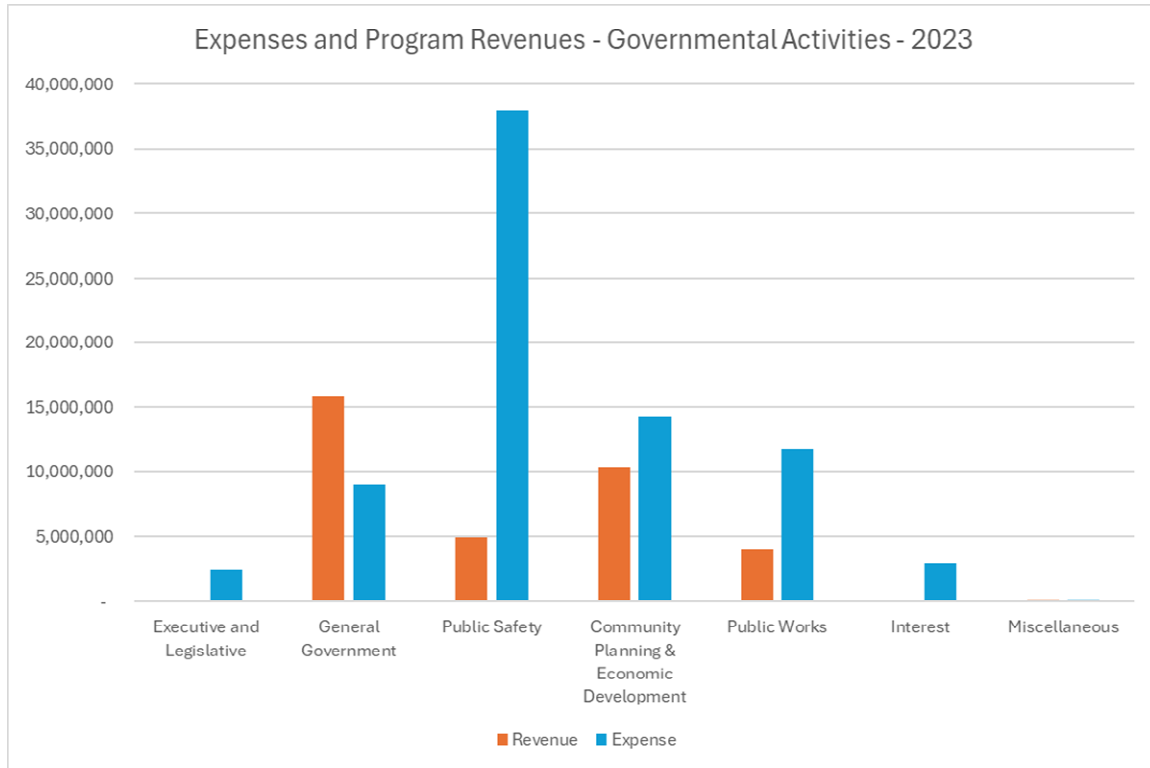
Table A-1 is a condensed version of the statement of net position for the City.

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

	Governmental Activities		Business-Types		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program Revenue						
Charges for services	10,590	9,858	67,042	61,216	77,632	71,074
Operating Capital Grants and Contributions	24,697	16,833	2,763	3,234	27,460	20,067
General Revenue	-	-	-	-	-	-
Property Taxes	33,652	30,620	-	-	33,652	30,620
Earned Income Tax	8,736	8,235	-	-	8,736	8,235
LST	1,578	1,578	-	-	1,578	1,578
Other Taxes	1,434	2,036	-	-	1,434	2,036
Miscellaneous	5,208	3,154	1,609	470	6,817	3,624
Intra-Entity Transfer	-	-	-	-	-	-
Total Revenue	85,895	72,314	71,414	64,920	157,309	137,234
Expenses						
Government Activities	-	-	-	-	-	-
Executives and Legislative	2,441	2,149	-	-	2,441	2,149
General Government	9,013	7,142	-	-	9,013	7,142
Public Safety	37,976	40,987	-	-	37,976	40,987
Community Planning & Economic Development	14,261	7,558	-	-	14,261	7,558
Public Works	11,781	12,506	-	-	11,781	12,506
Interest	2,954	2,869	-	-	2,954	2,869
Miscellaneous	153	87	-	-	153	87
Business-Types Activities			-		-	
Sewer		-	19,696	18,363	19,696	18,363
Water		-	31,566	29,340	31,566	29,340
Other		-	12,044	10,115	12,044	10,115
Total Expenses	78,579	73,298	63,306	57,818	141,885	131,116
Excess (Deficiency) Before Transfers	11,316	7,016	4,108	(899)	15,424	6,117
Transfers	(2,000)	(4,000)	2,000	4,000	-	-
Increase (decrease) in Net Positions	9,316	3,016	6,108	3,101	15,424	6,117
Net Position - Beginning of Year	(135,567)	(138,583)	75,051	71,950	(60,516)	(66,633)
Net Position- End of Year	<u>(126,251)</u>	<u>(135,567)</u>	<u>81,159</u>	<u>75,051</u>	<u>(45,092)</u>	<u>(60,516)</u>

The City's total net position increased by \$15.424 million in 2023.

Governmental Activities

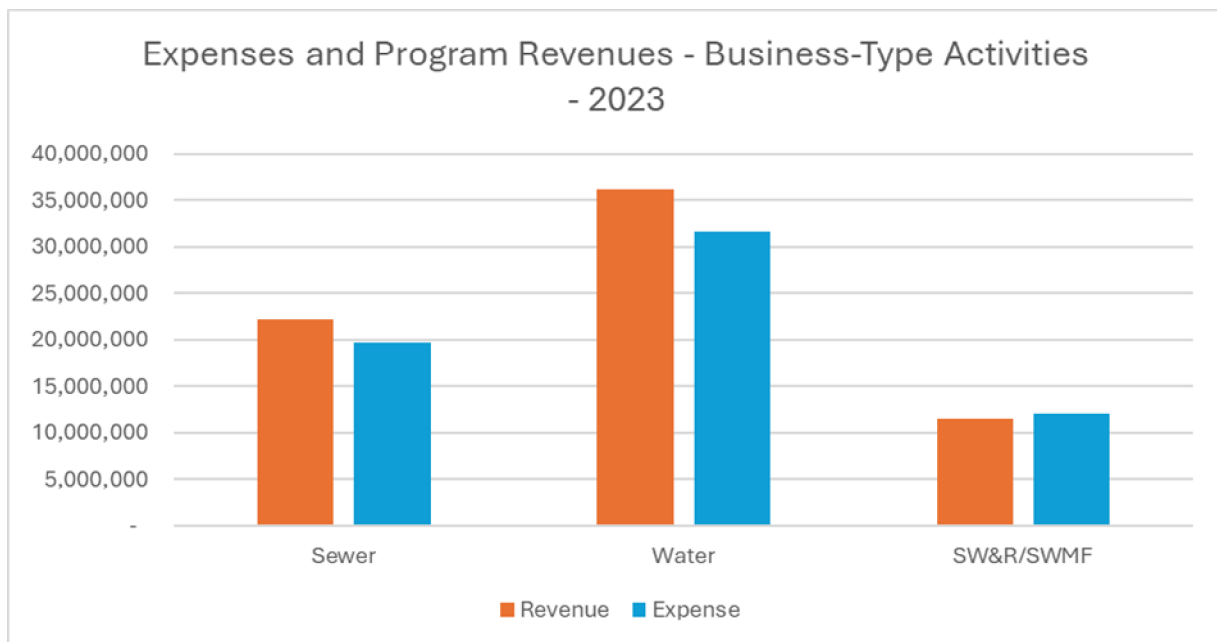


Governmental activities. Governmental activities increased the City’s net position by \$9.316 million. In 2023, total revenues for governmental activities were \$85.895 million, \$13.581 million or 18.78 percent higher than 2022. The revenue increased mostly from receiving more in grants and contributions by \$7.864 million compared to the prior year.

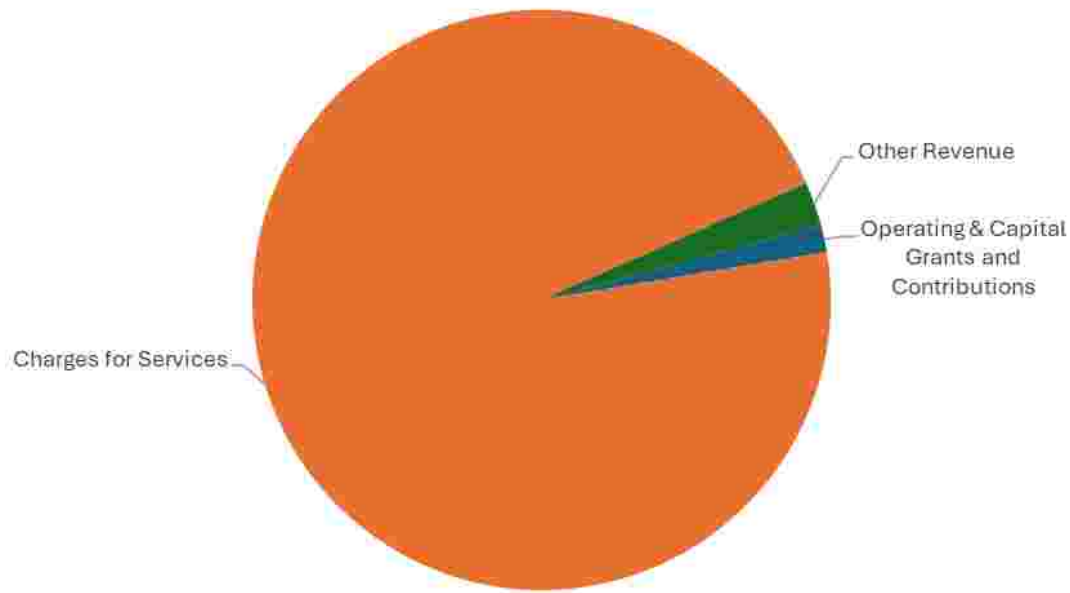
Total expenses for governmental activities, which were \$78.579 million, were \$5.281 million or 7.2% percent higher than 2022. There is a \$6.703 million increase for Community Planning & Economic Development due to an increase in grant fund (CDBG and HUD Lead) spending of \$7.163 million.

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 community planning and economic development, public works, 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



Revenues by Source - Business-Type Activities - 2023



Business-Type activities. Business-type activities increased the City's net position by \$6.108 million to \$81.159 million, an increase of 8.14 percent. Charges for services in the business-type activities increased \$5.826 million from the prior year. This increase was mainly from the water rate increases for inside City consumers of 17% effective January 2023 and outside City consumers of 7.00% effective June 2022.

Expenses for water, sewer, solid waste and recycling, and stormwater management operations increased by \$5.488 million, or 9.49 percent from 2022 due to an increase in construction activity in the water fund and general increase in expenses.

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 \$31.997 million. Approximately \$0.855 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 (\$.565 million), 2) restricted for particular purposes (\$20.697 million), 3) committed for particular purposes (\$.664 million), or 4) assigned for particular purposes (\$10.346 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 \$81,159 million. Net position of the Stormwater, and Solid Waste and Recycling Funds increased by \$.238 million. Net position of the Water increased by \$3.879 million and Sewer Funds increased by \$2.727 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 \$190.161 million. The City's employee pension plans and OPEB trusts represent 99.81 percent of that amount. During 2023, the net position of the Pension and OPEB Trust Funds increased by \$18.581 million to \$189,799 million. The change is primarily related to the increase in fair market value of investments compared to 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget contained \$71.865 million in appropriations, and \$69.869 million in estimated revenues, with \$1.996 million of required resources coming from the unassigned fund balance. Overall, revenues were higher than anticipated by \$.219 million. Key revenues that were over budget are as follows:

- Total tax revenues were \$.576 million over budget. The 2023 Budgets for Real Estate Transfer and Earned Income Taxes were based on 2022 actual revenue.
- Intergovernmental revenue was over \$.436 million due to receiving a larger pension state aid of \$3.583 million vs \$3.175 million budgeted for the year due to an unanticipated increase in the PA Pension State Aid unit value.

In total, General Fund expenditures in comparison to budget were under by \$1.843 million. This is from a decrease of spending from administration services \$.246 million, public safety \$.757 million; community planning and economic development \$.128 million; and public works \$.868 million.

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, 2023, amounts to \$480.658 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 7 to the financial statements.

During 2023, the City expended \$1.036 million ADA ramps and street improvements, \$1.839 on curb and sidewalk repairs, \$1.097 million on park improvements, \$.652 million on police equipment, and \$.597 million on green infrastructure construction.

During 2023, the business-type activities had the following additions:

- \$ 4.497 million sewer system additions
- \$ 3.810 million water system additions
- \$ 2.727 million stormwater system additions

Debt administration. At the end of 2023, the City had \$392.808 million outstanding bonded debt, compared to \$401.324 million in 2022. More detailed information about the City's long-term debt is presented in Note 11 to the financial statements.

ECONOMIC CONDITION AND OUTLOOK

Through 2023, 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 Earned Income Tax revenues continued to rebound strongly from a small (1.25%) decrease in 2020 due to the pandemic, with 2021 revenues ending 8.5% higher than in 2020, 2022 revenues ending 15.7% higher than 2021, and 2023 revenues ending 6.09% higher than 2022. Charges for services revenue were 7.43% higher than 2022 and operating & grant contributions were 46.72% higher than 2022.

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 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 \$14.3

million at the end of 2022 or just over 23% of the 2022 General Fund expenditures. This reserve has helped the City weather the fiscal impacts of the COVID-19 pandemic and will continue to serve as a buffer against the ongoing fiscal challenges facing the City. Additionally, the City has continued to see new commercial and residential development proposals that would add more than 1,200 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 717-291-4711).



BASIC
FINANCIAL
STATEMENTS

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2023

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Assets and Deferred Outflows of Resources					
Assets:					
Cash and cash equivalents	\$ 23,171,996	\$ 8,036,934	\$ 31,208,930	\$ 21,043,381	\$ 52,252,311
Cash and cash equivalents - restricted	15,295,921	41,952,884	57,248,805	3,729,144	60,977,949
Investments	591,712	-	591,712	5,603,979	6,195,691
Investments - restricted	4,798	-	4,798	6,568,676	6,573,474
Receivables (net of allowance for uncollectibles):					
Taxes	3,316,513	-	3,316,513	394,041	3,710,554
Accounts	1,020,978	12,713,553	13,734,531	3,287,988	17,022,519
Leases	3,131,686	2,907,490	6,039,176	7,488,626	13,527,802
Notes	4,714,503	-	4,714,503	2,214,853	6,929,356
Loan	-	-	-	243,550	243,550
Investment income	118,887	-	118,887	-	118,887
Other	-	283,561	283,561	52,496	336,057
Internal balances	4,318,832	(4,318,832)	-	-	-
Prepaid expenses	186,022	15,307	201,329	267,989	469,318
Lease rental receivable	-	-	-	23,740,560	23,740,560
Due from other governments	5,015,455	215,018	5,230,473	2,858,606	8,089,079
Due from component unit	1,027,849	-	1,027,849	-	1,027,849
Note receivable due from component unit	2,725,000	-	2,725,000	-	2,725,000
Funds held in escrow	-	-	-	315,000	315,000
Prepaid debt insurance	-	911,166	911,166	301,218	1,212,384
Properties held for resale	-	-	-	1,070,779	1,070,779
Capital assets, not being depreciated	15,030,421	26,912,993	41,943,414	7,895,956	49,839,370
Capital assets, being depreciated, net	92,445,938	346,268,580	438,714,518	127,712,306	566,426,824
Total Assets	172,116,511	435,898,654	608,015,165	214,789,148	822,804,313
Deferred Outflows of Resources:					
Deferred outflows of resources for pensions	9,724,400	765,128	10,489,528	350,847	10,840,375
Deferred outflows of resources for other post-employment benefits	28,624,998	5,643,174	34,268,172	-	34,268,172
Deferred charge on refunding	598,804	3,885,691	4,484,495	492,343	4,976,838
Total Deferred Outflows of Resources	38,948,202	10,293,993	49,242,195	843,190	50,085,385
Total Assets and Deferred Outflows of Resources	\$ 211,064,713	\$ 446,192,647	\$ 657,257,360	\$ 215,632,338	\$ 872,889,698
					(Continued)

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Primary Government			Component	
	Governmental Activities	Business-type Activities	Total	Units	Total
Liabilities:					
Accounts payable	\$ 5,596,224	\$ 5,587,112	\$ 11,183,336	\$ 337,333	\$ 11,520,669
Accrued salaries and benefits	740,620	386,167	1,126,787	109,059	1,235,846
Accrued expenses	538,752	2,008,342	2,547,094	1,350,101	3,897,195
Line of credit	-	-	-	442,328	442,328
Due to primary government	-	-	-	1,027,849	1,027,849
Unearned revenue	15,296,484	429,225	15,725,709	53,748	15,779,457
Other liabilities	299,291	761,366	1,060,657	-	1,060,657
Escrow - land development	556,232	-	556,232	-	556,232
Long-term liabilities:					
Portion due or payable within one year:					
Long-term obligations	1,196,663	908,557	2,105,220	-	2,105,220
Due to other governments	-	1,780,448	1,780,448	-	1,780,448
Note payable due to primary government	-	-	-	150,000	150,000
Subscription liability	-	-	-	53,566	53,566
Notes payable	840,000	2,083,245	2,923,245	-	2,923,245
Bonds payable	3,380,000	6,945,000	10,325,000	8,034,672	18,359,672
Portion due or payable after one year:					
Long-term obligations	3,619,092	1,640,467	5,259,559	-	5,259,559
Net pension liability	37,424,326	1,356,359	38,780,685	247,806	39,028,491
Net other post-employment benefits liability	131,809,613	16,016,661	147,826,274	-	147,826,274
Due to lessee	-	-	-	1,010,637	1,010,637
Subscription liability	-	-	-	161,383	161,383
Note payable due to primary government	-	-	-	2,575,000	2,575,000
Notes payable	7,075,000	47,929,505	55,004,505	-	55,004,505
Bonds payable, net	74,341,532	262,229,875	336,571,407	76,588,262	413,159,669
Total Liabilities	282,713,829	350,062,329	632,776,158	92,141,744	724,917,902
Deferred Inflows of Resources:					
Deferred inflows for leases	3,003,943	2,616,425	5,620,368	28,744,751	34,365,119
Deferred inflows of resources for pensions	3,684,721	800,239	4,484,960	10,449	4,495,409
Deferred inflows of resources for other post-employment benefits	47,913,495	11,554,686	59,468,181	-	59,468,181
Total Deferred Inflows of Resources	54,602,159	14,971,350	69,573,509	28,755,200	98,328,709
Net Position:					
Net investment in capital assets	48,139,535	92,936,174	141,075,709	57,073,481	198,149,190
Restricted for:					
Capital acquisition	-	1,736,587	1,736,587	-	1,736,587
Community planning and economic development	2,963,395	-	2,963,395	-	2,963,395
Public works	1,855,821	-	1,855,821	-	1,855,821
Parks and recreation	497,809	-	497,809	-	497,809
Human relations commission	250	-	250	-	250
Debt service	-	-	-	4,256,535	4,256,535
Unrestricted	(179,708,085)	(13,513,793)	(193,221,878)	33,405,378	(159,816,500)
Total Net Position	(126,251,275)	81,158,968	(45,092,307)	94,735,394	49,643,087
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 211,064,713	\$ 446,192,647	\$ 657,257,360	\$ 215,632,338	\$ 872,889,698

(Concluded)

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

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

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	\$ 2,273,390	\$ -	\$ -	\$ -
Legislative department	150,727	-	-	-
Office of the City Treasurer/Controller	17,000	-	-	-
General government	9,013,080	3,945,826	11,885,279	-
Public safety	37,977,583	3,129,826	767,258	1,085,427
Community planning and economic development	14,260,564	3,183,986	7,163,619	-
Public works	11,780,552	307,462	2,942,609	737,942
Miscellaneous	152,986	23,147	114,711	-
Interest	2,953,635	-	-	-
Total governmental activities	78,579,517	10,590,247	22,873,476	1,823,369
Business-type activities:				
Sewer	19,696,177	20,611,039	226,808	1,352,731
Water	31,565,507	35,307,486	426,423	343,981
Other enterprise funds	12,044,226	11,122,975	413,437	-
Total business-type activities	63,305,910	67,041,500	1,066,668	1,696,712
Total Primary Government	\$ 141,885,427	\$ 77,631,747	\$ 23,940,144	\$ 3,520,081
Component Units:				
Lancaster Industrial Development Authority	\$ 24,112	\$ 18,537	\$ -	\$ -
Lancaster Recreation Commission	4,277,066	3,131,808	999,651	-
The Parking Authority of the City of Lancaster	9,495,307	10,726,236	-	2,692,622
Redevelopment Authority of the City of Lancaster	5,364,113	102,671	4,214,055	-
Lancaster Downtown Investment District Authority	585,327	544,183	78,620	-
City of Lancaster Land Bank Authority	47,153	-	-	-
City of Lancaster City Revitalization and Improvement Zone Authority	7,081,675	16,975	13,006,197	-
Total Component Units	\$ 26,874,753	\$ 14,540,410	\$ 18,298,523	\$ 2,692,622
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				
Component Unit lease revenue				
Sale 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
\$ (2,273,390)	\$ -	\$ (2,273,390)	\$ -	\$ (2,273,390)
(150,727)	-	(150,727)	-	(150,727)
(17,000)	-	(17,000)	-	(17,000)
6,818,025	-	6,818,025	-	6,818,025
(32,995,072)	-	(32,995,072)	-	(32,995,072)
(3,912,959)	-	(3,912,959)	-	(3,912,959)
(7,792,539)	-	(7,792,539)	-	(7,792,539)
(15,128)	-	(15,128)	-	(15,128)
(2,953,635)	-	(2,953,635)	-	(2,953,635)
(43,292,425)	-	(43,292,425)	-	(43,292,425)
-	2,494,401	2,494,401	-	2,494,401
-	4,512,383	4,512,383	-	4,512,383
-	(507,814)	(507,814)	-	(507,814)
-	6,498,970	6,498,970	-	6,498,970
(43,292,425)	6,498,970	(36,793,455)	-	(36,793,455)
-	-	-	(5,575)	(5,575)
-	-	-	(145,607)	(145,607)
-	-	-	3,923,551	3,923,551
-	-	-	(1,047,387)	(1,047,387)
-	-	-	37,476	37,476
-	-	-	(47,153)	(47,153)
-	-	-	5,941,497	5,941,497
-	-	-	8,656,802	8,656,802
33,652,636	-	33,652,636	-	33,652,636
1,433,945	-	1,433,945	-	1,433,945
8,735,820	-	8,735,820	-	8,735,820
1,577,602	-	1,577,602	-	1,577,602
3,583,072	-	3,583,072	-	3,583,072
1,411,003	1,608,848	3,019,851	928,957	3,948,808
-	-	-	6,135,619	6,135,619
214,141	-	214,141	-	214,141
2,000,000	(2,000,000)	-	-	-
52,608,219	(391,152)	52,217,067	7,064,576	59,281,643
9,315,794	6,107,818	15,423,612	15,721,378	31,144,990
(135,567,069)	75,051,150	(60,515,919)	79,014,016	18,498,097
\$ (126,251,275)	\$ 81,158,968	\$ (45,092,307)	\$ 94,735,394	\$ 49,643,087

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

CITY OF LANCASTER, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	General Fund	Debt Service Fund	ARPA	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,505,844	\$ -	\$ 14,493,695	\$ 3,172,457	\$ 23,171,996
Cash and cash equivalents - restricted	100,000	-	-	15,195,921	15,295,921
Investments	-	-	-	591,712	591,712
Investments - restricted	4,798	-	-	-	4,798
Receivables (net of allowance for uncollectibles):					
Taxes	3,316,513	-	-	-	3,316,513
Accounts	592,733	-	-	184,202	776,935
Leases	497,015	-	-	2,634,671	3,131,686
Investment income	-	-	-	118,887	118,887
Due from other funds	6,017,533	-	-	-	6,017,533
Due from other governments	386,232	-	-	4,629,223	5,015,455
Due from component units	1,027,849	-	-	-	1,027,849
Prepaid expenditures	186,022	-	-	-	186,022
Total Assets	\$ 17,634,539	\$ -	\$ 14,493,695	\$ 26,527,073	\$ 58,655,307
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,061,007	\$ -	\$ -	\$ 2,580,706	\$ 3,641,713
Due to other funds	1,500,000	-	-	-	1,500,000
Accrued salaries and benefits	740,620	-	-	-	740,620
Unearned revenue	24,421	-	14,289,256	982,807	15,296,484
Other liabilities	299,291	-	-	-	299,291
Escrow - land development	556,232	-	-	-	556,232
Workers' compensation liability	145,308	-	-	-	145,308
Total Liabilities	4,326,879	-	14,289,256	3,563,513	22,179,648
Deferred Inflows of Resources:					
Leases	445,458	-	-	2,558,485	3,003,943
Unavailable revenue - taxes	881,170	-	-	-	881,170
Unavailable revenue - fines, forfeitures, and other	593,936	-	-	-	593,936
Total Deferred Inflows of Resources	1,920,564	-	-	2,558,485	4,479,049
Fund Balance:					
Nonspendable:					
Prepaid expenditures	186,022	-	-	-	186,022
Restricted for:					
Capital acquisition	-	-	204,439	14,989,352	15,193,791
Community planning and economic development	-	-	-	2,963,395	2,963,395
Public works	-	-	-	1,855,821	1,855,821
Parks and recreation	-	-	-	497,809	497,809
Human relations commission	-	-	-	250	250
Committed for:					
Economic and community development	-	-	-	663,786	663,786
Assigned for:					
2024 budget	2,296,015	-	-	-	2,296,015
Medical insurance claims	2,300,000	-	-	-	2,300,000
Debt service	5,000,000	-	-	-	5,000,000
Excess workers' compensation expenditures	750,000	-	-	-	750,000
Unassigned	855,059	-	-	(565,338)	289,721
Total Fund Balance	11,387,096	-	204,439	20,405,075	31,996,610
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 17,634,539	\$ -	\$ 14,493,695	\$ 26,527,073	\$ 58,655,307

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, 2023

Total Fund Balance - Governmental Funds	\$	31,996,610
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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.		107,476,359
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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.		1,475,106
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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.		7,439,503
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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.		598,804
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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	\$ (77,721,532)	
General obligation notes	(7,915,000)	
Accrued interest on general obligation bonds and notes	(538,752)	
Leases	(2,312,679)	
Compensated absences payable	(1,968,974)	
Workers' compensation liability	(388,794)	
Net pension liability, net of related deferred outflows and inflows of resources	(31,384,647)	
Net other post-employment benefits liability, net of related deferred outflows and inflows of resources	<u>(151,098,110)</u>	(273,328,488)

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	(3,154,014)	
Adjustment related to proprietary funds	<u>1,244,845</u>	<u>(1,909,169)</u>

Total Net Position - Governmental Activities	\$	<u><u>(126,251,275)</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, 2023

	General Fund	Debt Service Fund	ARPA	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 45,411,628	\$ -	\$ -	\$ -	\$ 45,411,628
Intergovernmental revenues	3,766,134	-	9,750,000	11,503,144	25,019,278
Licenses and permits	3,128,114	-	-	-	3,128,114
Fines and forfeitures	1,658,168	-	-	-	1,658,168
Rents and charges for services	1,400,140	-	-	378,566	1,778,706
Program income	-	-	-	827,355	827,355
Investment income (loss)	27,857	-	178,302	1,204,844	1,411,003
Miscellaneous	2,437,510	-	-	27,895	2,465,405
Total revenues	57,829,551	-	9,928,302	13,941,804	81,699,657
Expenditures:					
Executive department	1,904,760	-	-	368,630	2,273,390
Legislative department	150,727	-	-	-	150,727
Office of the City Treasurer/ Controller	17,000	-	-	-	17,000
General government	8,480,773	-	-	984,994	9,465,767
Public safety	40,467,093	-	-	1,505,263	41,972,356
Community planning and economic development	4,661,532	-	3,750,000	5,870,514	14,282,046
Public works	7,067,943	-	-	3,731,516	10,799,459
Miscellaneous	-	-	-	152,986	152,986
Capital outlay	-	-	-	5,141,504	5,141,504
Debt service:					
Principal	531,543	4,005,000	-	105,143	4,641,686
Interest	100,101	3,365,678	-	14,927	3,480,706
Total expenditures	63,381,472	7,370,678	3,750,000	17,875,477	92,377,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,551,921)	(7,370,678)	6,178,302	(3,933,673)	(10,677,970)
Other Financing Sources (Uses):					
Interfund reimbursements	3,993,138	-	-	-	3,993,138
Financed purchase leases issued	-	-	-	93,900	93,900
Sale of general capital assets	265,808	-	-	-	265,808
Transfers in	8,000,000	7,370,678	-	650,000	16,020,678
Transfers out	(6,640,308)	-	(6,000,000)	(1,380,370)	(14,020,678)
Total other financing sources (uses)	5,618,638	7,370,678	(6,000,000)	(636,470)	6,352,846
Net Change in Fund Balance	66,717	-	178,302	(4,570,143)	(4,325,124)
Fund Balance:					
Beginning of year	11,320,379	-	26,137	24,975,218	36,321,734
End of year	\$ 11,387,096	\$ -	\$ 204,439	\$ 20,405,075	\$ 31,996,610

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, 2023

Net Change in Fund Balance - Governmental Funds \$ (4,325,124)

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	\$ (5,322,637)	
Loss on capital asset disposal	(2,671)	
Capital outlay	9,288,344	3,963,036

Bond, note, and 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	4,641,686	
Issuance of leases	(93,900)	4,547,786

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	(143,292)	
Change in workers' compensation liability	13,789	
Change in net pension liability, net of related deferred outflows and inflows of resources	2,688,551	
Change in net OPEB liability, net of related deferred outflows and inflows of resources	3,425,811	
Change in accrued interest on debt	10,189	
Amortization of debt premium	663,129	
Amortization of deferred charge on refunding	(146,247)	6,511,930

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	325,000	
Intra-entity loan payment received	(150,000)	
Principal payments received	(1,083,854)	
Change in allowance	314,212	(594,642)

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	(11,625)	
Change in unavailable fines, forfeitures, and other revenue	127,998	116,373

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	(1,163,425)	
Adjustment related to proprietary funds	259,860	(903,565)

Change in Net Position - Governmental Activities \$ 9,315,794

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

CITY OF LANCASTER, PENNSYLVANIA

BALANCE SHEET PROPRIETARY FUNDS

DECEMBER 31, 2023

	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	\$ 6,543,964	\$ 300	\$ 1,492,670	\$ 8,036,934	\$ -
Cash and cash equivalents - restricted	13,150,254	19,375,050	9,427,580	41,952,884	-
Receivables (net of allowance for uncollectibles):					
Accounts	5,245,006	4,646,965	2,821,582	12,713,553	244,043
Leases	9,027	54,249	-	63,276	-
Other	237,131	2,595	43,835	283,561	-
Due from other funds	-	1,500,000	-	1,500,000	-
Due from other governments	-	154,934	-	154,934	-
Prepaid expenses	3,997	8,582	2,728	15,307	-
Total current assets	25,189,379	25,742,675	13,788,395	64,720,449	244,043
Long-term assets:					
Due from other governments	60,084	-	-	60,084	-
Leases	1,121,838	1,722,376	-	2,844,214	-
Prepaid debt insurance	63,066	848,100	-	911,166	-
Capital assets, not being depreciated	7,713,345	17,743,975	1,455,673	26,912,993	-
Capital assets, being depreciated, net	116,917,349	214,026,987	15,324,244	346,268,580	-
Total long-term assets	125,875,682	234,341,438	16,779,917	376,997,037	-
Total Assets	151,065,061	260,084,113	30,568,312	441,717,486	244,043
Deferred Outflows of Resources:					
Deferred outflows of resources for pension	264,990	393,641	106,497	765,128	-
Deferred outflows of resources for other post-employment benefits	1,435,225	3,031,263	1,176,686	5,643,174	-
Deferred charge on refunding	90,040	3,795,651	-	3,885,691	-
Total Deferred Outflows of Resources	1,790,255	7,220,555	1,283,183	10,293,993	-
Total Assets and Deferred Outflows of Resources	\$ 152,855,316	\$ 267,304,668	\$ 31,851,495	\$ 452,011,479	\$ 244,043

(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	\$ 1,808,545	\$ 2,338,335	\$ 1,440,232	\$ 5,587,112	\$ -
Claims payable	-	-	-	-	1,954,511
Accrued salaries and benefits	119,698	170,508	95,961	386,167	-
Accrued expenses	344,138	1,585,162	79,042	2,008,342	-
Other liabilities	-	-	761,366	761,366	-
Due to other funds	2,265,000	2,228,987	80,000	4,573,987	1,443,546
Due to other governments	1,780,448	-	-	1,780,448	-
Unearned revenue	178,060	-	251,165	429,225	-
Compensated absences, current portion	48,859	45,988	7,080	101,927	-
Financed purchase lease, current portion	367,317	247,345	191,968	806,630	-
Notes payable, current portion	838,639	1,022,350	222,256	2,083,245	-
Bonds payable, current portion	2,465,000	4,040,000	440,000	6,945,000	-
Total current liabilities	10,215,704	11,678,675	3,569,070	25,463,449	3,398,057
Long-term liabilities:					
Compensated absences	163,481	153,874	42,028	359,383	-
Workers' compensation liability	-	2,845	-	2,845	-
Net pension liability	463,815	797,049	95,495	1,356,359	-
Net other post-employment benefits liability	7,294,834	4,766,729	3,955,098	16,016,661	-
Financed purchase lease payable	400,309	327,053	550,877	1,278,239	-
Notes payable	34,030,234	10,940,196	2,959,075	47,929,505	-
Bonds payable	28,056,285	213,187,103	20,986,487	262,229,875	-
Total long-term liabilities	70,408,958	230,174,849	28,589,060	329,172,867	-
Total Liabilities	80,624,662	241,853,524	32,158,130	354,636,316	3,398,057
Deferred Inflows of Resources:					
Deferred inflows of resources for leases	979,695	1,636,730	-	2,616,425	-
Deferred inflows of resources for pension	264,514	396,557	139,168	800,239	-
Deferred inflows of resources for other post-employment benefits	3,379,870	7,058,931	1,115,885	11,554,686	-
Total Deferred Inflows of Resources	4,624,079	9,092,218	1,255,053	14,971,350	-
Net Position:					
Net investment in capital assets	67,963,919	24,760,167	212,088	92,936,174	-
Restricted	1,736,587	-	-	1,736,587	-
Unrestricted	(2,093,931)	(8,401,241)	(1,773,776)	(12,268,948)	(3,154,014)
Total Net Position	67,606,575	16,358,926	(1,561,688)	82,403,813	(3,154,014)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 152,855,316	\$ 267,304,668	\$ 31,851,495	\$ 452,011,479	\$ 244,043
Total net position of enterprise funds				\$ 82,403,813	
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.				(1,244,845)	
Net position of business-type activities				<u>\$ 81,158,968</u>	

(Concluded)

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

CITY OF LANCASTER, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2023

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
Operating Revenues:					
Charges for services	\$ 20,336,132	\$ 35,067,242	\$ 11,035,141	\$ 66,438,515	\$ 15,577,383
Miscellaneous	274,907	240,244	87,834	602,985	-
Total operating revenues	20,611,039	35,307,486	11,122,975	67,041,500	15,577,383
Operating Expenses:					
Sewage pumping stations	1,337,508	-	-	1,337,508	-
Susquehanna treatment plant	-	3,131,045	-	3,131,045	-
Conestoga treatment plant	-	2,534,504	-	2,534,504	-
Collection system	1,739,876	-	1,011,526	2,751,402	-
Hauling and tipping	-	-	4,906,487	4,906,487	-
Transmission and distribution	-	2,268,428	-	2,268,428	-
Meters and meter labor	-	597,296	-	597,296	-
Laboratory	-	453,481	-	453,481	-
Sewage treatment plant	5,985,835	-	-	5,985,835	-
Administration	3,700,677	5,896,441	2,964,880	12,561,998	-
Grounds maintenance	43,202	319,858	975,632	1,338,692	-
Street cleaning	-	-	693,530	693,530	-
Wastewater and green initiatives	-	-	-	-	-
Health insurance claims	-	-	-	-	15,979,505
Insurance premiums	-	-	-	-	761,303
Special events	-	-	206,984	206,984	-
Depreciation expense	4,864,444	7,244,052	446,447	12,554,943	-
Total operating expenses	17,671,542	22,445,105	11,205,486	51,322,133	16,740,808
Operating Income (Loss)	2,939,497	12,862,381	(82,511)	15,719,367	(1,163,425)
Nonoperating Revenues (Expenses):					
State pension contribution	226,808	426,423	105,046	758,277	-
Investment income	91,733	1,167,788	349,327	1,608,848	-
Intergovernmental revenue	-	-	308,391	308,391	-
Loss on capital asset disposal	-	-	(26,952)	(26,952)	-
Amortization expense	(3,206)	(54,421)	-	(57,627)	-
Interest expense	(1,807,900)	(8,867,058)	(964,380)	(11,639,338)	-
Total nonoperating revenues (expenses)	(1,492,565)	(7,327,268)	(228,568)	(9,048,401)	-
Income (loss) before transfers and capital contributions	1,446,932	5,535,113	(311,079)	6,670,966	(1,163,425)
Transfers in (out)	(72,913)	(2,000,000)	72,913	(2,000,000)	-
Capital contributions	1,352,731	343,981	-	1,696,712	-
Change in Net Position	2,726,750	3,879,094	(238,166)	6,367,678	(1,163,425)
Net Position:					
Beginning of year	64,879,825	12,479,832	(1,323,522)		(1,990,589)
End of year	\$ 67,606,575	\$ 16,358,926	\$ (1,561,688)		\$ (3,154,014)
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds				(259,860)	
Changes in net position of business-type activities				\$ 6,107,818	

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, 2023

	Enterprise Funds				Internal Service Fund
	Sewer Fund	Water Fund	Other Enterprise Funds	Total	
Cash Flows From Operating Activities:					
Cash received from users	\$ 20,175,081	\$ 37,550,487	\$ 11,075,980	\$ 68,801,548	\$ 15,333,340
Cash paid to suppliers	(8,969,084)	(10,937,534)	(8,270,881)	(28,177,499)	(16,045,810)
Cash paid to employees	(3,669,428)	(5,589,700)	(2,010,931)	(11,270,059)	-
Net cash provided by (used in) operating activities	7,536,569	21,023,253	794,168	29,353,990	(712,470)
Cash Flows From Investing Activities:					
Investment income received	91,733	1,167,788	349,327	1,608,848	-
Net cash provided by (used in) investing activities	91,733	1,167,788	349,327	1,608,848	-
Cash Flows From Capital and Related Financing Activities:					
Principal payments on financed purchase leases	(376,029)	(285,412)	(240,420)	(901,861)	-
Principal payments on notes payable	(831,505)	(996,427)	(358,320)	(2,186,252)	-
Principal payments on bonds payable	(2,340,000)	(3,890,000)	(205,000)	(6,435,000)	-
Proceeds from notes payable	1,329,977	1,909,666	874,088	4,113,731	-
Interest paid	(2,078,100)	(8,919,312)	(1,004,166)	(12,001,578)	-
Acquisition of capital assets	(4,096,296)	(4,571,704)	(2,171,875)	(10,839,875)	-
Net change in escrow deposits	584,285	-	496,106	1,080,391	-
Net cash provided by (used in) capital and related financing activities	(7,807,668)	(16,753,189)	(2,609,587)	(27,170,444)	-
Cash Flows From Noncapital Financing Activities:					
Transfer in (out)	(72,913)	(2,000,000)	72,913	(2,000,000)	-
Due to (from) other funds	3,601,504	(7,964,749)	(755,846)	(5,119,091)	712,470
State pension contribution	226,808	426,423	105,046	758,277	-
Intergovernmental revenue	-	-	308,391	308,391	-
Net cash provided by (used in) noncapital financing activities	3,755,399	(9,538,326)	(269,496)	(6,052,423)	712,470
Net Increase (Decrease) in Cash and Cash Equivalents	3,576,033	(4,100,474)	(1,735,588)	(2,260,029)	-
Cash and Cash Equivalents:					
Beginning of year	16,118,185	23,475,824	12,655,838	52,249,847	-
End of year	\$ 19,694,218	\$ 19,375,350	\$ 10,920,250	\$ 49,989,818	\$ -

(Continued)

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2023
(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)	\$ 2,939,497	\$ 12,862,381	\$ (82,511)	\$ 15,719,367	\$ (1,163,425)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	4,864,444	7,244,052	446,447	12,554,943	-
(Increase) decrease in assets and deferred outflows of resources:					
Receivables	(457,967)	2,243,001	(199,013)	1,586,021	(244,043)
Due from other governments	22,009	-	-	22,009	-
Deferred outflows of resources for pension	125,446	187,489	65,876	378,811	-
Deferred outflows of resources for other post-employment benefits	202,481	677,864	217,221	1,097,566	-
Prepaid expenses	2,082	31,594	(1,837)	31,839	-
Increase (decrease) in liabilities and deferred inflows of resources:					
Accounts payable	452,793	63,720	157,957	674,470	-
Claims payable	-	-	-	-	694,998
Accrued expenses	39,361	46,298	56,902	142,561	-
Unearned revenue	-	-	152,018	152,018	-
Compensated absences	31,485	51,644	11,836	94,965	-
Workers' compensation liability	-	(2,421)	(445)	(2,866)	-
Net pension liability	(359,781)	(537,724)	(188,936)	(1,086,441)	-
Net other post-employment benefits liability	819,467	648,707	405,279	1,873,453	-
Deferred inflows of resources for pension	140,427	209,881	73,744	424,052	-
Deferred inflows of resources for other post-employment benefits	(1,285,175)	(2,703,233)	(320,370)	(4,308,778)	-
Total adjustments	4,597,072	8,160,872	876,679	13,634,623	450,955
Net cash provided by (used in) operating activities	\$ 7,536,569	\$ 21,023,253	\$ 794,168	\$ 29,353,990	\$ (712,470)
Noncash Capital Financing Activities:					
Issuance of financed purchase lease	\$ 219,500	\$ 164,875	\$ 698,868	\$ 1,083,243	\$ -
Developers' contribution	\$ -	\$ 343,981	\$ -	\$ 343,981	\$ -

(Concluded)

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

CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2023

	Pension and OPEB Trust Funds	Private- Purpose Trust Funds	Custodial Fund
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 4,193
Investments	189,358,314	361,805	-
Receivables:			
Accounts	-	-	47,593
Investment income	548,810	-	-
Total Assets	<u>189,907,124</u>	<u>361,805</u>	<u>51,786</u>
Liabilities			
Benefits payable	108,264	-	4,252
Other liabilities	-	-	47,534
Total Liabilities	<u>108,264</u>	<u>-</u>	<u>\$ 51,786</u>
Net Position			
Restricted for pension and OPEB benefits and other purposes	<u>\$ 189,798,860</u>	<u>\$ 361,805</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, 2023

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Fund
Additions:			
Contributions:			
Employees	\$ 2,584,438	\$ -	\$ -
Employer	9,603,548	-	-
Total contributions	12,187,986	-	-
Taxes collected on behalf of the Lancaster Downtown Investment District	-	-	530,530
Investment income:			
Net appreciation (depreciation) in fair value of investments	15,700,959	39,577	-
Interest and dividends	5,479,152	-	-
Total investment income	21,180,111	39,577	-
Less: investment expenses	(811,269)	-	-
Net investment income (loss)	20,368,842	39,577	-
Total additions	32,556,828	39,577	530,530
Deductions:			
Benefits	13,934,384	6,212	-
Administrative expenses	41,849	-	-
Taxes remitted to the Lancaster Downtown Investment District	-	-	530,530
Total deductions	13,976,233	6,212	530,530
Change in Net Position	18,580,595	33,365	-
Net Position:			
Beginning of year	171,218,265	328,440	-
End of year	<u>\$189,798,860</u>	<u>\$ 361,805</u>	<u>\$ -</u>

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

CITY OF LANCASTER, PENNSYLVANIA

BALANCE SHEET COMPONENT UNITS

DECEMBER 31, 2023

	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	\$ 104,531	\$ 1,357,294	\$ 3,839,102	\$ 182,143	\$ 424,665	\$ 68,264	\$ 15,067,382	\$ 21,043,381
Cash and cash equivalents - restricted	-	-	-	3,729,144	-	-	-	3,729,144
Investments	261,245	-	707,847	-	-	458,087	4,176,800	5,603,979
Investments - restricted	-	-	6,568,676	-	-	-	-	6,568,676
Receivables (net of allowance for uncollectibles)								
Taxes	-	-	-	394,041	-	-	-	394,041
Accounts	-	362,899	2,908,653	-	16,436	-	-	3,287,988
Other	-	-	-	-	52,496	-	-	52,496
Current portion:								
Lease receivable	-	-	570,375	5,012,222	-	-	-	5,582,597
Due from other governments	-	-	-	2,858,606	-	-	-	2,858,606
Notes receivable	100,000	-	-	77,583	-	-	83,918	261,501
Loan receivable	-	-	-	15,591	-	-	-	15,591
Properties held for resale	-	-	-	653,938	-	416,841	-	1,070,779
Prepaid expenses	-	35,257	226,909	-	1,545	4,278	-	267,989
Total current assets	465,776	1,755,450	14,821,562	12,923,268	495,142	947,470	19,328,100	50,736,768
Long-term assets:								
Lease receivable	-	-	1,906,029	-	-	-	-	1,906,029
Lease rental receivable	-	-	-	23,740,560	-	-	-	23,740,560
Loan receivable	-	-	-	227,959	-	-	-	227,959
Notes receivable	100,000	-	-	368,965	-	-	1,484,387	1,953,352
Capital assets, not being depreciated	-	-	7,600,170	295,786	-	-	-	7,895,956
Capital assets, being depreciated, net	-	208,246	52,718,063	74,785,997	-	-	-	127,712,306
Funds held in escrow	-	-	-	315,000	-	-	-	315,000
Prepaid debt insurance	-	-	301,218	-	-	-	-	301,218
Total long-term assets	100,000	208,246	62,525,480	99,734,267	-	-	1,484,387	164,052,380
Total Assets	565,776	1,963,696	77,347,042	112,657,535	495,142	947,470	20,812,487	214,789,148
Deferred Outflows of Resources:								
Deferred charge on refunding	-	-	492,343	-	-	-	-	492,343
Deferred outflows of resources for pension	-	-	350,847	-	-	-	-	350,847
Total Deferred Outflows of Resources	-	-	843,190	-	-	-	-	843,190
Total Assets and Deferred Outflows of Resources	\$ 565,776	\$ 1,963,696	\$ 78,190,232	\$ 112,657,535	\$ 495,142	\$ 947,470	\$ 20,812,487	\$ 215,632,338

(Continued)

* - As of April 30, 2023

	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	\$ -	\$ 42,650	\$ 119,866	\$ 94,504	\$ 40,681	\$ 8,253	\$ 31,379	\$ 337,333
Accrued salaries and benefits	-	-	109,059	-	-	-	-	109,059
Accrued expenses	-	145,834	370,501	833,766	-	-	-	1,350,101
Line of credit	-	-	-	442,328	-	-	-	442,328
Due to primary government, current portion	-	-	433,913	593,936	-	-	-	1,027,849
Subscription liability, current portion	-	-	53,566	-	-	-	-	53,566
Note payable due to primary government, current portion	-	-	150,000	-	-	-	-	150,000
Unearned revenue	-	-	25,415	-	28,333	-	-	53,748
Bonds payable, current portion	-	-	2,150,000	5,884,672	-	-	-	8,034,672
Total current liabilities	-	188,484	3,412,320	7,849,206	69,014	8,253	31,379	11,558,656
Long-term liabilities:								
Unearned revenue	-	-	-	-	-	-	-	-
Note payable due to primary government	-	-	2,250,000	325,000	-	-	-	2,575,000
Due to lessee	-	-	-	1,010,637	-	-	-	1,010,637
Net pension liability	-	-	247,806	-	-	-	-	247,806
Subscription liability, less current portion	-	-	161,383	-	-	-	-	161,383
Bonds payable	-	-	47,293,048	29,295,214	-	-	-	76,588,262
Total long-term liabilities	-	-	49,952,237	30,630,851	-	-	-	80,583,088
Total Liabilities	-	188,484	53,364,557	38,480,057	69,014	8,253	31,379	92,141,744
Deferred Inflows of Resources:								
Deferred inflows of resources for pension	-	-	10,449	-	-	-	-	10,449
Deferred inflows of resources for leases	-	-	2,343,471	26,401,280	-	-	-	28,744,751
Refundable advances	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	2,353,920	26,401,280	-	-	-	28,755,200
Net Position:								
Net investment in capital assets	-	208,246	15,622,473	41,242,762	-	-	-	57,073,481
Restricted - debt service	-	-	-	4,246,535	-	10,000	-	4,256,535
Unrestricted	565,776	1,566,966	6,849,282	2,286,901	426,128	929,217	20,781,108	33,405,378
Total Net Position	565,776	1,775,212	22,471,755	47,776,198	426,128	939,217	20,781,108	94,735,394
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 565,776	\$ 1,963,696	\$ 78,190,232	\$ 112,657,535	\$ 495,142	\$ 947,470	\$ 20,812,487	\$ 215,632,338

(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, 2023

		Program Revenues		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lancaster Industrial Development Authority	\$ 24,112	\$ 18,537	\$ -	\$ -
Lancaster Recreation Commission	4,277,066	3,131,808	999,651	-
The Parking Authority of the City of Lancaster	9,495,307	10,726,236	-	2,692,622
Redevelopment Authority of the City of Lancaster	5,364,113	102,671	4,214,055	-
Lancaster Downtown Investment District Authority *	585,327	544,183	78,620	-
City of Lancaster Land Bank Authority	47,153	-	-	-
City of Lancaster City Revitalization and Improvement Zone Authority	7,081,675	16,975	13,006,197	-
Total component units	<u>\$ 26,874,753</u>	<u>\$ 14,540,410</u>	<u>\$ 18,298,523</u>	<u>\$ 2,692,622</u>

General revenues:

Lease revenue - Penn Square Hotel Project

Interest income - Penn Square Hotel Project

Investment earnings (losses)

Total general revenues

Change in Net Position

Net Position:

Beginning of year, restated

End of year

* - Year ended April 30, 2023

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
\$ (5,575)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,575)
-	(145,607)	-	-	-	-	-	(145,607)
-	-	3,923,551	-	-	-	-	3,923,551
-	-	-	(1,047,387)	-	-	-	(1,047,387)
-	-	-	-	37,476	-	-	37,476
-	-	-	-	-	(47,153)	-	(47,153)
-	-	-	-	-	-	5,941,497	5,941,497
(5,575)	(145,607)	3,923,551	(1,047,387)	37,476	(47,153)	5,941,497	8,656,802
-	-	-	4,400,214	-	-	-	4,400,214
-	-	-	1,735,405	-	-	-	1,735,405
-	10,220	508,347	106,660	-	28,107	275,623	928,957
-	10,220	508,347	6,242,279	-	28,107	275,623	7,064,576
(5,575)	(135,387)	4,431,898	5,194,892	37,476	(19,046)	6,217,120	15,721,378
571,351	1,910,599	18,039,857	42,581,306	388,652	958,263	14,563,988	79,014,016
\$ 565,776	\$ 1,775,212	\$22,471,755	\$ 47,776,198	\$ 426,128	\$ 939,217	\$ 20,781,108	\$ 94,735,394

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023

- 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, 2023, 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, 2023

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, 2023, the City paid the Parking Authority \$264,804 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 \$1,365,935 for the year ended December 31, 2023. Of this amount, \$433,913 was due to the City as of December 31, 2023.

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 February 10, 2023, the City and the Parking Authority agreed to extend the Enforcement Agreement for an additional five year period to December 31, 2027.

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, 2023

Lancaster Downtown Investment District Authority (LDIDA)

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

City of Lancaster Land Bank Authority (LLBA)

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

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

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

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Related Organizations

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

Lancaster Municipal Authority

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

Metropolitan Lancaster Authority

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

Lancaster Airport Authority (Airport Authority)

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

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Lancaster Higher Education Authority

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

Housing Authority of the City of Lancaster (Housing Authority)

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

Lancaster County Convention Center Authority (Convention Center Authority)

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

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

Lancaster Emergency Municipal Services Association (LEMSA)

The LEMSA Board consists of thirteen trustees, of which one is appointed by the City. LEMSA's mission is to provide comprehensive, skillful, cost-effective emergency and non-emergency health care services to the Lancaster community while continuing to evolve with changing health care needs. During the year ended December 31, 2023, the City contributed \$150,000 to LEMSA.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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NOTES TO FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension, other post-employment benefits, and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund

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

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Additionally, the City reports the following fund types:

Internal Service Fund

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

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

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

Private-Purpose Trust Fund

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

Custodial Fund

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

Component units are accounted for as follows:

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

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Cash and Cash Equivalents

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

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

Investments

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

Loans Receivable

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

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Leases

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

1. The City uses its estimated incremental borrowing rate as the discount rate for leases.
2. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription Based Information Technology Agreements (SBITA)

The Parking Authority is a lessee for noncancellable software subscriptions. The Parking Authority recognizes a subscription liability and an intangible right-to use subscription asset (subscription asset) as part of capital assets, net of accumulated depreciation. At the commencement of a subscription, the Parking Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the commencement date, plus certain indirect costs. Subsequently, the subscription asset is amortized on the straight-

CITY OF LANCASTER, PENNSYLVANIA

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line basis over its useful life. Key estimates and judgements related to subscription liabilities includes how the Parking Authority determines (1) the discount rate it uses to discount the expected contract payments to present value, (2) subscription term, and (3) subscription payments.

- The Parking Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Parking Authority generally uses its estimated incremental borrowing rate as the discount rate for subscription contracts.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the liability are composed of fixed payments and purchase options price the Parking Authority is reasonably certain to exercise.

The Parking Authority monitors changes in circumstances that would require remeasurement of its subscription liability and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with equipment and other right of use assets and subscription liabilities are reported with current and non-current liabilities on the Balance Sheet.

Interfund Receivables and Payables

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

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

Unavailable/Unearned Revenue

Unavailable revenue is recorded for governmental fund receivables that are not both measurable and available. Unavailable revenue consists of real estate taxes, earned income

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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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 statements of net position as revenue received in advance.

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.

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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- 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 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

CITY OF LANCASTER, PENNSYLVANIA

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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.

At December 31, 2023, the Redevelopment Authority has a restricted net position balance for the following:

Debt service investments	\$ 1,357,315
CDBG Funds - future property activity	559,426
IDP Funds - future redevelopment projects	2,329,794
	<u>\$ 4,246,535</u>

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

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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
Right to use subscription assets	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

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

Buildings	40 years
Land Improvements	20 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 2023, the City assessed 12.64 mills for general government purposes.

CITY OF LANCASTER, PENNSYLVANIA

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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 2023, the City's LERTA property tax abatements totaled \$446,571.

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, 2023, the aggregate cost to the City for the accumulated compensatory time has been estimated at \$1,402,596 and \$247,779 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

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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, 2023, the aggregate cost to the City for accumulated vested sick days has been estimated at \$91,033 and \$8,549 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, 2023, the aggregate cost to the City for accumulated vacation days has been estimated at \$475,345 and \$204,982 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.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the City or component unit's financial statements for the year ended December 31, 2023.

CITY OF LANCASTER, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2023

Pending Changes in Accounting Principles

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104 (Disclosure of Certain Capital Assets). Management has not yet determined the impact of these statements on the financial statements.

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

2. Deposits and Investments

Primary Government

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

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, 2023, the book balance of the pooled funds was \$28,584,111 and the bank balance was \$29,413,621.

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, 2023, the City's book balance was \$88,461,928 and the bank balance was \$89,304,141. Of the bank balance, \$591,433 was covered by federal depository insurance and the remaining was collateralized under Act No. 72 (Act) of

CITY OF LANCASTER, PENNSYLVANIA

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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	\$ 23,171,996
Restricted	15,295,921
Business-type activities:	
Unrestricted	8,036,934
Restricted	41,952,884
Fiduciary funds	<u>4,193</u>
Total cash and cash equivalents	<u>\$ 88,461,928</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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B. Investments

Investments consist of the following as of December 31, 2023:

	Level 1	Level 2	Total
Money market funds	\$ 21,957,190	\$ -	\$ 21,957,190
Mutual funds:			
Equity	8,221,939	-	8,221,939
Fixed income	227,173	-	227,173
Balanced	6,608,493	-	6,608,493
Common stock:			
Materials	2,736,698	-	2,736,698
Energy	9,684,315	-	9,684,315
Information technology	21,849,046	-	21,849,046
Consumer discretionary	9,265,134	-	9,265,134
Consumer staples	10,458,782	-	10,458,782
Industrials	4,945,966	-	4,945,966
Financials	9,323,438	-	9,323,438
Healthcare	12,842,320	-	12,842,320
Utilities	7,806,659	-	7,806,659
Communication services	9,297,771	-	9,297,771
Exchange-traded funds:			
Equity	5,984,498	-	5,984,498
U.S. government obligations	36,019,990	-	36,019,990
U.S. government agency obligations	5,219	-	5,219
Corporate bonds:			
Domestic	-	8,809,495	8,809,495
Foreign	-	4,272,503	4,272,503
Total investments	<u>\$ 177,234,631</u>	<u>\$ 13,081,998</u>	<u>\$ 190,316,629</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Investments	
Governmental activities:	
Unrestricted	\$ 591,712
Restricted	4,798
Fiduciary funds	<u>189,720,119</u>
Total investments	<u>\$ 190,316,629</u>

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 \$175,482,266 held in the City's name or in the name of the City's multiple Pension Plans and \$14,834,363 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, 2023, 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, 2023:

	Fair Value	Rating
Money market funds	\$ 21,957,190	Unrated
U.S. government agency obligations	5,219	Unrated
Corporate bonds	386,270	AA+
Corporate bonds	3,188,163	AA-
Corporate bonds	1,347,295	A+
Corporate bonds	1,655,046	A
Corporate bonds	6,505,224	A-

CITY OF LANCASTER, PENNSYLVANIA

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

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

	Fair Value	Investment Maturity			
		2024	2025-2029	2030-2034	3035+
Money market funds	\$ 21,957,190	\$ 21,957,190	\$ -	\$ -	\$ -
U.S. government obligations	36,019,990	2,663,860	26,489,622	6,866,508	-
U.S. government agency obligations	5,219	-	5,219	-	-
Corporate bonds	13,081,998	-	9,212,939	3,869,059	-
	<u>\$ 71,064,397</u>	<u>\$ 24,621,050</u>	<u>\$ 35,707,780</u>	<u>\$ 10,735,567</u>	<u>\$ -</u>

C. Restricted Cash, Cash Equivalents, and Investments

Governmental Activities

As of December 31, 2023, the City had restricted cash and cash equivalents of \$15,295,921 which represents \$100,000 restricted for the payment of workers' compensation claims, and \$15,195,921 restricted for various City projects.

Business-Type Activities

As of December 31, 2023, the City had cash and cash equivalents of \$41,952,884 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, 2023, LIDA's total bank deposits were \$365,776 (including cash and cash equivalents and certificates of deposit) and the carrying value was \$368,886. The deposits that were not covered by depository insurance amounted to \$118,886 and were collateralized with securities held by the pledging financial institution, but not in LIDA's name.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Commission

The carrying amount of the Commission's deposits was \$1,357,294 as of December 31, 2023. The bank balance totaled \$1,357,917 as of December 31, 2023.

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, 2023:

Insured	\$ 1,066,899
Uninsured	291,018
Total	<u>\$ 1,357,917</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, 2023 consist of the following:

Cash Deposits:	
Cash and cash equivalents	\$ 3,824,927
Petty cash	14,175
	<u>\$ 3,839,102</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 requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

As of December 31, 2023, the Parking Authority's cash deposits were \$3,839,102. The bank balance as of December 31, 2023 was \$3,777,931. At December 31, 2023, \$250,000 was covered by federal depository insurance and \$3,527,931 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.

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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. The fund balance has been achieved in 2023.

B. Investments

The Parking Authority is authorized by statute to invest its funds in certain governmental obligations as described previously. 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, 2023, the Parking Authority had the following investments:

Investments	Fair Value
Unrestricted:	
Money market funds	\$ 707,847
Restricted:	
Money market funds	\$ 4,278,830
Negotiable certificates of deposit	2,053,543
Government agency fixed income	236,303
Total restricted investments	\$ 6,568,676

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, 2023, 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.

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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, 2023, the Parking Authority's investments in the money market funds were rated AAA. The commercial paper 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, 2023, the Parking Authority's investments had average maturities of approximately 3.5 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.

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,

CITY OF LANCASTER, PENNSYLVANIA

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to be collateralized by the depository institution. As of December 31, 2023, the Redevelopment Authority's book balance was \$2,543,293. As of December 31, 2023, the Redevelopment Authority's bank balance was \$1,367,993. Of the bank balances, \$404,090 was covered by federal depository insurance as of December 31, 2023, 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.

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, 2023, the Redevelopment Authority held investments in the GS Financial Square Treasury Obligations money market fund with a fair value of \$1,367,994, which is included as cash and cash equivalents - restricted in the financial statements. The 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 11). 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, 2023, 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

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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, 2023, 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, 2023, \$185,557 of LDIDA's bank balance of \$435,557 was exposed to custodial credit risk.

LLBA

A. Deposits

Under section 2007.11 of the Pennsylvania Land Bank Act, LLBA is permitted to invest its monies at the discretion of the Board in instruments, obligations, securities, or property determined proper by the Board and to name and use depositories for its money. LLBA 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, 2023, none of LLBA's bank balance of \$68,362 was exposed to custodial credit risk as it was all insured by federal depository insurance coverage.

B. Investments

LLBA uses the Pennsylvania Local Government Investment Trust (PLGIT), an external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for LLBA funds. The amortized cost, which approximates fair value of the pool, is determined by the pool's share prices. The fair value of LLBA's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides regulatory oversight for the external investment pool.

At December 31, 2023, LLBA held investments valued at amortized cost of \$458,087 in PLGIT PRIME, which has an average maturity of less than 30 days. LLBA's investments in the

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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, 2023, LLBA has investments of \$458,087, which are subject to credit risk. PLGIT PRIME has a credit rating of AAAm by Standard and Poor's at December 31, 2023.

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, 2023, there were no concentrations for LLBA's investments.

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. LLBA does not have investments subject to custodial credit risk at December 31, 2023.

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. CRIZ does not have a formal deposit policy for custodial credit risk. At December 31, 2023, the CRIZ's total bank deposits were \$15,123,437. The deposits not covered by depository insurance were collateralized with securities held by the pledging financial institution, but not in the CRIZ's name.

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As of December 31, 2023, CRIZ held investments as follows: \$2,246,123 cash and cash equivalents held for investment purposes carrying amounts approximate fair value because of the short maturity of those financial instruments (Level 1) and \$1,930,677 certificates of deposit measured using Level 2 inputs in which cost approximates fair value.

CRIZ does not have a formal policy for custodial credit risk and investments are held with Fulton Financial Advisors in accounts separate and apart from the assets of the financial institution. Under the U.S. Securities and Exchange Commission's customer protection rule, customers' securities must be segregated from a financial institution's proprietary securities. The securities are held in central depositories with the record of ownership reflected on a book entry basis. The account is held in the name of CRIZ.

CRIZ places no limit on the amount the Authority may invest in any one issuer. As of December 31, 2023, no investment in one issuer exceeds 5% of CRIZ's total investments. All investments mature within less than one year at December 31, 2023.

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3. Receivables

Primary Government

Governmental Activities

Receivables as of December 31, 2023, 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	\$ 3,316,513	\$ -	\$ -	\$ -	\$ -	\$ 3,316,513
Allowance for uncollectibles	-	-	-	-	-	-
Taxes, net	3,316,513	-	-	-	-	3,316,513
Accounts, gross	592,733	-	-	184,202	244,043	1,020,978
Allowance for uncollectibles	-	-	-	-	-	-
Accounts, net	592,733	-	-	184,202	244,043	1,020,978
Notes, gross	-	-	-	5,248,444	-	5,248,444
Allowance for uncollectibles	-	-	-	(5,248,444)	-	(533,941)
Notes, net	-	-	-	-	-	4,714,503
Notes due from component unit, gross	2,400,000	-	-	325,000	-	2,725,000
Allowance for uncollectibles	(2,400,000)	-	-	(325,000)	-	-
Notes due from component unit, net	-	-	-	-	-	2,725,000
Leases (See Note 6)	497,015	-	-	2,634,671	-	3,131,686
Investment income	-	-	-	118,887	-	118,887
Total receivables	\$ 4,406,261	\$ -	\$ -	\$ 2,937,760	\$ 244,043	\$ 15,027,567

Notes Receivable

As of December 31, 2023, the City has outstanding program loans (notes receivable) aggregating \$5,248,444. These various program loans bear interest at rates ranging from 0% to 7%, maturing over terms of one to 30 years, through 2040.

In addition, as of December 31, 2023, there were \$533,941 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

CITY OF LANCASTER, PENNSYLVANIA

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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	\$ 5,245,006	\$ 4,646,965	\$ 2,821,582	\$ 12,713,553
Allowances for uncollectibles	-	-	-	-
Accounts, net	5,245,006	4,646,965	2,821,582	12,713,553
Other, gross	237,131	2,595	43,835	283,561
Allowances for uncollectibles	-	-	-	-
Other, net	237,131	2,595	43,835	283,561
Leases (see Note 6)	1,130,865	1,776,625	-	2,907,490
Total receivables	\$ 6,613,002	\$ 6,426,185	\$ 2,865,417	\$ 15,904,604

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 original maturity (November 1, 2018), the loan was extended for approximately an additional five years. Accrued interest and principal will be due October 1, 2023.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 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, 2023, the Parking Authority's allowance for uncollectible accrued parking enforcement revenue was \$990,125.

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 367 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, the amount of the annual increment to be received by the Parking Authority shall be \$2,000,000. During the year ended December 31, 2023, the CRIZ's board approved to increase additional funding for 2023 and 2024. 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, 2023, CRIZ contributions totaled \$2,692,622 (included in accounts receivable as of December 31, 2023).

Redevelopment Authority

The Redevelopment Authority's receivables relate to grants receivables, notes receivables, loan receivables, lease 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, loan receivables, and due from the lessee are recorded at carrying value. The Redevelopment

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023, the Redevelopment Authority purchased the full amount of delinquent real estate tax claims from the City for the year 2022 with a total carrying value of \$959,786 for total consideration of \$876,545. 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.

Due from Other Governments

A summary of grants receivable due from other governmental units at December 31, 2023 follows:

Commonwealth of Pennsylvania:	
Infrastructure and Facilities Improvement Program Grant	\$ 1,000,000
City Revitalization and Improvement Zone Grant	<u>1,858,606</u>
	<u>\$ 2,858,606</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Notes Receivable

Notes receivable at December 31, 2023 were as follows:

Note receivable from Penn Square Partners. 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 Penn Square Partners in the site of the Penn Square Hotel.

\$ 446,548

Current maturities

77,583

Long-term portion

\$ 368,965

Loan Receivable

In April 2023, the Redevelopment Authority approved a loan to the Housing Development Corporation MidAtlantic in the amount of \$250,000. The note receivable is due June 2038. The loan is payable in monthly installments of \$1,496 including interest at 1.00%. The loan is secured by the guaranty of HDC Investments, Inc. The amount outstanding on the loan receivable as of December 31, 2023 was \$243,550.

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

As of May 15th of the subsequent year, all unpaid delinquent assessments have liens filed against their property.

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YEAR ENDED DECEMBER 31, 2023

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 CRIZ from CFF or Square in regard to this participation agreement. During 2020, 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. On June 24, 2022, the parties to this note modified the loan to have an increased principal drawdown and interest payments resumed to the initial rate of 7.25%. The outstanding principal balance of this participation agreement was \$1,222,328 at December 31, 2023 with \$39,125 due in 2024, and is classified as notes receivable on the balance sheet. Interest earned was \$124,190 during 2023.

CRIZ created the Small Business Financial Assistance Program to provide business loans for new and existing small businesses within the Zone. CRIZ entered into the following loan agreements:

On December 15, 2022, CRIZ entered into a loan agreement with Sun & Moon Realty for \$100,000 to relocate and expand their restaurant facilities. Under the terms of this agreement, interest is paid monthly beginning February 2023 at 4.0% per annum. Monthly principal payments are scheduled to begin in May 2023 with a final maturity date of April 2038. The outstanding principal balance at December 31, 2023 is \$96,710 with \$5,102 currently due in 2024, and is classified as note receivable on the balance sheet.

On December 30, 2022, CRIZ entered into an agreement with Babylon Kebab Grill, LLC for \$58,700 for leasehold improvements. Under the terms of this agreement, interest is paid monthly beginning February 2023 at 4.0% per annum. Monthly principal payments are scheduled to begin in August 2023 with a final maturity date of May 2029. Babylon Kebab Grill, LLC only drew down \$48,917 at December 31, 2023. The outstanding

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NOTES TO FINANCIAL STATEMENTS

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principal at December 31, 2023 is \$46,372 with \$6,283 currently due in 2024, and is classified as note receivable on the balance sheet.

On January 10, 2023, CRIZ entered into a loan agreement with Drift Spa Lancaster, LLC for \$57,509 to undertake leasehold improvements and purchase and install new equipment. Under the terms of this agreement, interest is paid monthly beginning February 2023 at 4.0% per annum. Monthly principal payments are scheduled to begin in May 2023 with a final maturity date of April 2028. The outstanding principal balance at December 31, 2023 is \$50,518 with \$10,888 currently due in 2024 and is classified as note receivable on the balance sheet.

On May 31, 2023, CRIZ entered into an agreement with Lancaster Cigar, LLC for \$100,000 for leasehold improvements. Under the terms of this agreement, interest is paid monthly beginning September 2023 at 4.75% per annum. Monthly principal payments are scheduled to begin in January 2024 with a final maturity date of December 2038. Lancaster Cigar, LLC only drew down \$39,918 at December 31, 2023. The outstanding principal at December 31, 2023 is \$38,918 with \$1,823 currently due in 2024 and is classified as note receivable on the balance sheet.

On August 8, 2023, CRIZ entered into an agreement with Rendezvous Bistro, LLC for \$97,150 for Leasehold improvements. Under the terms of this agreement, interest is paid monthly beginning September 2023 at 4.75% per annum. Monthly principal payments are scheduled to begin in January 2024 with a final maturity date of September 2028. The outstanding principal balance at December 31, 2023 is \$97,150 with \$18,680 currently due in 2024 and is classified as note receivable on the balance sheet.

On December 7, 2023, CRIZ entered into an agreement with Shree Vibhuti, Inc for \$78,192 for leasehold improvements. Under the terms of this agreement, interest is paid monthly beginning February 2024 at 4.75% per annum. Monthly principal payments are scheduled to begin in August 2024 with a final maturity date of December 2026. Shree Vibhuti, Inc only drew down \$16,309 at December 31, 2023. The outstanding principal at December 31, 2023 is \$16,309 with \$2,017 currently due in 2024 and is classified as note receivable on the balance sheet.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

4. Delinquent Tax Lien Receivables

In January 2023, the City sold the full amount of delinquent real estate tax lien receivables for the 2022 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 \$876,545 and the revenue was recognized in the year of sale.

In January 2024, the City sold the full amount of delinquent real estate tax lien receivables for the 2023 tax year. The full amount received by the City for this sale was \$826,799 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.

As of December 31, 2023 the following properties were held for resale:

759 Manor Street	\$ 17,000
580 South Prince Street *	465,938
234 E Fulton Street	171,000
	<u>\$ 653,938</u>

*This property was conveyed to the Redevelopment Authority from the City.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Leases

Primary Government

Governmental Activities and Governmental Funds

In 2023, the City entered into an agreement for leasing of a billboard for advertisement space. The initial lease term is for 20 years with the following automatic consecutive renewal options: one five-year term and one 4-year term. Rent is paid monthly with annual rent as follows per the agreement: \$65,000 for years 1-10, \$71,500 for years 11-20, and each renewal option at \$75,075 for each renewal period. The City recognized \$41,670 in lease revenue and \$54,013 of interest revenue during 2023 related to this lease.

In June 2019, the City entered into an agreement for leasing of a billboard for advertisement space. The initial lease term is for 20 years with the following automatic consecutive renewal options: one five-year term and one 4-year term. Rent is paid monthly with annual rent as follows per the agreement: \$65,000 for years 1-10, \$71,500 for years 11-20, and each renewal option at \$75,075 for each renewal period. The City recognized \$55,159 in lease revenue and \$25,690 of interest revenue during 2023 related to this lease.

In February 2008 (subsequently amended in agreement dated April 2021), the City began leasing land to a cell phone carrier for a cell tower. The term per the April 2021 amendment is for an initial term through January 2023 with option to extend for each of four additional five-year renewal terms expiring January 2043. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least three months prior to the end of any renewal term. The City receives monthly rent of \$2,116. Monthly rent increases 2% annually effective February 2023. The City recognized \$23,343 in lease revenue and \$10,112 of interest revenue during 2023 related to this lease.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The following represents the total Governmental Activities and Governmental Funds receivable for lease payments and associated deferred inflows of resources that will be recognized as revenue over the terms of the lease at December 31, 2023.

Lease Term	Lease Receivable	Deferred Inflow of Resources
1/1/23-11/1/2051	\$ 1,099,063	\$ 1,073,796
12/1/20-11/1/2050	1,535,608	1,484,689
4/1/21-1/31/2043	497,015	445,458
	<u>\$ 3,131,686</u>	<u>\$ 3,003,943</u>

Business-type Activities and Proprietary Funds

In June 1997 (subsequently amended in agreements dated May 2017 and June 2020), the City began leasing land to a cell phone carrier for a cell tower. The term per the May 2017 amendment is for an initial term through 2022 with option to extend for each of five additional five-year renewal terms through August 2047. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least 30 days prior to the end of any renewal term. The City receives monthly rent of \$1,375. Monthly rent increases 12% at the beginning of each extension term effective September 2022. The City recognized \$15,620 in lease revenue and \$10,196 of interest revenue during 2023 related to this lease.

In October 2020, the City began leasing land to a cell phone carrier for a cell tower. The initial term of the agreement was a period of five years commencing with five extensions of five years each, expiring on October 2030. The lease will automatically renew unless the lessee provides written notice to terminate at least 90 days prior to the end of any renewal term. 15% rate increases begin at the start of each renewal period. The City initially receives monthly rent of \$2,099. The City recognized \$24,897 in lease revenue and \$3,135 of interest revenue during 2023 related to this lease.

In July 2022, the City began leasing land to a cell phone carrier for a cell tower. The initial term of the agreement was a period of five years commencing with four extensions of five years each, expiring on June 2047. The lease will automatically renew unless the lessee provides written notice to terminate at least 90 days prior to the end of any renewal term. The City initially receives monthly rent of \$2,400. Monthly rent increases 3% annually. The City recognized \$23,523 in lease revenue and \$26,356 of interest revenue during 2023 related to this lease.

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NOTES TO FINANCIAL STATEMENTS

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In April 1997 (subsequently amended in agreement dated April 2017), the City began leasing land to a cell phone carrier for a cell tower. The term per the April 2017 amendment is for an initial term through 2022 with option to extend for each of five additional five-year renewal terms through April 2042. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least 30 days prior to the end of any renewal term. The City receives monthly rent of \$1,600. Monthly rent increases 12% at the beginning of each extension term effective May 2022. The City recognized \$16,658 in lease revenue and \$10,884 of interest revenue during 2023 related to this lease.

In March 1997 (subsequently amended in agreements dated May 2017 and November 2021), the City began leasing land to a cell phone carrier for a cell tower. The term per the May 2017 amendment is for an initial term through 2022 with option to extend for each of five additional five-year renewal terms through April 2042. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least 30 days prior to the end of any renewal term. The City receives monthly rent of \$1,165 (effective with November 2021 agreement). Monthly rent increases 10% at the beginning of each extension term effective May 2022. The City recognized \$13,023 in lease revenue and \$7,570 of interest revenue during 2023 related to this lease.

In February 1999 (subsequently amended in agreement dated August 2019), the City began leasing land to a cell phone carrier for a cell tower. The term per the August 2019 amendment is for an initial term through 2029 with option to extend for each of four additional five-year renewal terms and one four-year renewal term expiring December 2052. The lessee has the right to renew the lease each successive renewal term unless terminated in writing by the lessee at least 60 days prior to the end of any renewal term. The City receives monthly rent of \$3,128. Monthly rent increases 15% at the beginning of each extension term effective January 2029. The City recognized \$33,783 in lease revenue and \$34,318 of interest revenue during 2023 related to this lease.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The following represents the total Business-type Activities and Proprietary Fund receivable for lease payments and associated deferred inflows of resources that will be recognized as revenue over the terms of the lease at December 31, 2023.

<u>Lease Term</u>	<u>Lease Receivable</u>	<u>Deferred Inflow of Resources</u>
6/1/2020-8/1/2047	\$ 398,826	\$ 369,665
10/1/2000-10/1/2030	180,354	170,127
7/1/2022-6/1/2047	584,014	552,786
5/1/2017-4/1/2042	361,933	305,397
5/3/2017-4/2/2042	251,497	238,755
1/1/2019-12/31/2052	1,130,866	979,695
	<u>\$ 2,907,490</u>	<u>\$ 2,616,425</u>

Component Units

Parking Authority

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

In 2015, the Parking Authority entered into a lease agreement with the Holiday Inn. The lease provides the Holiday Inn with 134 guaranteed spaces for an annual rent of \$80,400. As of April 1, 2019, the 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 per 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 Authority's right to increase the rent per space upon then existing market conditions. In addition, the Parking Authority leases two small commercial spaces to third parties.

December 31, 2023, the Parking Authority recognized \$504,144 in lease revenue and \$49,418 of interest revenue related to these leases.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The following represents the Authority's receivable for lease payments and deferred inflows of resources associated that will be recognized as revenue over the term of the lease at December 31, 2023.

Lease Term	Lease Receivable	Deferred Inflow of Resources
6/1/18-12/31/27	\$ 1,487,433	\$ 1,408,501
3/5/15-3/31/29	651,366	598,033
12/1/22-11/30/24	23,524	23,272
4/1/22-3/31/25	9,622	9,455
7/1/23-7/1/28	304,459	304,210
Total:	<u>\$ 2,476,404</u>	<u>\$ 2,343,471</u>

The expected future payments to be received under the terms of the leases at December 31, 2023 are as follows:

Years	Principal	Interest	Total
2024	\$ 570,375	\$ 44,297	\$ 614,672
2025	552,004	33,066	585,070
2026	561,163	21,953	583,116
2027	572,491	10,625	583,116
2028	187,780	2,673	190,453
Thereafter	32,591	109	32,700
	<u>\$ 2,476,404</u>	<u>\$ 112,723</u>	<u>\$ 2,589,127</u>

Redevelopment Authority

The Redevelopment Authority has entered into a lease agreement with Penn Square Partners (PSP) as further outlined in Note 17 for the hotel unit of the Penn Square Hotel and Convention Center.

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. For the year ended December 31, 2023, interest income was \$1,735,405. Deferred inflow of resources represents future lease revenue. For the year

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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ended December 31, 2023, \$4,400,214 was recognized as lease revenue. The lease revenue is recognized on a straight-line basis over the life of the lease through 2029 and is expected to be \$4,400,214 each year.

Future Minimum Rental Payments:

The following schedule represents the future minimum rental payments due to the Redevelopment Authority as of December 31, 2023:

2024	\$ 6,437,059
2025	2,718,906
2026	2,724,417
2027	2,729,910
2028	2,737,883
2029	<u>17,999,197</u>
	35,347,372
Imputed Interest	<u>(6,594,590)</u>
Lease Receivable	<u><u>\$ 28,752,782</u></u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

7. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2023 is as follows:

	December 31, 2022	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2023
Governmental activities				
Capital assets not being depreciated:				
Land, easements, right of ways	\$ 8,098,803	\$ 153,469	\$ -	\$ 8,252,272
Construction in progress	3,718,018	3,759,163	(699,032)	6,778,149
Total capital assets not being depreciated	11,816,821	3,912,632	(699,032)	15,030,421
Capital assets being depreciated:				
Land improvements	19,618,771	1,645,733	-	21,264,504
Buildings	59,754,962	301,928	-	60,056,890
Machinery and equipment	8,755,347	1,086,442	(98,765)	9,743,024
Vehicles	9,608,113	165,174	(221,285)	9,552,002
Infrastructure	64,125,361	2,875,467	-	67,000,828
Total capital assets being depreciated	161,862,554	6,074,744	(320,050)	167,617,248
Less accumulated depreciation for:				
Land improvements	(9,492,408)	(936,921)	-	(10,429,329)
Buildings	(12,424,621)	(1,178,001)	-	(13,602,622)
Machinery and equipment	(5,143,917)	(511,676)	96,094	(5,559,499)
Vehicles	(4,705,438)	(503,570)	221,285	(4,987,723)
Infrastructure	(38,399,668)	(2,192,469)	-	(40,592,137)
Total accumulated depreciation	(70,166,052)	(5,322,637)	317,379	(75,171,310)
Total capital assets being depreciated, net	91,696,502	752,107	(2,671)	92,445,938
Governmental activities, capital assets, net	\$ 103,513,323	\$ 4,664,739	\$ (701,703)	\$ 107,476,359

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

Governmental Activities:

General government	\$ 94,177
Public safety	1,001,610
Community planning and economic development	46,989
Public works	<u>4,179,861</u>
Total depreciation expense - governmental activities	<u>\$ 5,322,637</u>

	<u>December 31, 2022</u>	<u>Increase/ Transfers In</u>	<u>Decrease/ Transfers Out</u>	<u>December 31, 2023</u>
Business-type activities:				
Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 1,484,824	\$ -	\$ -	\$ 1,484,824
Construction in progress	<u>6,237,781</u>	<u>1,878,344</u>	<u>(1,887,604)</u>	<u>6,228,521</u>
Total capital assets not being depreciated	<u>7,722,605</u>	<u>1,878,344</u>	<u>(1,887,604)</u>	<u>7,713,345</u>
Capital assets being depreciated:				
Sewer system	210,013,738	3,912,353	-	213,926,091
Equipment and vehicles	<u>5,997,559</u>	<u>585,034</u>	<u>-</u>	<u>6,582,593</u>
Total capital assets being depreciated	<u>216,011,297</u>	<u>4,497,387</u>	<u>-</u>	<u>220,508,684</u>
Less accumulated depreciation for:				
Sewer system	(96,129,951)	(4,362,489)	-	(100,492,440)
Equipment and vehicles	<u>(2,596,940)</u>	<u>(501,955)</u>	<u>-</u>	<u>(3,098,895)</u>
Total accumulated depreciation	<u>(98,726,891)</u>	<u>(4,864,444)</u>	<u>-</u>	<u>(103,591,335)</u>
Total capital assets being depreciated, net	<u>117,284,406</u>	<u>(367,057)</u>	<u>-</u>	<u>116,917,349</u>
Sewer Fund capital assets, net	<u>125,007,011</u>	<u>1,511,287</u>	<u>(1,887,604)</u>	<u>124,630,694</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

	December 31, 2022	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2023
Water Fund:				
Capital assets not being depreciated:				
Land	6,978,291	-	-	6,978,291
Construction in progress	9,757,815	2,822,197	(1,814,328)	10,765,684
Total capital assets not being depreciated	16,736,106	2,822,197	(1,814,328)	17,743,975
Capital assets being depreciated:				
Water system	280,743,166	3,290,919	-	284,034,085
Equipment and vehicles	18,898,357	519,578	(323,582)	19,094,353
Total capital assets being depreciated	299,641,523	3,810,497	(323,582)	303,128,438
Less accumulated depreciation for:				
Water system	(73,783,106)	(4,291,142)	-	(78,074,248)
Equipment and vehicles	(8,397,875)	(2,952,910)	323,582	(11,027,203)
Total accumulated depreciation	(82,180,981)	(7,244,052)	323,582	(89,101,451)
Total capital assets being depreciated, net	217,460,542	(3,433,555)	-	214,026,987
Water Fund capital assets, net	234,196,648	(611,358)	(1,814,328)	231,770,962

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

	December 31, 2022	Increase/ Transfers In	Decrease/ Transfers Out	December 31, 2023
Other enterprise funds:				
Capital assets not being depreciated:				
Land	177,200	-	-	177,200
Construction in progress	1,053,864	665,512	(440,903)	1,278,473
Total capital assets not being depreciated	1,231,064	665,512	(440,903)	1,455,673
Capital assets being depreciated:				
Buildings	744,492	26,226	-	770,718
Infrastructure	12,367,981	2,027,939	-	14,395,920
Equipment and vehicles	1,693,184	698,869	(53,906)	2,338,147
Total capital assets being depreciated	14,805,657	2,753,034	(53,906)	17,504,785
Less accumulated depreciation for:				
Buildings	(101,012)	(6,207)	-	(107,219)
Infrastructure	(938,084)	(292,361)	-	(1,230,445)
Equipment and vehicles	(721,951)	(147,879)	26,953	(842,877)
Total accumulated depreciation	(1,761,047)	(446,447)	26,953	(2,180,541)
Total other enterprise funds capital assets, net	13,044,610	2,306,587	(26,953)	15,324,244
Other enterprise funds capital assets, net	14,275,674	2,972,099	(467,856)	16,779,917
Business-type activities capital assets, net	\$ 373,479,333	\$ 3,872,028	\$ (4,169,788)	\$ 373,181,573

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Component Units

Commission

Major classifications of capital assets and their respective depreciable lives consist of the following as of December 31, 2023:

	December 31, 2022	Additions/ Transfers In	Deletions/ Transfers Out	December 31, 2023	Depreciable Lives
Capital assets being depreciated:					
Equipment	\$ 202,159	\$ -	\$ -	\$ 202,159	3 - 10 years
Furniture and improvements	269,482	-	-	269,482	5 - 15 years
Vehicles	100,106	-	-	100,106	5 - 10 years
Capital improvements	192,609	-	-	192,609	5 - 15 years
Total capital assets being depreciated	764,356	-	-	764,356	
Construction in progress	-	34,979	-	34,979	
Total capital assets	764,356	34,979	-	799,335	
Accumulated depreciation	(549,804)	(41,285)	-	(591,089)	
Total	\$ 214,552	\$ (6,306)	\$ -	\$ 208,246	

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Parking Authority

Capital asset activity for the year ended December 31, 2023 is as follows:

	January 1, 2023	Additions	Deletions	December 31, 2023
Capital assets not being depreciated:				
Construction in process	\$ 80,160	\$ 2,501,270	\$ 793,080	\$ 1,788,350
Land	5,811,820	-	-	5,811,820
Total capital assets not being depreciated	5,891,980	2,501,270	793,080	7,600,170
Capital assets being depreciated:				
Parking garages, lots, and rental complex	81,269,144	711,868	-	81,981,012
Office furnishings and equipment	119,187	-	-	119,187
Equipment	3,754,796	-	-	3,754,796
Right to use subscription asset	-	268,402	-	268,402
Vehicles	292,459	112,000	93,000	311,459
Total capital assets being depreciated	85,435,586	1,092,270	93,000	86,434,856
Less accumulated depreciation for:				
Parking garages, lots, and rental complex	27,846,245	2,152,070	-	29,998,315
Office furnishings and equipment	104,326	9,825	-	114,151
Equipment	3,354,689	36,611	-	3,391,300
Right to use subscription asset	-	53,680	-	53,680
Vehicles	223,965	24,901	89,519	159,347
Total accumulated depreciation	31,529,225	2,277,087	89,519	33,716,793
Total capital assets being depreciated, net	53,906,361	(1,184,817)	3,481	52,718,063
Total capital assets, net	\$ 59,798,341	\$ 1,316,453	\$ 796,561	\$ 60,318,233

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Redevelopment Authority

Capital asset activity for the year ended December 31, 2023 is as follows:

	December 31, 2022	Additions	Deletions	December 31, 2023
Capital assets not being depreciated:				
Land	\$ 295,786	\$ -	\$ -	\$ 295,786
Capital assets being depreciated:				
Buildings	97,072,531	-	-	97,072,531
Land improvements	489,962	-	-	489,962
Total capital assets being depreciated	97,562,493	-	-	97,562,493
Less accumulated depreciation for:				
Buildings	20,422,500	2,305,000	-	22,727,500
Land improvements	24,498	24,498	-	48,996
Total accumulated depreciation	20,446,998	2,329,498	-	22,776,496
Total capital assets being depreciated, net	77,115,495	(2,329,498)	-	74,785,997
Total capital assets, net	\$ 77,411,281	\$ (2,329,498)	\$ -	\$ 75,081,783

8. Subscription Based Information Technology Arrangement

Component Units

Parking Authority

During the year ended December 31, 2023, the Authority entered into a subscription agreement for information technology services. This agreement qualifies as a SBITA under GASB 96, which was adopted during the year ended December 31, 2023. The agreement is for a term of five years, with annual payments of \$54,023.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Future minimum payments required under SBITA's are as follows:

Years	Principal	Interest	Total
2024	\$ 53,566	\$ 457	\$ 54,023
2025	53,680	343	54,023
2026	53,794	229	54,023
2027	53,909	115	54,024
	<u>\$ 214,949</u>	<u>\$ 1,144</u>	<u>\$ 216,093</u>

9. 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 9.5% at December 31, 2023. There were no borrowings on the line of credit as of December 31, 2023, leaving the entire balance available to draw.

Redevelopment Authority

In 2016, the Redevelopment Authority entered into a \$1,590,000 revolving line of credit agreement with a bank, which is secured by the Redevelopment Authority's interest in the City's delinquent tax receivables. Interest accrues at a variable rate measured by interest rates on corporate loans at large U.S. Money Center Commercial Banks as published in the Money Rates column of the Wall Street Journal, Eastern Editions. The rate shall not exceed 8.00% per annum or fall below 4.75% per annum for the year ended December 31, 2023. During the year ended December 31, 2023, the Redevelopment Authority entered into a \$1,500,000 revolving line of credit agreement with another bank to repay the previous revolving line of credit in full and obtain funds for the purchase of delinquent tax funds from the City. This line of credit is secured by the Redevelopment Authority's interest in the City's delinquent tax receivables. Interest accrues at a fixed rate of 7.25% for one year and then reverts to a floating rate equal to the SOFR plus 3.00%. The rate shall not exceed 8.00%. The line will expire on March 24, 2027. The interest rate was 7.35% as of December 31, 2023. Interest payments are due monthly. Principal payments are due quarterly based on availability of funds from the collection of delinquent tax receivables. During the year

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

ended December 31, 2023, the Redevelopment Authority utilized this note to facilitate the purchase delinquent real estate tax claims from the City (Note 3).

Short-term debt activity for the year ended December 31, 2023 was as follows:

	January 1, 2023	Additions	Reduction	December 31, 2023
Line of credit - delinquent real estate taxes	<u>\$ 459,827</u>	<u>\$ 862,994</u>	<u>\$ 880,493</u>	<u>\$ 442,328</u>

10. 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, 2023:

2024	\$ 150,000
2025	150,000
2026	150,000
2027	150,000
2028	150,000
2029-2033	750,000
2034-2038	750,000
2039	<u>150,000</u>
	<u>\$ 2,400,000</u>

During February 2023, the City approved a loan to the Redevelopment Authority for \$325,000 to cover acquisition and carrying costs for a blighted and condemned property. The loan does not require regular payments of principal and interest. The outstanding balance is due upon sale of the property. The note is noninterest bearing unless there is occurrence of an event of default. If such an event occurred, the outstanding principal

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

balance would have interest charged at a 2.00% rate. There is a dispute over the amount of just compensation due to the condemnee. The Redevelopment Authority has funds held in escrow in the amount of \$315,000 for just compensation based on a real estate appraisal. The condemnee is requesting approximately \$1,000,000. A board of view will be appointed regarding this matter and the ultimate outcome is currently unknown.

The amount outstanding on this loan receivable due from the Redevelopment Authority is \$325,000 as of December 31, 2023.

Component Unit

Redevelopment Authority

As of December 31, 2023, the following amounts were due to the primary government:

Accumulated gain on tax collections (Note 3)	\$ 127,998
Amounts due for conveyed properties	<u>465,938</u>
	<u><u>\$ 593,936</u></u>

The City conveyed no properties to the Redevelopment Authority during the year ended December 31, 2023. 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 relating to their conveyed property inventory during the year ended December 31, 2023. For the year ended December 31, 2023, the Redevelopment Authority recorded the properties and due to the City at the carrying value of \$465,938.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. Long-term Obligations

Primary Government

A summary of bonds and notes payable outstanding as of December 31, 2023 is as follows:

Date of Issue/Maturity	Amount of Original Issue	Description and Interest Rates	Balance Outstanding December 31, 2023
2014/2044	\$ 42,490,000	General Obligation Bonds	\$ 33,590,000
2015/2034	11,840,000	General Obligation Bonds	7,285,000
2016/2046	118,820,000	General Obligation Bonds	98,510,000
2016/2036	11,560,000	General Obligation Bonds	9,740,000
2018/2048	113,325,000	General Obligation Bonds	110,560,000
2019/2029	22,140,000	General Obligation Bonds	13,550,000
2021/2039	10,020,000	General Obligation Bonds	9,865,000
2021/2041	35,225,000	General Obligation Note, Series A	32,725,000
2022/2047	51,780,000	General Obligation Bonds	51,780,000
			<u>367,605,000</u>
Direct Borrowings:			
2013/2035	7,000,000	Note Payable to Financing Agency	3,181,331
2014/2037	5,500,000	Note Payable to Financing Agency	3,509,378
2021/2033	11,200,000	Note Payable to Financing Agency	9,440,606
2021/2029	8,579,468	Note Payable to Financing Agency	6,301,435
2021/2031	2,900,000	General Obligation Note, Series B	2,770,000
			<u>25,202,750</u>
Total			<u>\$ 392,807,750</u>

Bonds Payable

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 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

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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.

In 2022, the City issued General Obligation Bonds, Series of 2022 in the amount of \$51,780,000, bearing interest ranging from 4.50-5.00%. The proceeds of the bond issuance will be used for (a) improvements and upgrades to the City's Water Treatment and distribution facilities, (b) improvements and upgrades to the City's parks and related facilities, (c) improvements to streets and traffic signals within the City and related facilities, and (d) improvements to stormwater facilities within the City, (i) providing funds towards other capital projects, (ii) paying capitalized interest on the 2022 Bonds, and (iii) paying

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

issuance costs in connection with the 2022 Bonds. The debt service on these bonds will be paid by the General Fund, Water Fund, and Stormwater Fund (an other enterprise fund).

Notes Payable

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, 2023, \$6,044,7935 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, 2023, \$5,199,556 was drawn down on this note. The debt service on this note is paid by the Sewer Fund.

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, 2023, a total of \$10,105,813 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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023, a total of \$6,930,808 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.

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.

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
2024	\$ 4,220,000	\$ 3,291,806	\$ 7,511,806
2025	4,410,000	3,103,040	7,513,040
2026	4,610,000	2,905,600	7,515,600
2027	4,815,000	2,699,035	7,514,035
2028	5,015,000	2,499,171	7,514,171
2029-2033	23,046,600	9,515,041	32,561,641
2034-2038	18,375,000	5,523,584	23,898,584
2039-2043	17,470,000	2,125,663	19,595,663
	<u>\$ 81,961,600</u>	<u>\$ 31,662,940</u>	<u>\$ 113,624,540</u>

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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
2024	\$ 9,028,245	\$ 11,665,887	\$ 20,694,132
2025	8,490,719	11,323,352	19,814,071
2026	9,304,161	11,014,927	20,319,088
2027	9,660,498	10,675,525	20,336,023
2028	10,016,489	10,339,964	20,356,453
2029-2033	56,346,408	45,982,793	102,329,201
2034-2038	62,100,234	35,932,925	98,033,159
2039-2043	69,419,396	24,378,618	93,798,014
2044-2048	76,480,000	9,517,800	85,997,800
	<u>\$ 310,846,150</u>	<u>\$ 170,831,791</u>	<u>\$ 481,677,941</u>

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

Financed Purchase Lease Payables

Governmental Activities

In 2018 through 2023, the City purchased multiple vehicles and equipment under long-term lease agreements. The assets were purchased from the General Fund and non-major governmental funds. As of December 31, 2023, the assets are included as governmental activities in the government-wide financial statements at a cost of \$4,381,932 and accumulated depreciation of \$998,561.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The future minimum payments under the financed purchase leases and the present value of the minimum lease payments at December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ 692,446
2025	514,791
2026	422,677
2027	311,037
2028	290,074
2029-2031	<u>379,860</u>
Total minimum lease payments	2,610,885
Less: amount representing interest	<u>(298,205)</u>
Present value of future minimum lease payments	<u><u>\$ 2,312,680</u></u>

Business-type Activities

In 2018 through 2023, the City purchased multiple vehicles and equipment under long-term lease agreements. A majority of these assets were purchased from the Sewer Fund, Water Fund, and Stormwater Fund, an other enterprise fund. As of December 31, 2023, the assets are included as business-type activities in the government-wide financial statements at a cost of \$4,474,478 and accumulated depreciation of \$741,422.

The future minimum payments under the financed purchase leases and the present value of the minimum lease payments at December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ 912,736
2025	639,308
2026	478,610
2027	<u>283,851</u>
Total minimum lease payments	2,314,505
Less: amount representing interest	<u>(229,636)</u>
Present value of future minimum lease payments	<u><u>\$ 2,084,869</u></u>

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Changes in long-term obligations for the year ended December 31, 2023 are as follows:

	December 31, 2022	Increase	Decrease	December 31, 2023	Amount Due Within One Year
Governmental activities:					
Bonds payable	\$ 77,241,600	\$ -	\$ (3,195,000)	\$ 74,046,600	\$ 3,380,000
Unamortized premium	4,338,061	-	(663,129)	3,674,932	-
Notes payable	8,725,000	-	(810,000)	7,915,000	840,000
Compensated absences	1,825,682	4,247,306	(4,104,014)	1,968,974	453,061
Financed purchase leases	2,855,465	93,900	(636,685)	2,312,680	598,294
Workers' compensation payable	528,449	45,821	(40,168)	534,102	145,308
Total governmental activities	<u>\$ 95,514,257</u>	<u>\$ 4,387,027</u>	<u>\$ (9,448,996)</u>	<u>\$ 90,452,288</u>	<u>\$ 5,416,663</u>

	December 31, 2022	Increase	Decrease	December 31, 2023	Amount Due Within One Year
Business-type activities:					
Bonds payable	\$ 267,268,400	\$ -	\$ (6,435,000)	\$ 260,833,400	\$ 6,945,000
Unamortized premium	9,299,119	-	(957,644)	8,341,475	-
Notes payable	48,085,271	4,113,732	(2,186,253)	50,012,750	2,083,245
Compensated absences	366,345	2,025,945	(1,930,980)	461,310	101,927
Financed purchase leases	1,903,487	1,083,243	(901,861)	2,084,869	806,630
Workers' compensation payable	5,711	-	(2,866)	2,845	-
Total business-type activities	<u>\$ 326,928,333</u>	<u>\$ 7,222,920</u>	<u>\$ (12,414,604)</u>	<u>\$ 321,736,649</u>	<u>\$ 9,936,802</u>

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

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dated January 15, 1992, December 14, 1993, and January 1, 1996) debt service payments to the Trustee.

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. The Series A bond of 2019 had no outstanding amount as of December 31, 2023.

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. 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 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. Interest rates on the Series B of 2020 Bonds range from 2.00% to 2.55% through the maturity date of December 1, 2044.

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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, 2023	Additions	Repayments	Balance December 31, 2023	Amount Due Within One Year
Series A of 2016 Parking Revenue Bonds	\$ 2,835,000	\$ -	\$ 1,055,000	\$ 1,780,000	\$ 1,090,000
Series A of 2019 Parking Revenue Bonds	27,825,000	-	770,000	27,055,000	1,015,000
Series B of 2019 Parking Revenue Bonds	205,000	-	205,000	-	-
Series A of 2020 Parking Revenue Bonds	13,460,000	-	40,000	13,420,000	45,000
Series B of 2020 Parking Revenue Bonds	5,260,000	-	-	5,260,000	-
	<u>\$ 49,585,000</u>	<u>\$ -</u>	<u>\$ 2,070,000</u>	<u>\$ 47,515,000</u>	<u>\$ 2,150,000</u>

Future maturities are as follows:

Year Ending December 31,	Principal	Interest	Total
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	2,470,000	1,251,423	3,721,423
2028	2,560,000	1,166,473	3,726,473
2029-2033	14,135,000	4,492,063	18,627,063
2034-2038	10,185,000	2,553,986	12,738,986
2039-2043	9,350,000	1,180,261	10,530,261
2044	2,030,000	62,750	2,092,750
Total	<u>\$ 47,515,000</u>	<u>\$ 14,985,375</u>	<u>\$ 62,500,375</u>

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Interest Expense

Interest expense on the bonds, excluding amortization of deferred charge on debt refunding, premiums (discounts), and prepaid insurance totaled \$1,586,034 for the year ended December 31, 2023.

Redevelopment Authority

Due to Lessee

The lessee of the Penn Square Hotel advanced \$1,000,000 to the Redevelopment Authority to facilitate debt service payments. Upon full payment of the related debt, these funds and any interest earned will be returned to the lessee. At December 31, 2023 the amount due is \$1,010,637.

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. The bonds bear interest of 6.99% per annum. Bond proceeds were used to fund the construction of the Penn Square Hotel (Note 17). Proceeds from the Infrastructure and Facilities Improvement Grant (Notes 3 and 16) 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, 2023 is \$1,180,951, of which \$570,190 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. The bonds bear interest of 6.39% per annum. Bond proceeds were used to fund construction of the Penn Square Hotel (Note 17). Proceeds from the Infrastructure and Facilities Improvement Grant (Notes 3 and 16) 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, 2023 is \$660,600, of which \$319,945 is due within one year.

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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, 2023. 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, 2023 is \$3,456,555, of which 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, 2023 is \$6,950,855 of which \$376,431 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, 2023. 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, 2023 is \$22,930,925, of which \$1,161,551 is due within one year.

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

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Aggregate maturities required on bonds and notes payable at December 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 5,884,672	\$ 1,649,317	\$ 7,533,989
2025	2,561,550	1,425,635	3,987,185
2026	1,685,675	1,293,424	2,979,099
2027	1,764,759	1,205,874	2,970,633
2028	1,847,553	1,117,347	2,964,900
2029	21,435,677	522,374	21,958,051
Total	<u>\$ 35,179,886</u>	<u>\$ 7,213,971</u>	<u>\$ 42,393,857</u>

Long-term obligation activity for the year ended December 31, 2023 can be summarized as follows:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
Due to lessee	\$ 1,000,536	\$ 10,101	\$ -	\$ 1,010,637
Bonds payable	39,487,243	-	4,307,357	35,179,886
	<u>\$ 40,487,779</u>	<u>\$ 10,101</u>	<u>\$ 4,307,357</u>	<u>\$ 36,190,523</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 \$1,841,551 as of December 31, 2023, 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 \$158,445 as of December 31, 2023. 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 16) and reserve fund balances before requesting debt service assistance of the City under this guaranty. Since inception of the bonds, the City has not made any debt service payments under the terms of the guaranty on behalf of the Redevelopment Authority. If any payment were made under the guaranty, the City could seek reimbursement from the Redevelopment Authority's subsequent receipt of special revenues.

As described in the Limited Guaranty Agreement between the City, the Redevelopment Authority, and the trustee, the City guarantees any shortfall in debt service payments by the Redevelopment Authority that could occur if the property became subject to real estate

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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, 2023 is \$3,456,555 and future interest payments, based on current interest rates, are \$78,462. The current tax-exempt assessment for the property is \$52,320,200 and the applicable combined millage rate is 37.9641. 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 CRIZ and Fulton Bank, N.A. The 2020 Note is available on a draw down basis through and including December 15, 2024 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. 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. CRIZ paid off the note in early January 2023 and no amount was due as of December 31, 2023.

Interest expense on this note was \$2,564 in 2023.

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12. 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. The plans do not issue separate reports.

FPP and PPP

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, 2023, 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

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Plan Participants

At December 31, 2023, employee membership data related to the FPP and PPP was as follows:

	FPP	PPP
Inactive plan members or beneficiaries currently receiving benefit:	131	192
Inactive plan members entitled to but not yet receiving benefits	1	9
Active plan members	68	112
Total	200	313

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, City Controller, City Treasurer, Chief of Fire, two active firefighters, and one retired firefighter. 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.

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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, 2023, there were 2 participants in the DROP. As of December 31, 2023, the balance held by the FPP pursuant to the DROP totaled \$324,105.

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 \$1,993,190 and \$5,088,742 for the year ended December 31, 2023 to the FPP and PPP, respectively.

Administrative Expenses

FPP and PPP administration costs are financed through investment income.

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Changes in Net Pension Liability

The changes in the net pension liability for the FPP and PPP at December 31, 2023 were as follows:

	Increase (Decrease)		
FPP:	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 60,381,498	\$ 47,389,337	\$ 12,992,161
Changes for the year:			
Service cost	906,371	-	906,371
Interest	4,594,219	-	4,594,219
Changes for experience	(1,080,811)	-	(1,080,811)
Contributions - employer	-	1,993,190	(1,993,190)
Contributions - employees	-	286,640	(286,640)
Net investment income (loss)	-	5,709,053	(5,709,053)
Benefit payments, including refunds	(4,881,731)	(4,881,731)	-
Administrative Expense	-	(28,500)	28,500
Net changes	(461,952)	3,078,652	(3,540,604)
Balances at December 31, 2023	<u>\$ 59,919,546</u>	<u>\$ 50,467,989</u>	<u>\$ 9,451,557</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>84.23%</u>

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PPP:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 118,468,352	\$ 84,728,984	\$ 33,739,368
Changes for the year:			
Service cost	1,847,145	-	1,847,145
Interest	8,875,936	-	8,875,936
Change in experience	(2,224,534)	-	(2,224,534)
Contributions - employer	-	5,088,742	(5,088,742)
Contributions - employees	-	709,969	(709,969)
Net investment income (loss)	-	10,315,447	(10,315,447)
Benefit payments, including refunds	(7,125,515)	(7,125,515)	-
Administrative expense	-	(63,500)	63,500
Net changes	1,373,032	8,925,143	(7,552,111)
Balances at December 31, 2023	\$ 119,841,384	\$ 93,654,127	\$ 26,187,257
Plan fiduciary net position as a percentage of the total pension liability			78.15%

The net pension liability was measured as of December 31, 2023 and was determined from the January 1, 2023 actuarial valuation. No significant events or changes occurred between the valuation date and the fiscal year-end.

Actuarial Assumptions - The January 1, 2023 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, and d) level dollar closed amortization method. These assumptions were applied to all periods included in the measurement of total pension liability.

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

Long-Term Expected Rate of Return - The long-term expected rates of return on both Plans' investments were determined using a building-block method in which best-estimate ranges

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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, 2023 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, 2023, the annual money-weighted rate of return on Plan investments, net of investment expense, was 12.46% and 12.44% for the FPP and PPP, respectively.

Discount Rate – The discount rate used to measure the total pension liability as of December 31, 2023 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>\$ 12,208,077</u>	<u>\$ 9,451,557</u>	<u>\$ 6,916,027</u>
PPP	<u>\$ 40,649,922</u>	<u>\$ 26,187,257</u>	<u>\$ 14,161,502</u>

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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, 2023, employee membership data related to the CBPP was as follows:

Inactive plan members or beneficiaries currently receiving benefit:	68
Inactive plan members entitled to but not yet receiving benefits	55
Active members	<u>343</u>
Total	<u><u>466</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, Director of Administrative Services, management employee representative, and an AFSCME employee representative.

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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 \$1,670,747 to the CBPP for the year ended December 31, 2023.

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Changes in the Net Pension Liability

The changes in the net pension liability for the CBPP at December 31, 2023 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 23,640,293	\$ 18,208,284	\$ 5,432,009
Service cost	916,618	-	916,618
Interest	1,660,262	-	1,660,262
Changes for experience	(1,049,880)	-	(1,049,880)
Contributions - employer	-	1,670,747	(1,670,747)
Net investment income (loss)	-	2,203,891	(2,203,891)
Benefit payments, including refunds	(1,213,731)	(1,213,731)	-
Administrative expense	-	(57,500)	57,500
Net changes	313,269	2,603,407	(2,290,138)
Balances at December 31, 2023	<u>\$ 23,953,562</u>	<u>\$ 20,811,691</u>	<u>\$ 3,141,871</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>86.88%</u>

The net pension liability of the pension plan is allocated between governmental activities and business-type activities in the amounts of \$1,785,512 and \$1,356,359 respectively, at December 31, 2023.

The net pension liability was measured as of December 31, 2023 and was determined from the January 1, 2023 actuarial valuation. No significant events or changes occurred between the valuation date and the fiscal year-end.

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Actuarial Assumptions - The January 1, 2023 actuarial valuation included the following assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
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

Change in assumptions – The investment rate of return was updated from 7.50% to 7.25% with the January 1, 2023 valuation.

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.

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The target allocation and best estimates of arithmetic real rates of return for each major asset class for the CBPP as of December 31, 2023 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, 2023, the annual money-weighted rate of return on CBPP investments, net of investment expense, was 12.30%.

Concentrations – At December 31, 2023, 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, 2023 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%)
\$ 6,516,818	\$ 3,141,871	\$ (117,555)

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

For the year ended December 31, 2023, the governmental activities and business-type activities recognized pension expense of \$5,468,644 and \$686,942, respectively.

At December 31, 2023, 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	\$ 551,667	\$ -
Net difference between projected and actual earnings on pension plan investments	6,482,860	322,152
Changes of assumptions	2,689,873	442,976
Total Deferred Outflows of Resources	<u>\$ 9,724,400</u>	<u>\$ 765,128</u>
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 3,684,721	\$ 800,239
Total Deferred Inflows of Resources	<u>\$ 3,684,721</u>	<u>\$ 800,239</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
2024	\$ 2,081,715	\$ 40,031
2025	2,067,901	85,924
2026	4,346,084	232,313
2027	(1,880,315)	(110,624)
2028	(380,855)	(17,655)
Thereafter	(194,851)	(265,100)
	<u>\$ 6,039,679</u>	<u>\$ (35,111)</u>

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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, 2023, there were 591 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, 2023, SSP participants and the City made contributions of \$1,544,115 and \$375,037 respectively.

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

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Pension Financial Statements

Financial statements for the individual pension plans are presented below:

Statement of Net Position December 31, 2023

	FPP	PPP	CBPP	SPP
Assets:				
Investments	\$ 50,370,278	\$ 93,299,627	\$ 20,823,356	\$ 14,834,363
Receivables:				
Investment income	194,310	354,500	-	-
Total Assets	50,564,588	93,654,127	20,823,356	14,834,363
Liabilities:				
Benefits payable	96,599	-	11,665	-
Net position restricted for pension benefits	\$ 50,467,989	\$ 93,654,127	\$ 20,811,691	\$ 14,834,363

Statement of Changes in Net Position Year Ended December 31, 2023

	FPP	PPP	CBPP	SPP
Additions:				
Contributions:				
Employees	\$ 286,640	\$ 709,969	\$ -	\$ 1,544,115
Employer	1,993,190	5,088,742	1,670,747	375,037
Total contributions	2,279,830	5,798,711	1,670,747	1,919,152
Investment income:				
Net appreciation in fair value of investments	4,480,124	8,065,602	1,730,101	1,425,132
Interest and dividends	1,436,359	2,556,436	551,432	496,363
Total investment income	5,916,483	10,622,038	2,281,533	1,921,495
Less: investment expenses	(235,931)	(370,090)	(135,142)	(70,106)
Net investment loss	5,680,552	10,251,948	2,146,391	1,851,389
Total additions	7,960,382	16,050,659	3,817,138	3,770,541
Deductions:				
Benefits	4,881,731	7,125,515	1,213,731	713,407
Total deductions	4,881,731	7,125,515	1,213,731	713,407
Change in net position	3,078,651	8,925,144	2,603,407	3,057,134
Net position restricted for pension benefits:				
Beginning of year	47,389,338	84,728,983	18,208,284	11,777,229
End of year	\$ 50,467,989	\$ 93,654,127	\$ 20,811,691	\$ 14,834,363

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Component Units

Commission

The Commission established a non-contributory, money purchase retirement plan for all eligible employees. The Corporation contributes 6% of eligible employees' earnings during the Plan year. Retirement expense totaled \$38,358 for the year ended December 31, 2023.

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, 2023:

Active employees	23
Inactive employees and beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	14
Total	<u>49</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, 2023, the Parking Authority made a contribution of \$96,773 and the MMO was \$96,773. During the year ended December 31, 2022, the Parking Authority made a contribution of \$57,069 and the MMO was \$57,069. The 2023 contribution is reported as a deferred outflow of resources at December 31, 2023.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of the Parking Authority for the year ended December 31, 2023 were as follows:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2022 (based on the measurement date of December 31, 2021)	\$ 2,167,725	\$ 2,429,510	\$ (261,785)
Changes for the year:			
Service cost	150,604	-	150,604
Interest	117,824	-	117,824
Differences between expected and actual experience	83,639	-	83,639
Contributions - employer	-	56,109	(56,109)
Contributions - PMRS assessment	-	1,080	(1,080)
Contributions - employee	-	74,499	(74,499)
Net investment income (loss)	-	(282,482)	282,482
Benefit payments, including refunds	(118,501)	(118,501)	-
Administrative expenses	-	(6,730)	6,730
Net changes	233,566	(276,025)	509,591
Balances at December 31, 2023 (based on the measurement date of December 31, 2022)	<u>\$ 2,401,291</u>	<u>\$ 2,153,485</u>	<u>\$ 247,806</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>89.68%</u>

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Actuarial Assumptions – The total pension liability was determined by an actuarial valuation performed on January 1, 2023, with liabilities rolled forward to December 31, 2022, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	5.25%
Projected salary increases	2.79% - 6.22% *
* includes inflation rate of 2.2%	
Post-retirement cost-of-living adjustments	2.2%, subject to plan limitations

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2014 to December 31, 2018.

Pre-retirement mortality:

Males: PUB-2010 General Employees male table

Females: PUB-2010 General Employees female table

Post-retirement mortality:

Males: RP 2006 Male Annuitant table

Females: RP 2006 Female Annuitant table

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 7.42%. 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, 2022 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 expected rate of return will be used in the depletion testing of the projected cash flows.

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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, 2023:

1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
<u>\$ 536,755</u>	<u>\$ 247,806</u>	<u>\$ 6,842</u>

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

For the year ended December 31, 2023, the Parking Authority recognized pension expense of \$90,505.

At December 31, 2023, 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	\$ 159,765	\$ 10,499
2023 Parking Authority contributions subsequent to the measurement date of December 31, 2022	96,733	-
Changes of assumptions	39,320	-
Net difference between projected and actual earnings on pension plan investments	55,029	-
Total	<u>\$ 350,847</u>	<u>\$ 10,499</u>

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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 2023 (subsequent to measurement date at December 31, 2022) will be recorded as a reduction to the pension liability during the year ending December 31, 2024. 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>	
2024	\$ (17,181)
2025	32,662
2026	82,554
2027	121,681
2028	11,948
Thereafter	<u>11,951</u>
	<u>\$ 243,615</u>

13. 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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Method Used to Value Investments

Investments are reported at fair value.

B. Plan Description and Contribution Information

At December 31, 2023, participants in the OPEB Plans were as follows:

	OPEB Plan	Water OPEB Plan	Sewer OPEB Plan
Inactive plan members or beneficiaries currently receiving benefits	410	36	22
Inactive plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	434	70	47
	<u>844</u>	<u>106</u>	<u>69</u>

Plan Description and Administration

In addition to the retirement benefits described in Note 12, the City provides health care benefits for all retired employees, their spouses, and dependents. These benefit provisions and all other requirements are established under the various union contracts and City policy for non-organized employees. Union labor contracts for the police, firefighters, and nonuniformed union employees establish the OPEB plan provisions. Such union contracts do not require City Council approval and may be amended through future negotiations. The OPEB plan provisions for non-organized employees are established through the City's human resources policies, which are approved by the Mayor.

Benefits Provided

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

Any firefighter, hired on or before November 30, 2012, who is eligible to retire, will receive fully paid medical and prescription drug coverage for the member, spouse, and

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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.

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

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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 \$5,107,666, \$802,088, and \$304,539 to the OPEB Plan, Water OPEB Plan, and Sewer OPEB Plan, respectively, for the year ended December 31, 2023.

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.

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

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Changes in Net OPEB Liability

The changes in the net OPEB liability of the OPEB Plans at December 31, 2023 were as follows:

	Increase (Decrease)		
OPEB Plan:	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2022	\$ 124,596,734	\$ -	\$ 124,596,734
Changes for the year:			
Service cost	4,255,218	-	4,255,218
Interest	5,446,877	-	5,446,877
Differences between Expected and Actual Experience		-	-
Changes of assumptions	6,573,548	-	6,573,548
Contributions - employer	-	5,107,666	(5,107,666)
Benefit payments, including refunds	(5,107,666)	(5,107,666)	-
Net changes	11,167,977	-	11,167,977
Balances at December 31, 2023	<u>\$ 135,764,711</u>	<u>\$ -</u>	<u>\$ 135,764,711</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 \$131,809,613 and \$3,955,098, respectively, at December 31, 2023.

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	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Water OPEB Plan:			
Balances at December 31, 2022	\$ 12,333,708	\$ 8,215,686	\$ 4,118,022
Changes for the year:			
Service cost	557,613	-	557,613
Interest	549,050	-	549,050
Differences between Expected and Actual Experience	-	-	-
Changes of assumptions	701,689	-	701,689
Contributions - employer	-	802,088	(802,088)
Net investment income (loss)	-	395,264	(395,264)
Benefit payments, including refunds	(335,669)	(335,669)	-
Administrative expenses	-	(37,707)	37,707
Net changes	1,472,683	823,976	648,707
Balances at December 31, 2023	\$ 13,806,391	\$ 9,039,662	\$ 4,766,729
Plan fiduciary net position as a percentage of the total OPEB liability			65.47%

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Sewer OPEB Plan:			
Balances at December 31, 2022	\$ 7,374,112	\$ 898,745	\$ 6,475,367
Changes for the year:			
Service cost	417,181	-	417,181
Interest	330,700	-	330,700
Differences between Expected and Actual Experience	-	-	-
Changes of assumptions	415,281	-	415,281
Contributions - employer	-	304,539	(304,539)
Net investment income (loss)	-	43,299	(43,299)
Benefit payments, including refunds	(251,412)	(251,412)	-
Administrative expenses	-	(4,143)	4,143
Net changes	911,750	92,283	819,467
Balances at December 31, 2023	\$ 8,285,862	\$ 991,028	\$ 7,294,834
Plan fiduciary net position as a percentage of the total OPEB liability			11.96%

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The net OPEB liability was measured as of December 31, 2023 and was determined by the January 1, 2022 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	4.02%
Medical inflation	7.0% in 2023, 7.0% in 2024, decreasing by 0.5% each year until 5.5% in 2027, 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long- Run Medical Cost Trend Model.
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 4.32% in the January 1, 2022 actuarial valuation as of December 31, 2022 to 4.30% in the January 1, 2022 actuarial valuation as of December 31, 2023. 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

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invested balance over a period of years and to preserve invested principal by investing 100% of the Sewer and Water OPEB Trusts in a Fidelity Money Market Fund managed by the Trust administrator, 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 2024 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, 2023 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, 2023, the annual money-weighted rate of return on the Sewer and Water OPEB Plan investments, net of investment expense, was 4.3%.

Concentrations – At December 31, 2023, none of the OPEB Plans' investments were more than five percent of the OPEB Plans' total asset value.

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YEAR ENDED DECEMBER 31, 2023

Discount Rate – The discount rate used to measure the total OPEB liability as of December 31, 2023 was 4.02%. 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 \$605,000 (which represents the average employer contributions to the OPEB trust over the last five years).

The rate of 4.02% as of December 31, 2023 is the single-effective discount rate using 4.50% on projected assets sufficient to cover expected cash flows and 4.00% on remaining cash flows expected to be paid from the OPEB Trust, not already funded for by current assets, on a projected basis. As the January 1, 2022 discount rate of 4.50% resulted in a projected depletion of OPEB Trust net position, a rate of 4.00% was used beginning in the cross-over depletion year of 2029, which is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2023.

In using the discount rate of 4.02% as of December 31, 2023, the OPEB Plans' fiduciary net position is projected to only be available to make projected future benefit payments of current active and inactive employees through the year 2031. Therefore, the long-term expected rate of return on OPEB Plans' investments was applied to periods of projected benefit payments through year 2031 to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability Changes in the Discount Rate – The following presents the net OPEB liability of the OPEB Plans calculated using the discount rate described above, as well as what the OPEB Plans' net OPEB liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates as of December 31, 2023:

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.22%)
OPEB Plan	<u>\$ 156,830,020</u>	<u>\$ 135,764,711</u>	<u>\$ 118,845,233</u>
Water OPEB Plan	<u>\$ 7,044,816</u>	<u>\$ 4,766,729</u>	<u>\$ 2,939,868</u>
Sewer OPEB Plan	<u>\$ 8,653,528</u>	<u>\$ 7,294,834</u>	<u>\$ 6,207,502</u>

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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, 2023:

	1% Decrease (6%)	Current Rates (7%)	1% Increase (8%)
OPEB Plan	\$ 115,459,892	\$ 135,764,711	\$ 161,518,315
Water OPEB Plan	\$ 2,480,920	\$ 4,766,729	\$ 7,694,483
Sewer OPEB Plan	\$ 5,939,981	\$ 7,294,834	\$ 9,036,132

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

For the year ended December 31, 2023, the governmental activities and business-type activities recognized OPEB expense of (\$3,425,811) and (\$1,337,759), respectively.

At December 31, 2023, 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	\$ 20,618,271	\$ 4,595,392
Differences between expected and actual experience	8,006,727	659,291
Net difference between projected and actual earnings on OPEB plan investments	-	388,491
Total Deferred Outflows of Resources	<u>\$ 28,624,998</u>	<u>\$ 5,643,174</u>
<u>Deferred Inflows of Resources</u>		
Changes of assumptions	\$ 36,546,953	\$ 7,880,545
Differences between expected and actual experience	11,366,542	3,660,009
Net difference between projected and actual earnings on OPEB plan investments	-	14,132
Total Deferred Inflows of Resources	<u>\$ 47,913,495</u>	<u>\$ 11,554,686</u>

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

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2024	\$ (7,812,582)	\$ (1,951,990)
2025	(1,959,074)	(556,436)
2026	(6,510,760)	(2,085,445)
2027	(4,068,742)	(1,536,733)
2028	1,062,661	219,092
	<u>\$ (19,288,497)</u>	<u>\$ (5,911,512)</u>

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Financial statements for the OPEB Trust Funds are presented below:

Statement of Net Position December 31, 2023

	Sewer OPEB Trust	Water OPEB Trust
Assets:		
Investments	\$ 991,028	\$ 9,039,662
Total Assets	991,028	9,039,662
Net position restricted for other post-employment benefits	\$ 991,028	\$ 9,039,662

Statement of Changes in Net Position Year Ended December 31, 2023

	Sewer OPEB Trust	Water OPEB Trust
Additions:		
Contributions:		
Employer	\$ 304,539	\$ 802,088
Total contributions	304,539	802,088
Investment income:		
Interest and dividends	43,299	395,264
Total investment income	43,299	395,264
Total additions	347,838	1,197,352
Deductions:		
Benefits	251,412	335,669
Administrative expenses	4,143	37,707
Total deductions	255,555	373,376
Change in net position	92,283	823,976
Net position restricted for other post-employment benefits:		
Beginning of year	898,745	8,215,686
End of year	\$ 991,028	\$ 9,039,662

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14. 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 2023, 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, 2023 and 2022 is as follows:

Unpaid claims as of January 1, 2022	\$ 1,814,322
Incurred claims and change in estimates during 2022	(779,515)
Payments during 2021	<u>(500,647)</u>
Unpaid claims as of December 31, 2022	534,160
Incurred claims and change in estimates during 2023	(37,595)
Payments during 2023	<u>40,382</u>
Unpaid claims as of December 31, 2023	<u><u>\$ 536,947</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, 2023 and 2022 is as follows:

Unpaid claims as of January 1, 2022	\$ 2,122,929
Incurred claims and change in estimates during 2022	15,368,170
Payments during 2022	<u>(16,231,586)</u>
Unpaid claims as of December 31, 2022	1,259,513
Incurred claims and change in estimates during 2023	16,740,808
Payments during 2023	<u>(16,045,810)</u>
Unpaid claims as of December 31, 2023	<u><u>\$ 1,954,511</u></u>

15. Property Sales

Component Unit

Redevelopment Authority

During the year ended December 31, 2023, three properties, which were acquired by purchase or eminent domain, were resold to private or corporate entities for rehabilitation. The just compensation cannot always be realized when properties are resold, as the cost of the rehabilitation work required when added to the just compensation would prohibit the property from being marketable to low- or moderate-income families. As a result, the

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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, 2023:

Property	Net Proceeds from Property Sales	Cost of Property Sold	Gain (Loss)
211 Coral Street	\$ 32,599	\$ 12,000	\$ 20,599
30 Caroline Street	60,000	125,000	(65,000)
506 Beaver Street	1	18,000	(17,999)
Other Property Revenues	-	24,543	(24,543)
	<u>\$ 92,600</u>	<u>\$ 179,543</u>	<u>\$ (86,943)</u>

LLBA

During the year ended December 31, 2023, 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 2023.

Properties sold during the year ended December 31, 2022:

Property	Net Proceeds from Property Sales	Cost of Property Sold	Gain (Loss)
524 Woodward Street	\$ 7,437	\$ 4,377	\$ 3,060

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16. 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.

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. No such grant funding was received in 2023.

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. For the year ended December 31, 2023, \$1,000,000 was received under this grant agreement for reimbursement of 2022 debt service requirements. The Redevelopment Authority has recorded a receivable of \$1,000,000 as of December 31, 2023, for the reimbursement of debt service payments made during 2023.

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 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 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. During the year ended

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December 31, 2023, CRIZ allocated an additional amount of \$1,858,606. The Redevelopment Authority recognized CRIZ grant proceeds of \$3,214,055 during the year ended December 31, 2023. 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.

17. 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%.

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

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the year ended December 31, 2023 was \$238,810 and \$179,108 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. As of December 31, 2023, there has not been an increase in the minimum participation rent based on operating results. This additional rent would be considered variable lease payments and are not included in the measurement of the lease receivable.

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 anticipates that the lessee will exercise the purchase option. Because the length of the lease is shorter than the expected useful life of the hotel, the Redevelopment Authority anticipates the recognition of a material loss when the purchase option is exercised.

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, 2023, the Redevelopment Authority recognized interest income from the underlying lease in the amount of \$1,735,405 and received base rent cash flow in the amount of \$4,897,638. These funds were utilized to make principal payments in the amount of \$2,116,011 and interest payments in the amount of \$1,456,704.

18. 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

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Parking Authority. The Redevelopment Authority has retained the related debt for the garage (Note 11) and serviced the debt through TIF revenues until it was paid in full in 2022.

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 TIF revenues were restricted and to be used for debt service on the TIF note payable and certain other permissible project related expenses. Any residual cash balances upon payment of the TIF note payable in full would be returned to the three taxing bodies. Due to the termination of the TIF, the Redevelopment Authority made the required distribution of remaining TIF cash balances as follows during the year ended December 31, 2023:

City	\$ 91,980
Lancaster County	22,885
School District of Lancaster	183,591
	<u>\$ 298,456</u>

19. 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 17). 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, 2023, the Redevelopment Authority made the required annual payment totaling \$411,112.

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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 as follows:

2024	\$ 430,456
2025	443,370
2026	456,671
2027	470,371
2028	484,482
Thereafter	499,016
	<u>\$ 2,784,366</u>

20. 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, 2023 is as follows:

	Due From Other Funds	Due To Other Funds
Governmental funds:		
General Fund	\$ 6,017,533	\$ 1,500,000
Proprietary funds:		
Sewer Fund	-	2,265,000
Water Fund	1,500,000	2,228,987
Internal Service Fund	-	1,443,546
Other Enterprise Funds	-	80,000
	<u>\$ 7,517,533</u>	<u>\$ 7,517,533</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 and the City subsequently entering into contract with Shentel in 2023 that requires Shentel to provide access to fiber broadband service to 100%

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of residential properties in the city. While the City will retain ownership of that portion of the fiber system built by MAW, lease that system to Shentel and receive non-cash benefits from the lease, the City anticipated there will not be revenues sufficient to provide for repayment of the original interfund borrowing of \$3,000. As a result, the \$1,500,000 due to the General Fund was written off in 2022 (deemed uncollectible) and the General Fund will reimburse the \$1,500,000 to the Water Fund in 2024.

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

Interfund transfers for the year ended December 31, 2023 are as follows:

	Interfund Transfers In	Interfund Transfers Out
Governmental funds:		
General Fund	\$ 8,000,000	\$ 6,640,308
Debt Service	7,370,678	-
ARPA Fund	-	6,000,000
Non-major governmental funds	650,000	1,380,370
Proprietary funds:		
Sewer Fund	-	72,913
Water Fund	-	2,000,000
Non-major proprietary funds	72,913	-
	<u>\$ 16,093,591</u>	<u>\$ 16,093,591</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.

21. 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

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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 2023.

Grants

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

Contract Commitments

The City, through the Capital Projects, a nonmajor fund, has entered into contracts with construction contractors totaling \$4,603,766. The commitment remaining on the contracts at December 31, 2023 was \$1,691,191.

The City, through the Sewer Fund, has entered into contracts with construction contractors totaling \$3,131,993. The commitment remaining on the contracts at December 31, 2023 was \$855,448.

The City, through the Water Fund, has entered into contracts with construction contractors totaling \$3,979,579. The commitment remaining on the contracts at December 31, 2023 was \$572,124.

Guarantee

The City is guarantor of the outstanding revenue bonds of the Parking Authority. As of December 31, 2023, the outstanding bonds amounted to \$47,515,000. 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

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owing under the Bonds. The Redevelopment Authority is expected to use its annual grant from the State to pay the debt service. In the event of a shortfall in the grant amount, the City is liable under the Guaranty agreement for payment of the shortfall in the annual debt service payment. Additionally, the Redevelopment Authority issued \$24 million in Bonds under a lease agreement with PSP. The City has guaranteed, on a limited basis, the debt service payments due and owing under the bonds. The guarantee is limited to the shortfall in any debt service payment owed by the Redevelopment Authority as the result of a shortfall in amounts available to the Redevelopment Authority under the lease because the Redevelopment Authority must apply amounts to the payment of real estate taxes on the 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, 2023.

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, 2023, there were bonds and notes issued and outstanding of \$274,415,929.

Parking Authority

The Parking Authority is finalizing two construction contracts entered into in 2022 for Duke Street Garage. The commitment outstanding was \$337,946 as of December 31, 2023. Final project completion will occur in 2024.

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In March 2020, the Parking Authority and the Lancaster Public Library (Library) entered into an agreement whereby the Parking Authority leased space to the Library in the Christian Street mixed-use parking garage building upon project completion. The Library was responsible for all costs incurred to complete the work on the library structure in order to prepare it for use as a public library. The lease commenced when the Library took occupancy of the space and the term is 99 years with monthly rent payments of \$0.

During 2023, a suit was filed by the Library claiming the Parking Authority is responsible for maintenance and repairs. Mediation was set for summer 2024 to resolve the matter and the Parking Authority seeks to limit obligations.

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 no amounts accrued as of December 31, 2023.

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

As of December 31, 2023, LanCity Connect Fund (other governmental fund) had a deficit in fund balance of \$565,338. The General Fund will continue to subsidize future LanCity Connect Fund expenditures.

As of December 31, 2023, Stormwater Fund (other enterprise fund) had a deficit in net position totaling \$2,427,034. 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, 2021, and again in 2023, improving the operating budget results and cash flow position of the SWMF.

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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%), 2020 (35%), 2023 (20%), and again in 2024 (10%). 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. Additionally, long-standing disputes with several of the City's bulk sewer partners have been fully resolved, resulting in past due payments from these partners being made. A new agreement with all of the City's bulk sewer partners has been in place since 2019, resulting in timely quarterly bulk sewer payments to the City from all partners.

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 was 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 had resulted in significant improvement in the Sewer Fund financials. There was a further reduction of the Sewer Fund's negative unrestricted net position by \$3 million during the year ended December 31, 2023. The City's 2025 Proposed Budget includes an inside City customer rate increase of 12% in an effort to continue the longer-term trend of improvement in the Sewer Fund's financial position.

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 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 to 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. In late 2022 City Council approved another inside City water rate increase of 20% effective in January 2023.

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

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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 Fund. These savings and the above-described water rate increases are anticipated to move the Water Fund into a stronger financial position in subsequent years. During the year ended December 31, 2023, the Water Fund's unrestricted net position improved by \$6.8 million. Another PUC rate for outside City customers is planned for early 2025.

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.

23. Restatement

Component Units

Commission

The beginning net position in the Statement of Activities for the Commission was restated by (\$53,403) to correct the failure to record certain accrued expenses and accounts receivable in 2022.

24. Subsequent Events

City

In September 2024, the City issued General Obligation Bonds, Series of 2024, in the amount of \$8,410,000.

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Component Units

Parking Authority

Subsequent to year end, the Parking Authority entered into a \$4.2 million plan quote for various stair and concrete repairs over a three-year period.

Redevelopment Authority

Purchase of Delinquent Real Estate Taxes

Following the process described in Note 3, subsequent to December 31, 2023, the Redevelopment Authority purchased the City's 2023 delinquent real estate taxes. The Redevelopment Authority drew down approximately \$911,500 on its revolving line of credit to finance the purchase price of approximately \$827,000 payable to the City, and \$84,500 for related transaction costs.

LLBA

Effective January 5, 2024, the Spanish American Civic Association Development Corporation (SACA) sold the property at 524 Woodward Street for \$170,000. This property was sold to SACA in 2022. Per the agreement between SACA and LLBA, they will receive reimbursement costs and fifty percent of the profits which as not been determined as of issuance date.

Commission

On May 28, 2024, the City approved an agreement that would generate an agreement of sale between the City and Lancaster School District to transfer the deed of Price Elementary School (located at 613 Fairview Avenue, Lancaster, PA) from the City to the Lancaster Recreation Foundation (an affiliate of the Commission). The purpose of the sale is to give the Commission a place to expand and to give the Lancaster School District additional space due to the Commission's existing location (which is owned by the City) being vacated as a result of the agreement of sale. The new facility will allow the Commission to add more than 150 Early Childhood Education program spots, as well as 200 school age wrap care spots and 300 summer camp spots, effectively doubling the capacity in childcare programs within the next five years.

The Commission expects a temporary lease with Lancaster School District to be finalized so that select demolition of the facility can begin while the agreement of sale is still being finalized. Construction is expected to begin in early 2025. In the meantime, the Commission

CITY OF LANCASTER, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

has continued to focus on the development of the new location and preparations for their programming expansion. State and Federal grant funding has been pursued to support the project as well as support from numerous private and family foundations. A capital campaign is expected to begin in late 2024 for the project, which is expected to cost between \$10-\$12 million dollars. As of September 25, 2024, the Commission has \$750,000 in ARPA funding committed from the City for the project; however, no other funding sources have responded.

LIDA

In May 2024, LIDA issued conduit debt in the amount of \$12,500,000 for the LancasterHistory.org project.



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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 906,371	\$ 776,208	\$ 739,246	\$ 750,888	\$ 715,131	\$ 703,268	\$ 669,779	\$ 701,974	\$ 668,547	\$ 646,693
Interest	4,594,219	4,756,382	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	(1,080,811)	-	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	(4,881,731)	(4,495,762)	(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	(461,952)	1,036,828	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	60,381,498	59,344,670	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)	\$ 59,919,546	\$ 60,381,498	\$ 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	\$ 1,993,190	\$ 2,335,134	\$ 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	286,640	306,463	280,540	298,005	286,474	284,272	274,034	288,150	290,678	293,263
Net investment income (loss)	5,709,053	(5,351,578)	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	(4,881,731)	(4,495,762)	(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	(28,500)	-	-	-	-	(26,631)	(8,700)	(6,380)	(32,701)	(5,690)
Net Change in Plan Fiduciary Net Position	3,078,652	(7,205,743)	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	47,389,337	54,595,080	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)	\$ 50,467,989	\$ 47,389,337	\$ 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)	\$ 9,451,557	\$ 12,992,161	\$ 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	84.23%	78.48%	92.00%	86.37%	83.64%	73.19%	81.70%	73.72%	73.05%	74.97%
Covered Payroll	\$ 6,550,758	\$ 6,447,579	\$ 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	144.28%	201.50%	81.46%	151.54%	165.27%	290.26%	197.57%	289.10%	313.12%	316.18%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 1,847,145	\$ 2,040,077	\$ 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	8,875,936	8,755,167	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	(2,224,534)	-	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	(7,125,515)	(6,513,415)	(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	1,373,032	4,281,829	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	118,468,352	114,186,523	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)	\$ 119,841,384	\$ 118,468,352	\$ 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	\$ 5,088,742	\$ 4,483,028	\$ 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	709,969	759,392	700,490	839,680	629,147	617,420	621,225	699,760	636,599	723,981
Net investment income (loss)	10,315,447	(9,261,075)	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	(7,125,515)	(6,636,565)	(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	(63,500)	-	-	-	-	(30,552)	(4,170)	(26,100)	(11,344)	(4,540)
Net Change in Plan Fiduciary Net Position	8,925,143	(10,655,220)	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	84,728,984	95,384,204	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)	\$ 93,654,127	\$ 84,728,984	\$ 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)	\$ 26,187,257	\$ 33,739,368	\$ 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	78.15%	71.52%	83.53%	78.73%	75.60%	67.20%	75.86%	74.56%	74.41%	77.45%
Covered Payroll	\$ 12,158,150	\$ 11,879,367	\$ 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	215.39%	284.02%	149.74%	175.30%	204.23%	273.29%	196.26%	202.98%	195.88%	169.88%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 916,618	\$ 847,387	\$ 810,897	\$ 731,328	\$ 699,835	\$ 645,808	\$ 617,998	\$ 569,268	\$ 542,160	\$ 533,032
Interest	1,660,262	1,649,454	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	(1,049,880)	-	(435,205)	-	(242,686)	-	(208,366)	-	(184,304)	-
Changes of assumptions	-	-	289,584	-	884,539	-	372,079	-	-	-
Benefit payments, including refunds	(1,213,731)	(1,520,511)	(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	313,269	976,330	1,115,407	964,139	1,932,786	808,592	1,324,007	1,265,240	520,116	986,658
Total Pension Liability - Beginning	23,640,293	22,663,963	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)	\$ 23,953,562	\$ 23,640,293	\$ 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	\$ 1,670,747	\$ 1,456,577	\$ 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)	2,203,891	(1,995,590)	2,752,495	1,651,411	2,564,992	(585,458)	1,419,263	722,581	139,124	854,651
Benefit payments, including refunds	(1,213,731)	(1,520,511)	(1,119,780)	(1,316,501)	(875,567)	(1,179,643)	(727,961)	(473,019)	(934,559)	(595,063)
Administrative expenses	(57,500)	(149,340)	(46,343)	(33,450)	(5,872)	(36,559)	(28,655)	(26,770)	(27,730)	(24,140)
Net Change in Plan Fiduciary Net Position	2,603,407	(2,208,864)	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	18,208,284	20,417,148	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)	\$ 20,811,691	\$ 18,208,284	\$ 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)	\$ 3,141,871	\$ 5,432,009	\$ 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	86.88%	77.02%	90.09%	80.87%	77.17%	69.60%	76.70%	72.48%	70.92%	72.90%
Covered Payroll	\$ 21,833,984	\$ 20,208,923	\$ 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	14.39%	26.88%	12.70%	23.09%	27.34%	34.01%	25.66%	30.10%	30.99%	29.32%

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

	2023*	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:									
Service cost	\$ 150,604	\$ 144,565	\$ 144,402	\$ 166,423	\$ 156,403	\$ 97,605	\$ 69,238	\$ 64,414	\$ 34,602
Interest	117,824	110,331	91,520	85,763	81,652	75,453	72,523	71,493	70,961
Changes in benefits	-	-	26,367	-	-	-	-	-	-
Benefit payments, including refunds	(118,501)	(117,447)	(142,465)	(104,098)	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Changes of assumptions	-	-	68,810	-	-	-	30,135	3,220	-
Differences between expected and actual experience	83,639	-	154,128	-	(62,989)	-	38,482	-	3,085
Net Changes in Total Pension Liability	233,566	137,449	342,762	148,088	72,872	66,037	86,402	19,787	(29,343)
Total Pension Liability - Beginning	2,167,725	2,030,276	1,687,514	1,539,426	1,466,554	1,400,517	1,314,115	1,294,328	1,323,671
Total Pension Liability - Ending (a)	\$ 2,401,291	\$ 2,167,725	\$ 2,030,276	\$ 1,687,514	\$ 1,539,426	\$ 1,466,554	\$ 1,400,517	\$ 1,314,115	\$ 1,294,328
Plan Fiduciary Net Position:									
Contributions - employer	\$ 57,189	\$ 55,542	\$ 75,437	\$ 64,525	\$ 31,163	\$ 19,000	\$ 20,875	\$ 5,112	\$ 7,687
Contributions - employees	74,499	71,990	82,679	95,042	81,810	47,920	31,547	24,532	16,561
Net investment income (loss)	(282,482)	296,579	341,984	281,068	(179,827)	247,783	143,577	(43,585)	104,945
Benefit payments, including refunds	(118,501)	(117,447)	(142,465)	(104,098)	(102,194)	(107,021)	(123,976)	(119,340)	(137,991)
Administrative expenses	(6,730)	(6,738)	(5,131)	(4,055)	(4,354)	(4,314)	(4,590)	(3,948)	(3,843)
Net Change in Plan Fiduciary Net Position	(276,025)	299,926	352,504	332,482	(173,402)	203,368	67,433	(137,229)	(12,641)
Plan Fiduciary Net Position - Beginning	2,429,510	2,129,584	1,777,080	1,444,598	1,618,000	1,414,632	1,347,199	1,484,428	1,497,069
Plan Fiduciary Net Position - Ending (b)	\$ 2,153,485	\$ 2,429,510	\$ 2,129,584	\$ 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)	\$ 247,806	\$ (261,785)	\$ (99,308)	\$ (89,566)	\$ 94,828	\$ (151,446)	\$ (14,115)	\$ (33,084)	\$ (190,100)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.7%	112.1%	104.9%	105.3%	93.8%	110.3%	101.0%	102.5%	114.7%
Covered Payroll	\$ 1,250,576	\$ 1,192,581	\$ 1,327,043	\$ 1,535,928	\$ 1,364,462	\$ 910,049	\$ 696,471	\$ 697,602	\$ 396,954
Net Pension Liability (Asset) as a Percentage of Covered Payroll	19.82%	-21.95%	-7.48%	-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.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 1,993,190	\$ 2,335,134	\$ 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 in relation to the actuarially determined contribution	1,993,190	2,335,134	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)
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>\$ 6,550,758</u>	<u>\$ 6,447,579</u>	<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	30.43%	36.22%	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	12.46%	-9.96%	16.04%	10.34%	20.54%	-5.60%	12.22%	7.03%	1.30%	9.42%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 5,088,742	\$ 4,483,028	\$ 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 in relation to the actuarially determined contribution	5,088,742	4,483,028	4,306,685	3,742,138	3,674,585	3,104,156	2,996,610	2,814,350	2,748,596	2,439,350 (1)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,158,150	\$ 11,879,367	\$ 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	41.85%	37.74%	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	12.44%	-9.91%	16.09%	10.23%	20.60%	-5.47%	12.04%	7.10%	1.22%	9.29%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions										
Actuarially determined contribution under Act 205	\$ 1,670,746	\$ 1,456,577	\$ 1,403,662	\$ 1,239,914	\$ 1,221,228	\$ 1,097,191	\$ 1,050,161	\$ 931,774	\$ 900,704	\$ 697,516
Contributions in relation to the actuarially determined contribution	1,670,746	1,456,577	1,403,662	1,239,914	1,221,228	1,097,191	1,050,161	931,774	900,704	697,517
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
Covered payroll	\$ 21,833,984	\$ 20,208,923	\$ 17,692,934	\$ 17,850,119	\$ 17,186,114	\$ 16,675,240	\$ 16,203,075	\$ 15,105,036	\$ 14,312,665	\$ 13,618,505
Contributions as a percentage of covered payroll	7.65%	7.21%	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	12.30%	-10.06%	16.00%	11.11%	19.80%	-4.41%	12.15%	6.86%	1.23%	8.89%

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

	2023*	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution under Act 205	\$ 57,069	\$ 55,502	\$ 75,417	\$ 64,365	\$ 31,043	\$ 18,720	\$ 20,835	\$ 5,032	\$ 6,907	\$ 2,736
Contribution in relation to the actuarially determined contribution	57,189	55,542	75,437	64,525	31,163	19,000	20,875	5,112	7,687	2,736
Contribution deficiency (excess)	<u>\$ (120)</u>	<u>\$ (40)</u>	<u>\$ (20)</u>	<u>\$ (160)</u>	<u>\$ (120)</u>	<u>\$ (280)</u>	<u>\$ (40)</u>	<u>\$ (80)</u>	<u>\$ (780)</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,250,576</u>	<u>\$ 1,192,581</u>	<u>\$ 1,327,043</u>	<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	4.57%	4.66%	5.68%	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.

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	1/1/2021	1/1/2021	1/1/2021
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	11 years	9 years	11 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	7.8%	7.8%	7.3%
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, 2021 FPP and PPP actuarial valuation, the remaining amortization method was updated from 6 years to 11 years and from 10 years to 9 years and the investment rate of return was updated from 8.0% to 7.8%.

In the January 1, 2021 CBPP actuarial valuation, the remaining amortization method was updated from 12 years to 11 years and the investment rate of return was updated from 7.5% to 7.3%

CITY OF LANCASTER, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

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.

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, 2022 (presented as the subsequent year on the preceding schedules) are as follows:

Actuarial valuation date	1/1/2019
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	5.25%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	2.8%
Post-retirement cost-of-living adjustment increase	2.2%, subject to plan limitations
Pre-retirement mortality:	
Male: RP 2000 with Non-Annuitant Male table projected 15 years with Scale	
Females: RP 2000 with Non-Annuitant Female table projected 15 years with Scale	
Post-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	

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.

CITY OF LANCASTER, PENNSYLVANIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

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

Effective with the December 31, 2020 measurement date were the following assumption changes: the experience study was updated from January 1, 2009 through December 31, 2013 to January 1, 2014 through December 31, 2018; mortality tables were updated from RP 2000 to PUB-2010 for pre-retirement and RP 2006 for post-retirement; post-retirement cost of living decreased from 2.8% to 2.2%; and projected salary increases were also adjusted.

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

	2023*	2022*	2021*	2020*	2019*	2018*	2017*
Total OPEB Liability:							
Service cost	\$ 4,255,218	\$ 6,383,564	\$ 7,040,694	\$ 5,764,796	\$ 4,597,057	\$ 6,922,393	\$ 6,592,755
Interest	5,446,877	3,570,088	3,286,026	4,726,538	4,327,650	4,886,806	4,638,834
Benefit payments	(5,107,666)	(4,388,198)	(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)	-
Differences between Expected and Actual Experience	-	12,588,215	-	-	-	-	-
Changes of assumptions	6,573,548	(44,099,763)	(15,110,603)	30,867,120	18,790,344	(4,953,863)	-
Net Changes in Total OPEB Liability	11,167,977	(25,946,094)	(9,003,655)	19,897,721	23,981,624	(33,659,637)	7,636,782
Total OPEB Liability - Beginning	124,596,734	150,542,828	159,546,483	139,648,762	115,667,138	149,326,775	141,689,993
Total OPEB Liability - Ending (a)	\$ 135,764,711	\$ 124,596,734	\$ 150,542,828	\$ 159,546,483	\$ 139,648,762	\$ 115,667,138	\$ 149,326,775
Plan Fiduciary Net Position:							
Contributions - employer	\$ 5,107,666	\$ 4,388,198	\$ 4,219,772	\$ 4,033,879	\$ 3,733,427	\$ 3,860,539	\$ 3,594,807
Net investment income	-	-	-	-	-	-	-
Benefit payments	(5,107,666)	(4,388,198)	(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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability - Ending (a-b)	\$ 135,764,711	\$ 124,596,734	\$ 150,542,828	\$ 159,546,483	\$ 139,648,762	\$ 115,667,138	\$ 149,326,775
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* 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

	2023*	2022*	2021*	2020*	2019*	2018*	2017*
Total OPEB Liability:							
Service cost	\$ 557,613	\$ 767,781	\$ 854,424	\$ 570,141	\$ 451,320	\$ 978,590	\$ 931,990
Interest	549,050	427,397	396,245	572,746	515,196	619,303	583,655
Benefit payments	(335,669)	(384,602)	(424,501)	(428,747)	(435,383)	(435,122)	(440,716)
Changes for experience	-	-	-	(2,580,399)	-	(4,747,005)	-
Differences between Expected and Actual Experience	-	(1,789,749)	-	-	-	-	-
Changes of assumptions	701,689	(4,629,727)	(2,071,319)	4,035,969	2,625,999	(1,348,338)	-
Net Changes in Total OPEB Liability	1,472,683	(5,608,900)	(1,245,151)	2,169,710	3,157,132	(4,932,572)	1,074,929
Total OPEB Liability - Beginning	12,333,708	17,942,608	19,187,759	17,018,049	13,860,917	18,793,489	17,718,560
Total OPEB Liability - Ending (a)	\$ 13,806,391	\$ 12,333,708	\$ 17,942,608	\$ 19,187,759	\$ 17,018,049	\$ 13,860,917	\$ 18,793,489
Plan Fiduciary Net Position:							
Contributions - employer	\$ 802,088	\$ 664,968	\$ 895,612	\$ 890,990	\$ 1,447,582	\$ 1,340,156	\$ 1,354,601
Net investment income	395,264	105,424	761	17,982	115,919	79,521	23,346
Benefit payments	(335,669)	(384,602)	(424,501)	(428,747)	(435,383)	(435,122)	(440,716)
Administrative expense	(37,707)	(35,941)	(34,176)	(32,184)	(28,344)	(23,751)	(19,549)
Net Change in Plan Fiduciary Net Position	823,976	349,849	437,696	448,041	1,099,774	960,804	917,682
Plan Fiduciary Net Position - Beginning	8,215,686	7,865,837	7,428,141	6,980,100	5,880,326	4,919,522	4,001,840
Plan Fiduciary Net Position - Ending (b)	\$ 9,039,662	\$ 8,215,686	\$ 7,865,837	\$ 7,428,141	\$ 6,980,100	\$ 5,880,326	\$ 4,919,522
Net OPEB Liability - Ending (a-b)	\$ 4,766,729	\$ 4,118,022	\$ 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	65.47%	66.61%	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

	2023*	2022*	2021*	2020*	2019*	2018*	2017*
Total OPEB Liability:							
Service cost	\$ 417,181	\$ 616,043	\$ 679,747	\$ 341,895	\$ 270,990	\$ 509,182	\$ 484,935
Interest	330,700	245,121	222,228	281,580	254,070	320,534	302,702
Benefit payments	(251,412)	(242,538)	(232,646)	(248,205)	(235,276)	(264,372)	(231,564)
Changes for experience	-	-	-	(237,103)	-	(2,974,945)	-
Differences between Expected and Actual Experience	-	(636,814)	-	-	-	-	-
Changes of assumptions	415,281	(2,734,327)	(1,100,404)	2,094,264	1,237,236	(537,672)	-
Net Changes in Total OPEB Liability	911,750	(2,752,515)	(431,075)	2,232,431	1,527,020	(2,947,273)	556,073
Total OPEB Liability - Beginning	7,374,112	10,126,627	10,557,702	8,325,271	6,798,251	9,745,524	9,189,451
Total OPEB Liability - Ending (a)	\$ 8,285,862	\$ 7,374,112	\$ 10,126,627	\$ 10,557,702	\$ 8,325,271	\$ 6,798,251	\$ 9,745,524
Plan Fiduciary Net Position:							
Contributions - employer	\$ 304,539	\$ 282,006	\$ 309,562	\$ 302,968	\$ 345,761	\$ 365,769	\$ 335,755
Net investment income	43,299	11,534	81	1,872	11,987	8,124	2,340
Benefit payments	(251,412)	(242,538)	(232,646)	(248,205)	(235,276)	(264,372)	(231,564)
Administrative expense	(4,143)	(3,911)	(3,636)	(3,382)	(3,191)	(2,421)	(1,948)
Net Change in Plan Fiduciary Net Position	92,283	47,091	73,361	53,253	119,281	107,100	104,583
Plan Fiduciary Net Position - Beginning	898,745	851,654	778,293	725,040	605,759	498,659	394,076
Plan Fiduciary Net Position - Ending (b)	\$ 991,028	\$ 898,745	\$ 851,654	\$ 778,293	\$ 725,040	\$ 605,759	\$ 498,659
Net OPEB Liability - Ending (a-b)	\$ 7,294,834	\$ 6,475,367	\$ 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	11.96%	12.19%	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:

<u>Schedule of City Contributions</u>	2023*	2022*	2021*	2020*	2019*	2018*	2017*
Actuarially determined contribution	\$ 5,107,666	\$ 4,388,198	\$ 4,219,772	\$ 4,033,879	\$ 3,733,427	\$ 3,860,539	\$ 3,594,807
Contributions in relation to the actuarially determined contribution	5,107,666	4,388,198	4,219,772	4,033,879	3,733,427	3,860,539	3,594,807
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investment Returns</u>							
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A

OPEB WATER PLAN:

<u>Schedule of City Contributions</u>							
Actuarially determined contribution	\$ 802,088	\$ 664,968	\$ 895,612	\$ 890,990	\$ 1,447,582	\$ 1,340,156	\$ 1,354,601
Contributions in relation to the actuarially determined contribution	802,088	664,968	895,612	890,990	1,447,582	1,340,156	1,354,601
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investment Returns</u>							
Annual money-weighted rate of return, net of investment expense	4.30%	0.87%	(-0.44%)	0.24%	1.81%	1.47%	0.52%

OPEB SEWER PLAN:

<u>Schedule of City Contributions</u>							
Actuarially determined contribution	\$ 304,539	\$ 282,006	\$ 309,562	\$ 302,968	\$ 345,761	\$ 365,769	\$ 335,755
Contributions in relation to the actuarially determined contribution	304,539	282,006	309,562	302,968	345,761	365,769	335,755
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investment Returns</u>							
Annual money-weighted rate of return, net of investment expense	4.30%	0.87%	(-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, 2023. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions:	
Interest rate	4.02%
Medical inflation	7.0% in 2023, 7.0% in 2024, decreasing by 0.5% each year until 5.5% in 2027, 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long- Run Medical Cost Trend Model.
Mortality table	PubS-2010 mortality table for police officers and firefighters and PubG-2010 mortality table for nonuniformed employees
Retirement age	Nonuniformed employees are assumed to retire at age 62 and completion of 10 years of service. Police Officers age 53 and older and Firefighters age 55 and older are assumed to retire immediately upon reaching 25 years of service. Retirement is mandatory upon attainment of age 60.

Changes in Actuarial Assumptions

The interest rate changed from 4.32% in the January 1, 2022 actuarial valuation as of December 31, 2022 to 4.30% in the January 1, 2022 actuarial valuation as of December 31, 2023. In addition, the healthcare cost trend rates were also updated.

The interest rate changed from 2.31% in the January 1, 2020 actuarial valuation as of December 31, 2021 to 4.32% in the January 1, 2022 actuarial valuation as of December 31, 2022. In addition, the healthcare cost trend rates were also updated.

CITY OF LANCASTER

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS

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.

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:				
Real estate taxes, net of discount	\$ 33,250,000	\$ 33,250,000	\$ 33,538,205	\$ 288,205
Real estate transfer tax	1,540,000	1,540,000	1,433,945	(106,055)
Penalties, interest, and costs on delinquent real estate taxes	120,300	120,300	126,056	5,756
Earned income tax	8,425,000	8,425,000	8,735,820	310,820
Local services tax	1,500,000	1,500,000	1,577,602	77,602
Total taxes	44,835,300	44,835,300	45,411,628	576,328
Intergovernmental revenues:				
Grants	8,000	8,000	73,871	65,871
PA state reimbursement	75,000	75,000	40,457	(34,543)
Pension state aid	3,175,000	3,175,000	3,583,072	408,072
Public utility realty tax	39,300	39,300	37,284	(2,016)
Alcohol beverage tax	32,000	32,000	31,450	(550)
Total intergovernmental revenues	3,329,300	3,329,300	3,766,134	436,834
Licenses and permits	3,045,000	3,045,000	3,128,114	83,114
Fines and forfeitures	1,870,000	1,870,000	1,658,168	(211,832)
Rents and charges for services	1,545,500	1,545,500	1,400,140	(145,360)
Investment income	1,000	1,000	27,857	26,857
Miscellaneous	2,660,680	2,660,680	2,437,510	(223,170)
Other financing sources:				
Interfund reimbursements	4,407,322	4,407,322	3,993,138	(414,184)
Sale of general capital assets	175,000	175,000	265,808	90,808
Transfers in	8,000,000	8,000,000	8,000,000	-
Total other financing sources	12,582,322	12,582,322	12,258,946	(323,376)
Total revenues and other financing sources	\$ 69,869,102	\$ 69,869,102	\$ 70,088,497	\$ 219,395

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Executive department:				
Office of the Mayor	\$ 535,191	\$ 485,191	\$ 492,373	\$ (7,182)
Office of Neighborhood Engagement	901,691	901,691	933,666	(31,975)
Office of the City Solicitor	435,741	485,741	478,721	7,020
	<u>1,872,623</u>	<u>1,872,623</u>	<u>1,904,760</u>	<u>(32,137)</u>
Legislative department:				
Office of the City Council	69,700	69,700	64,414	5,286
Office of the City Clerk	84,334	87,834	86,313	1,521
	<u>154,034</u>	<u>157,534</u>	<u>150,727</u>	<u>6,807</u>
Office of the City Treasurer/Controller	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
Administrative services:				
Bureau of Accounting	1,077,317	1,077,317	1,297,599	(220,282)
Bureau of Procurement and Collections	135,330	135,330	119,267	16,063
Bureau of Human Resources	901,112	901,112	727,267	173,845
Bureau of Information Services	1,672,611	1,672,611	1,246,361	426,250
Community Involvement	715,956	715,956	632,208	83,748
Insurance	750,500	750,500	728,117	22,383
Fringe benefits	3,438,000	3,475,179	3,731,183	(256,004)
	<u>8,690,826</u>	<u>8,728,005</u>	<u>8,482,002</u>	<u>246,003</u>
Public safety:				
Bureau of Police	28,833,333	28,808,109	27,834,595	973,514
Bureau of Fire	12,691,297	12,675,843	13,073,588	(397,745)
	<u>41,524,630</u>	<u>41,483,952</u>	<u>40,908,183</u>	<u>575,769</u>
Community planning and economic development:				
Office of the Director	1,382,024	1,382,024	1,313,053	68,971
Building Code Administration	635,214	635,214	631,461	3,753
Property Maintenance	1,105,895	1,105,895	1,800,062	(694,167)
Bureau of Planning	669,982	669,982	571,711	98,271
Bureau of Health	1,048,000	1,048,000	396,558	651,442
	<u>4,841,115</u>	<u>4,841,115</u>	<u>4,712,845</u>	<u>128,270</u>
Public works:				
Office of the Director	1,900,953	1,900,953	1,880,024	20,929
Bureau of Engineering	596,622	596,622	514,495	82,127
Bureau of Streets:				
Administration	150,300	158,929	159,047	(118)
Maintenance	852,008	818,379	509,098	309,281
Traffic	1,031,520	985,820	840,075	145,745
Motor Vehicles	443,994	443,994	441,046	2,948
Bureau of Parks:				
Administration	196,443	266,443	148,923	117,520
Buildings	1,738,027	1,738,027	1,634,577	103,450
Parks	1,164,931	1,164,931	1,078,670	86,261
	<u>8,074,798</u>	<u>8,074,098</u>	<u>7,205,955</u>	<u>868,143</u>
Other financing uses:				
Transfers out	6,690,404	6,690,404	6,640,308	50,096
Total expenditures and other financing uses	<u>\$ 71,865,430</u>	<u>\$ 71,864,731</u>	<u>\$ 70,021,780</u>	<u>\$ 1,842,951</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, 2023

1. Budgetary Basis of Accounting

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

	<u>Appropriation</u>	<u>Expenditures</u>
Executive department:		
Office of the Mayor	\$ 485,191	\$ 492,373
Office of Neighborhood Engagement	901,691	933,666
Administrative services:		
Bureau of Accounting	1,077,317	1,297,599
Fringe benefits	3,475,179	3,731,183
Public safety:		
Bureau of Fire	12,675,843	13,073,588
Community planning and economic development		
Property maintenance	1,105,895	1,800,062
Public works:		
Administration	158,929	159,047

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, 2023

Direct Expenses and Costs:

City Bureau of Sewers (Administration - 880)	\$ 2,043,819
Collection system (881) *	1,739,876
Sewage pumping stations (882)	1,331,375
Sewage treatment plants (883)	5,726,101
Sewage grounds maintenance (884)	43,203
	<hr/>
	10,884,374
Allowance per contracts for indirect expenses and costs (\$10,884,374 x 5.0%)	<hr/>
	544,219
	<hr/>
	11,428,593
	<hr/>
Less reimbursements (as defined in agreements):	
Miscellaneous	325,916
Industrial waste surcharge	581,619
Management and operation service fee	187,786
	<hr/>
	1,095,321
	<hr/>
Net Cost of Operations of the City Sewer System	\$ 10,333,272
	<hr/> <hr/>

* Combined total for all municipalities

CITY OF LANCASTER, PENNSYLVANIA

SCHEDULE OF DIRECT EXPENSES AND COSTS

YEAR ENDED DECEMBER 31, 2023

City Bureau of Sewers (Administration - 880):

Salaries and wages	\$ 334,839
Consultant and contract services	121,782
Training	16,551
Uniforms	17,100
Telephone	54,922
Insurance package	252,642
Miscellaneous expense	48,241
Fringe benefits	1,197,742
	<hr/>
	2,043,819

Collection System (881) *:

Salaries and wages	1,101,010
Vehicle maintenance	81,122
Gasoline and oil	45,786
Miscellaneous expenses	511,958
	<hr/>
	1,739,876

Sewage Pumping Stations (882):

Salaries and wages	922,293
Equipment maintenance	101,172
Building maintenance	1,263
Fuel	16,743
Power	340,260
Miscellaneous expenses	(50,356)
	<hr/>
	1,331,375

Sewage Treatment Plants (883):

Salaries and wages	1,141,256
Chemicals and laboratory supplies	1,048,897
Equipment maintenance	684,562
Vehicle maintenance	18,794
Gasoline, oil, and fuel	50,367
Water utility expense	187,375
Power	643,527
Building maintenance	36,148
Sludge disposal	1,830,428
Miscellaneous expenses	84,747
	<hr/>
	5,726,101

Sewer Grounds Maintenance (884):

Salaries and wages	13,770
Operating equipment	22,249
Fringe benefits	7,184
	<hr/>
	43,203

Total Direct Expenses and Costs

\$ 10,884,374

* Combined total for all municipalities

CITY OF LANCASTER, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2023

Net cost of operation of the City of Lancaster sewer system *	\$ 10,333,272
Number of units of 1,000 gallons of sewage treated per records of the City of Lancaster (unaudited)	<u>6,104,271</u>
Net Cost of Treating 1,000 Gallons of Sewage (unaudited) **	<u><u>\$ 1.6928</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.

City of Lancaster, Pennsylvania

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended December 31, 2023

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lancaster (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Lancaster Industrial Development Authority, the Lancaster Recreation Commission, the Lancaster Downtown Investment District Authority, and the City of Lancaster City Revitalization and Improvement Zone Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Parking Authority of the City of Lancaster, the Redevelopment Authority of the City of Lancaster, and the City of Lancaster Land Bank Authority or that are reported on separately by those auditors who audited the financial statements of the Lancaster Downtown Investment District Authority.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

To the Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

To the Honorable Danene Sorace, Mayor and Members of City Council
City of Lancaster, Pennsylvania
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
October 31, 2024

CITY OF LANCASTER, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

- I. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2023-001: Material Adjustments

Condition: The City did not have sufficient controls in place to ensure the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The following balances were not properly stated as of December 31, 2023: due from other funds, due to other funds, fund balance, cash, interest income, and interest expense.

Criteria: Auditing standards place emphasis on an entity's ability to have the internal controls over financial reporting in place to fully prepare its own external financial statements, including the posting of all adjustments necessary to present financial statements in accordance with GAAP and evaluating the need for all necessary financial statement disclosures. Reliance on auditors to ensure comprehensive financial reporting is an internal control deficiency.

Cause: The City's internal control structure did not facilitate adequate review of GAAP basis financial statements.

Effect: In the General Fund: fund balance was overstated by \$6,000,000, due from other funds was overstated by \$3,000,000 and due to other funds was understated by \$3,000,000; in Nonmajor governmental funds: fund balance was understated by \$6,000,000 and due to other funds was overstated by \$6,000,000; and year to date activity was not properly recorded in two of the City's cash accounts which caused the following: understatement of cash by \$405,599, understatement of interest income of \$1,984,086, and understatement of interest expense of \$2,389,685. Material audit adjustments were proposed by the auditors and accepted by management in order for the financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that due from other funds, due to other funds, fund balance, cash, investment income, and interest expense are properly stated and ensure that the financial statements are prepared in accordance with GAAP.

Management's Response: Management agrees. See Corrective Action Plan.

CITY OF LANCASTER, PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

- I. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2022-001: Material Adjustments

Condition: The City did not have sufficient controls in place to ensure the financial statements could be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The following balances were not properly stated as of December 31, 2022: governmental activities capital assets; grant revenue and due from other governments for Other Governmental funds.

Recommendation: We recommend that the City implement procedures for adequate review of financial information to ensure that capital assets, due from other governments, and grant revenue are properly stated and ensure that the financial statements are prepared in accordance with GAAP.

Current Status: Corrective action has not been fully implemented.