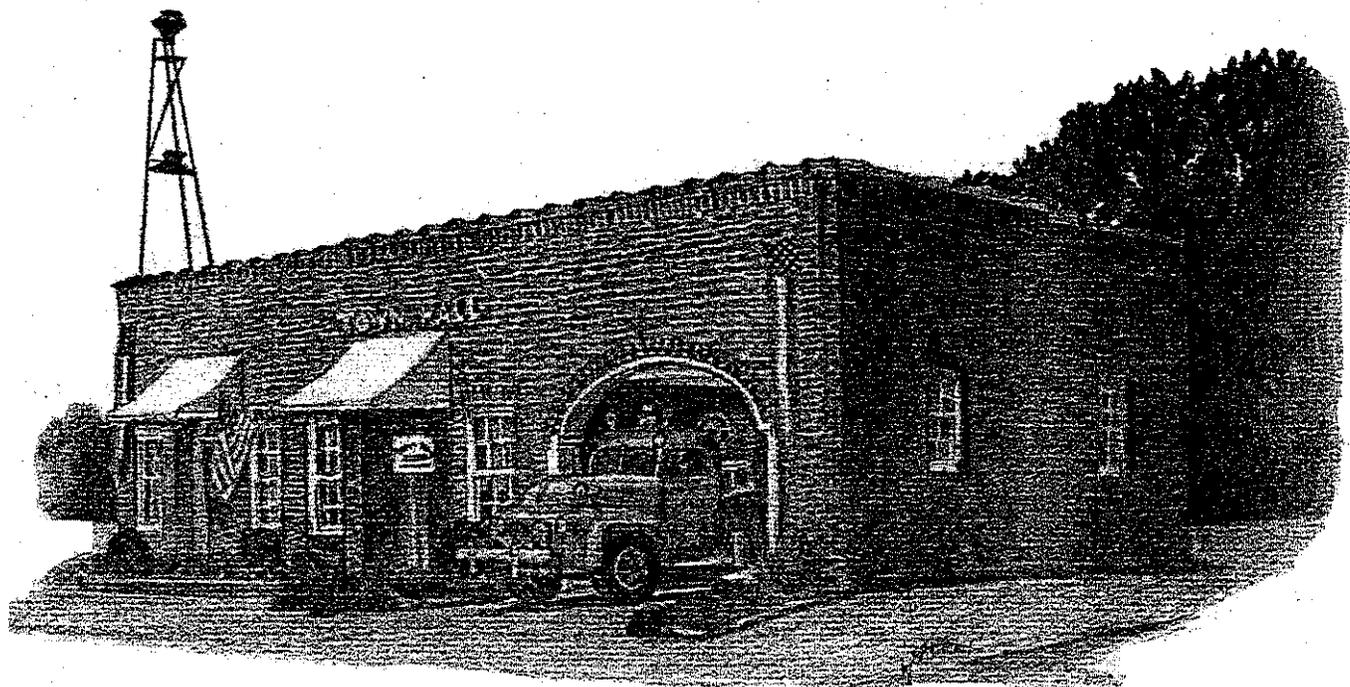


# TOWN OF LEXINGTON SOUTH CAROLINA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2002**

TOWN OF LEXINGTON, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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YEAR ENDED JUNE 30, 2002



Prepared by: Finance Department

L. C. Greene, Town Administrator  
Stuart W. Ford, CPA, Finance Director

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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YEAR ENDED JUNE 30, 2002

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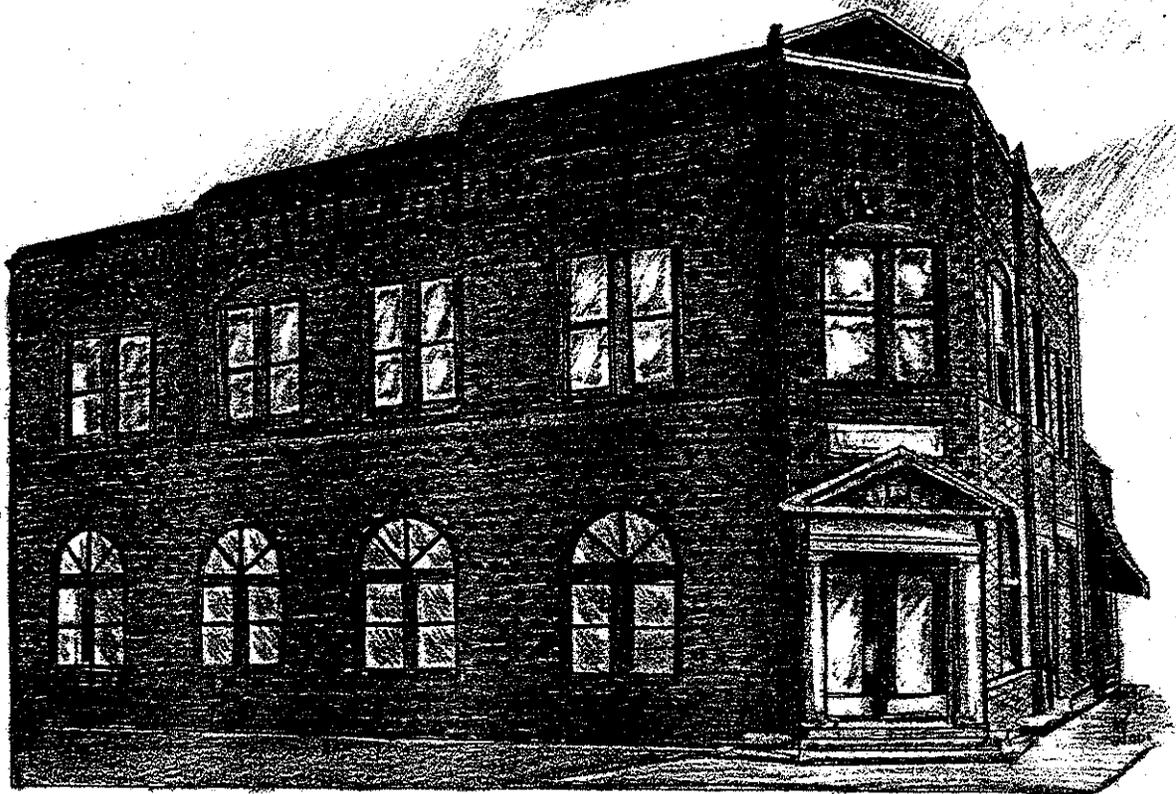
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**Home National Bank (1912)** on the southeast corner of Main Street and North Lake Drive operated until 1932. Lexington Depository Bank occupied the building from 1940 until 1960.

Daniel P. Breazeale, Sr.  
MAYOR

**COUNCIL**

Linda W. Bryant-MAYOR PRO TEM  
Constance Caractor Flemming  
T. Randall Halfacre  
Hazel Leggett-Tyndall  
James M. Lowman  
Richard D. Thompson

**ADMINISTRATOR**

L. C. Greene

**ASSISTANT ADMINISTRATOR**

James W. Duckett

**MUNICIPAL CLERK**

Julia Kight



Donna Smith-Economic Development

951-4649

Joe Boles – Building/Zoning

951-4655

Stuart W. Ford, CPA – Finance

951-4637

Cherry Jackson – Clerk of Court

951-4634

Dan Walker – Parks & Appearance

359-1027

Chief Mike Roth – Police

359-6260

Hammond E. Edwards, Jr. – Engineering &

Planning

951-4695

Allen Lutz – Utilities

359-2434

**TOWN OF LEXINGTON, SOUTH CAROLINA  
LETTER OF TRANSMITTAL  
JANUARY 14, 2003**

**To the Honorable Daniel P. Breazeale, Sr., Mayor, Members of Town Council, and the  
Citizens of the Town of Lexington, South Carolina**

The Comprehensive Annual Financial Report (CAFR) for the Town of Lexington for the year ended June 30, 2002, is hereby submitted as mandated by both local ordinances and polices and state statutes. This report, in its entirety, was prepared by the staff of the Town's Finance Department and with the helpful assistance of our independent auditors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Contained in this report is information for the use of all those interested in the Town's finances, including the taxpayers and citizens, members of Town Council, and potential investors and creditors that will have, or have had, a relationship with the Town of Lexington. The organization, form, and content of this report, and the accompanying financial reports and statistical tables, were formulated according to the principles prescribed by the Governmental Accounting Standards Board and the Government Finance Officers Association.

For the convenience of readers, the report is divided into three distinct sections as follows:

- The Introductory Section contains this letter of transmittal, a list of Town officials and an organizational chart of the Town Government and Finance Department.

- The Financial section includes the General Purpose Financial Statements and the combining and account group financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules.
- The Statistical Section, which is unaudited, includes selected financial and demographic information, presented on a multi-year basis.

The Town of Lexington was not required to undergo a single audit because the Town did not expend more than \$300,000 in federal awards during the year ended June 30, 2002.

## THE TOWN AND ITS ORGANIZATION

In 1733, the colonists of South Carolina created the Congaree District as an inland buffer to protect Charleston. This was a large tract of land along the Congaree River now known as the Midlands. In 1735, the developers of the district changed the name to *Saxe Gotha* in an attempt to lure the Swiss and Germans to the area. The name was given in honor of the marriage of the British Prince of Wales to the Princess Augusta of the German state of Saxe Gotha. After the Revolutionary War, patriotism was high, so in 1785, the name of the district was changed to Lexington in honor of the Colonial victory over the British at Lexington, Massachusetts. Shortly thereafter, the state of South Carolina began changing districts to counties and created Lexington County from the old Lexington district and a portion of the Orangeburg district. The state moved the courthouse to Granby (now the City of Cayce), but malaria was common in the swampy lowland area along the Congaree River. On January 20, 1829, the state bought land at the northwest corner of what is now U.S. #1 and S.C. 6 in the county's central highlands and the county seat was moved from Granby. Although a small, rural community began to grow around the new courthouse, the Town of Lexington was not incorporated until January 28, 1861. In 1927, the municipal water system began operation, followed soon afterward by a sewer system, to serve residents of the one square mile area.

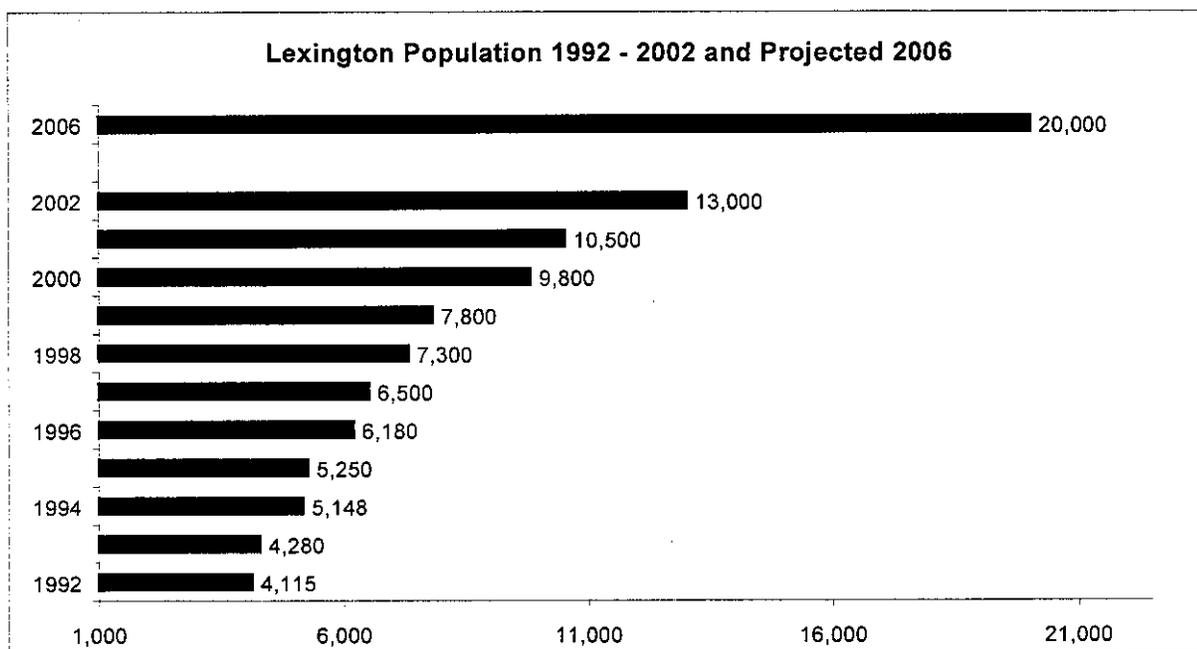
On August 31, 1976, the Council form of government was officially adopted by the Town under the Home Rule Act. The Town Council consists of seven elected officials that are responsible for enacting the ordinances and resolutions that govern the town. All six council members and the mayor are elected to staggered terms in at large elections that are held in even years. Town Council appoints the Town Administrator, Town Attorney, Municipal Judge, Municipal Clerk, and all department directors. The department directors are responsible for the enforcement of all resolutions and ordinances passed by Town Council.

The Town of Lexington is the county seat for Lexington County and is considered a suburb of the City of Columbia. Lexington is located 12 miles from downtown Columbia and is easily accessible to I-20, I-26, and I-77. Because of its location, award winning school system, and small-town flavor, Lexington has grown at a rapid pace. According to the 2000 Census, Lexington County is the 5<sup>th</sup> largest county (by population) in the state and the 3<sup>rd</sup> fastest growing county in the state. The town, along with the surrounding area (approximately a 5-mile radius), has experienced phenomenal growth over the last several years and all indicators show that this trend should continue into the future.

## ECONOMIC CONDITIONS AND OUTLOOK

The Town of Lexington continues to be one of the fastest growing municipalities in the state of South Carolina, as unprecedented growth and development continues in and around the Town. The 2000 Census indicated a population of 9,793, which was a 142% increase over the 1990 count. As of June 2002, the town estimates the population to be 13,000, or 33% over the latest census. Population growth is on pace to exceed 20,000 by 2006. When the Town was incorporated in 1861, it literally covered one square mile, but since the rapid growth in population and commerce began in the 1970s, the Town's area has grown to about 6.5 square miles, with approximately 200 acres added during the current year.

The following chart depicts the rapid population growth experience by the Town of Lexington since 1992 and the projected growth through 2006.



One of the main reasons people move to Lexington is for our excellent school system. Lexington School District One is consistently rated as one of the top three school districts in the state and has been one of the fastest growing school districts for the past 10 years. Three schools are within the town limits: Lexington Elementary, Lexington Intermediate, and Lexington Middle School. Located just outside of the current town limits are Midway Elementary and Lexington High School. Families are not only attracted to the quality schools, but also to the small, hometown, community feel of Lexington that offers a quality of life that enhances the rearing of children.

The Town continues to develop water and wastewater infrastructure that has and will continue to enable the development of commercial, industrial and residential properties. The Town provides water and sewer service to areas both inside and outside of the town limits. The Town's sewer service area is approximately 100 square miles. The water and sewer system has 168 miles of

sewer lines and 122 miles of water lines and serves approximately 4,700 water accounts and 5,900 sewer accounts (nearly 6,500 individual residential and commercial customers).

During the past year, over 100 new businesses opened in the Town of Lexington. Some of the most notable projects during the year were:

In Town (completed):

- Lexington Medical Center Urgent Care Facility (100,000 square feet)
- Oakleaf Village of Lexington (100+ unit assisted living facility)
- Wolf's Gym
- Fatz Café
- Architects BC (6,200 square foot expansion)
- Fort Jackson Federal Credit Union
- AAMCO Transmission

Out of Town (completed), but served by the Water and Sewer System:

- Hope Ferry Crossing (Shopping Center and Office Complex)
- Palmetto Plaza Shopping Center

Projects under construction:

- Kohl's Department Store (86,500 square feet)
- Office Depot
- Tire Kingdom
- Southlake Commons (assisted and independent living facility)
- Hansen International (vehicle parts manufacturer)
- Uno's Pizzeria
- Howard B. Jones & Sons (headquarters)

Numerous other restaurants, retail service and suppliers and professional office developments were completed during the year. Construction of new houses also continued at a rapid pace with the start of 107 multi-family units and 178 single family dwellings. Other developments were announced during the year including 83,000 square foot expansion of Lexington Place Shopping Center, Palmetto Citizens Federal Credit Union, Lexington Towne Center expansion, and several subdivisions with approximately 400 total units.

In addition to these major commercial developments, local government made significant new investments in capital projects during the year. Lexington County began construction on its \$28 Million Courthouse Complex and expansion of the County Administration Building. The Town commenced an approximately 50,000 square foot expansion of Town Hall and began construction on the approximately \$2 million Main Street Streetscape.

## MAJOR INITIATIVES

During Fiscal Year 2001 – 2002, the Town continued to address the effects of growth. The Town Council commissioned a Strategic Plan Committee to prepare a Strategic Plan for the coming decade. The group was comprised of elected officials, town staff, citizens, and business leaders. The resulting plan was adopted by Town Council and sets forth the strategic direction of the Town.

The Strategic Plan identified the Town's vision to be "A great place to live, work, play and visit in a clean, green, safe, thriving, economically sound, easily accessible and inviting community". Several goals were established to enable the Town to achieve its vision:

- Optimized traffic flow and roadways
- Enhanced infrastructure
- Increased funding
- Improved governmental cooperation
- Enhanced community development

Several initiatives during the year relate directly to the goals of the Strategic Plan:

### Lexington Southern Beltway:

The Town took the lead in proposing and promoting the concept of a southern beltway connecting U.S.#1 south of downtown to U.S. Highway 378 on the west side of town, including a new interchange on Interstate 20. The effort included promotion of the need for and benefits of the beltway to elected officials (local, state, and federal), the business community and citizens of the Town and surrounding areas. The South Carolina Department of Transportation endorsed the concept and pledged support and assistance through the funding, design and construction phases of the project. Although the proposed \$80 million beltway is far from being approved and constructed, the Town's efforts demonstrate a commitment to addressing traffic growth and the resulting effects on public safety, quality of life, and economic development.

### Roadway Improvement Plan:

The Town conducted an assessment of the approximately 26 miles of town owned roads to identify required repairs and improvements. The study estimated needed investment to be approximately \$500,000 annually over the next decade. Two important steps were taken to fully fund the initial, most critically needed projects in the plan. First, general obligation bonds were issued which provided nearly \$800,000 for roadway improvements. Second, Town Council designated \$500,000 of General Fund unreserved/undesignated fund balance for roadway improvements as part of the adopted 2003 budget. These actions ensure that roadway improvements will continue through 2005.

### Industrial Drive Sewer Extension:

The Town applied for and was awarded through the highly competitive tobacco settlement funding process, a \$100,000 grant from the South Carolina Department of Commerce for the construction of a sewer line extension along Industrial Drive. When completed in 2003, the project will enhance the infrastructure necessary for the Industrial Drive area to realize its full potential as Lexington County's premier "industrial park".

In addition to the Industrial Drive project, the Town continued to solidify the infrastructure needs of this growing suburban area. In 1997, The Town of Lexington began to develop a regional sewer system for Lexington and the surrounding areas. The system includes, in part, the 24-mile 12/14 Mile Creek project which was completed in 1999 and the approximately 27-mile Highway 378 Sewer line purchased and connected to the regional system in fiscal year 2000. During Fiscal Year 2001 – 2002, the Town completed the expansion of lines connecting to the regional system and refined its capital improvements plan.

The Town's commitment to provide adequate infrastructure will help sustain the growth rates that have been attained in the recent years and which have made Lexington, South Carolina one of the State's fastest growing municipalities.

#### Main Street Streetscape Project:

The streetscape project is an example of cooperation among local, state and federal governments, the business community, and citizens. The initial phase of the project (along the business block of Main Street), consists of new sidewalks, rebuilt roadway, trees and landscaping, underground utilities, and decorative lighting and curbs. The Town has committed approximately \$1,700,000 in local funding through the proceeds from the issuance of general obligation bonds. The project was approved in 1999 by the Central Midlands Council of Governments and the South Carolina Department of Transportation. A \$271,000 grant was awarded for the project under the provisions of the federal transportation enhancement program, Transportation Equity Act for the 21<sup>st</sup> Century ("TEA-21"). The Town's franchise agreement with SCANA provided matching funds for the installation of underground utilities. Local businesses and citizens have contributed by patiently enduring the inconvenience associated with a construction project of this magnitude. Upon completion of the initial phase, the project is intended to continue east to Cedarcrest Drive and west to Columbia Avenue.

The Main Street Project prompted a more comprehensive study which produced a proposed Master Plan concept which calls for expanded green space, preservation of the historic residential and commercial district bounded by Main Street, Columbia Avenue and South Carolina Highway 6, and development of distinctive "gateways" into Lexington. Although the Master Plan has not formally been adopted, it serves as a strategic planning tool for the Town.

#### Issuance of Refunding and Improvement Revenue Bonds:

The Town refinanced substantial portions of its outstanding debt in October, 2001, to take advantage of historically low interest rates, to lower annual debt service, and to provide funding for the expansion of the water and sewer system and facilities. Net annual debt service was reduced by approximately \$400,000, thereby lowering the impact of required water and sewer rate increases by approximately 7%, an average annual saving of approximately \$60 for each of our water and sewer customers.

#### Town Hall Expansion:

Construction began on the 56,000 square foot expansion of Town Hall. The 14,000 square foot Public Safety Building will be completed in early 2003, while the remainder of the project will be completed in late 2004. The expanded Town Hall will, when completed, include a 1,600 square foot atrium overlooking Virginia Hylton Park, a 4,600 square foot community center and

banquet facility with a catering kitchen, and sufficient office space to accommodate projected Town growth over the next two decades.

Park Improvements:

During Fiscal Year 2001 - 2002, the Town continued efforts to improve the Virginia Hylton Park, including a revamping of the amphitheater to provide additional seating. The Corley Street Park improvement project gained momentum during the year with formulation of preliminary plans for a water park and overall revitalization of the Park. Also, the Town entered negotiations to purchase property to be incorporated into the Corley Street Park.

## **INTERNAL CONTROL**

Internal controls are procedures that are designed to protect assets from loss, theft or misuse; to check the accuracy and reliability of accounting data; to promote operations efficiency; and to encourage compliance with managerial policies. The management of the Town is responsible for establishing a system of internal controls designed to provide reasonable assurances these objectives are met.

Federal and state financial assistance programs require recipients to comply with many laws and regulations. Administrative controls are procedures designed to insure compliance with these regulations.

## **BUDGETARY CONTROLS**

The Town maintains budgetary controls, which are designed to insure compliance with all legal provisions of the annual budget as adopted by Council. The Town's budget process provides for input from department directors, elected officials, and the public to determine the Town's programs and services for the year. During the fiscal year, transfers can be made between budgetary line items with the approval of the Mayor and Finance Director. The General Fund and Enterprise Fund have formally adopted legal budgets, whereas other funds have approved budgets for management purposes.

## **SAXE GOTHA PUBLIC FACILITIES**

The Saxe Gotha Public Facilities Corporation is a separate reporting entity of the Town of Lexington, but is accounted for as a blended component unit. In 1994, the Corporation completed the construction of the current Municipal Complex from the proceeds of the issuance of Certificates of Participation. In exchange for the use of the Municipal Complex, the Town has assumed responsibility for the annual debt service payments associated with the facility. As a result of the relationship between the Town of Lexington and the Saxe Gotha Public Facilities Corporation, the obligations are being reported in the General Long Term Debt Account Group.

## FINANCIAL OVERVIEW

### GOVERNMENTAL FUND TYPES:

The Town of Lexington's general governmental functions include its General, Special Revenue, Debt Service and Capital Projects Funds. The following section details revenues and expenditures for the Town's general governmental functions.

#### Revenues

The Town of Lexington is experiencing tremendous growth and will continue to increase the amount of revenues collected in its governmental funds. During Fiscal Year 2001 – 2002, total revenues increased by approximately 7.8% with collections for franchise fees, licenses and permits, interest income, fines and forfeitures, other governmental revenue and charges for services and miscellaneous, all increasing over the previous year's amounts.

Property taxes declined by approximately \$10,000, due to slightly lower delinquent tax collections. Any change in the property tax rates is made by Council and for the Fiscal Year 2001 – 2002, the millage rate was 43.7 mills. The County of Lexington underwent a reassessment and equalization process during 2000 that altered the assessed values within the Town. The final assessment values resulted in the Town lowering the millage for Fiscal Year 2001 – 2002, to 43.7 mills from 51 mills to comply with state law.

Franchises, licenses and permits increased by \$232,985, or 10.3%, during Fiscal Year 2001 – 2002 as the Town's economy continued to grow. This growth led to new businesses locating within the Town, which generated additional business license revenues; additional customers were added that increased revenues for electric, cable and phone franchises; and developers purchased additional permits associated with the construction of new dwellings and businesses.

Other governmental revenue increased by \$204,767, or 42%, during Fiscal Year 2001 – 2002. The increase was due primarily the Town's Local Government Fund allocation which increased approximately 80% in the final quarter of the previous fiscal year as a result of the 2000 Census.

Fines and forfeitures increased \$22,825, or 8.2%, as a result of increased enforcement as the Police Department was fully staffed for the year. Additionally, the overall growth in traffic naturally increases the number of citations written.

Interest income decreased \$71,319, or 46.8%, due to the substantial reduction in general interest rates accompanying the national economic recession.

Charges for services and miscellaneous, which include space rentals and other miscellaneous service fees, were slightly higher due in part to additional rental income from leasing water tower space for a portion of the year to a telecommunications service.

#### Expenditures

Total expenditures increased by 5.5% during Fiscal 2001 – 2002. Increased expenditures occurred in the areas of general government, public safety, parks, streets and sanitation, victim's

assistance and capital outlay. Debt service was lower and no accommodations tax expenditures were recognized during the year as the approval of funding occurred subsequent to year end.

Expenditures for the Town's general government function increased by \$121,609, or 8.8%. The Town increased personnel related costs primarily as a result of increases in employee benefit costs. Capital Outlay increase with the purchase of real estate on Hendrix Street. Debt Service decreased as the Mobex system lease for approximately \$150,000 was fully repaid during the previous year and an equipment lease was fully retired during the first quarter of the current year.

The following table depicts undesignated/unreserved and designated fund balances for the General Fund at June 30, 2002 and 2001, respectively. Designated amounts are for drug enforcement, while prepaid items are comprised of insurance and computer support in 2001 and computer support alone in 2002.

General Fund - Fund Balance	2002	2001
Reserved for prepaid items	\$ 2,790	\$ 96,540
Undesignated/Unreserved	3,307,079	2,810,955
Designated	13,745	9,332
Total Fund Balance	<u>\$ 3,323,564</u>	<u>\$ 2,916,827</u>

PROPRIETARY FUND TYPES:

The Town of Lexington maintains a single Enterprise Fund in the "Proprietary Fund Types" that is used to account for the revenues and expenses associated with the Waterworks and Sewer System. The following section details revenues and expenses for the Town's enterprise functions.

Revenues

The \$772,637, or 16.3%, increase in total operating revenue can be attributed to both the growth of the Lexington service area and an increase in rates implemented in October, 2001. The Town of Lexington's water service revenue increased 13% while sewer service revenue increased by 17.8%. The region faced severe drought conditions during 2002 and the City of Cayce reopened its water plant which increased overall water capacity in the County, thereby preventing implementation of water usage restrictions. The City of West Columbia remained the primary supplier of water for the Town under terms of the water purchase agreement.

During the Fiscal Year 2001 – 2002, the Town collected \$1,528,075 in capital contribution fees, an increase of approximately 22%. Developers also contributed water and sewer assets to the Town with a fair value of \$1,563,902. In accordance with GASB Statement 33, capital contribution fees and other capital contributions were recognized as non-operating revenue totaling \$3,091,977.

During the Fiscal Year 2001 – 2002, the Town added to its water and sewer system 209 new water accounts (a 4.5% increase) and 548 new sewer accounts (a 9.3% increase). The analysis of

the overall growth pattern and of proposed projects indicates that the revenue and account growth trends should continue during Fiscal Year 2002 – 2003.

Expenses

Operating expenses of the Waterworks and Sewer System Enterprise Fund increased by \$300,432, or 7.3%. The increase is attributable to the general increase in personnel related costs previously discussed relative to the general government. Depreciation expense increased approximately \$67,000, or 6.5%. Donated assets alone resulted in an increase in depreciation in the current year of approximately \$27,000. The cost of water purchased from the City of West Columbia increased approximately \$150,000, or 25%. The increase resulted from both an increase in volume and in wholesale costs. During the year, the City of Cayce reopened its water plant and therefore discontinued purchasing water from West Columbia. As a result, the Town's proportionate share of water produced by West Columbia increased. The Town's contract with West Columbia provides for wholesale water costs to be governed by a formula whereby the Town's proportionate share of water purchased from West Columbia either increases or decreases the cost per 1000 gallons.

Interest income declined due to the general decline in interest rates. Interest expense declined \$203,318, or 11.5%, as a result of the refunding of substantial portions of Enterprise Fund debt in October, 2001.

Operating income increased \$527,795, or 73%, and net income increased by \$1,570,110, or 127%. The most significant factor in the increase in net income was the increase in capital contribution revenue of \$1,277,686, primarily from additional non-cash developer contributions of fixed assets.

The Town complied with its bonded debt covenants during the Fiscal Year 2001 – 2002. Management is aware of the need to monitor rates and charges to ensure adequate system revenues. Accordingly, a rate study was completed in the fall of 2001. The study recommended a series of 5% per year rate increases, the first of which was implemented in October, 2001 followed by the second in July, 2002.

The following table depicts unreserved and reserved retained earnings for the Waterworks and Sewer System Enterprise Fund at June 30, 2002 and 2001, respectively. Reserved amounts are for debt service and renewal and replacement.

Enterprise Fund - Retained Earnings	2002	2001
Unreserved	\$ 9,375,470	\$ 5,701,099
Reserved	-	864,892
Total Retained Earnings	<u>\$ 9,375,470</u>	<u>\$ 6,565,990</u>

## **DEBT ADMINISTRATION**

The Town of Lexington funds the daily operation of government through current operating revenues. However, the Town has issued revenue bonds for the expansion of the waterworks and sewer system, general obligation bonds for major capital improvement projects, Certificates of Participation for the construction of the municipal complex and periodically utilizes lease purchasing for the acquisition of major capital equipment.

Moody rated "Aaa", or "A2", (Fitch rated "AAA") the Town of Lexington's \$27,475,000 Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001A and \$5,800,000 Combined Waterworks and Sewer System Revenue Bonds, Series 2001B. The proceeds of these issues refunded portions of the Enterprise Fund's then outstanding revenue bonds and contractual obligations while providing additional funding for the expansion of the system and facilities.

Moody also rated "Aaa" the Town of Lexington's \$2,450,000 General Obligation Bonds of 2002. The proceeds will fund capital improvement projects including the Main Street Streetscape and roadway improvements.

The Town's available legal debt margin was \$604,968 as of June 30, 2002. This amount excludes outstanding certificate of participation bonds that were issued during Fiscal Year 1994. An operating transfer from General Fund revenues to the Debt Service Fund are utilized to pay the outstanding bonds related to the municipal complex.

## **CASH MANAGEMENT**

The Town maintains cash and cash equivalents which consist of cash deposit accounts with a maturity of three months or less from purchase and other short term, highly liquid investments that are readily convertible to known amounts of cash. The Town of Lexington invests other available resources in accordance with the Town's investment policies. This has included investments in certificates of deposit with maturities of less than two years, Treasury Notes and other high-grade securities. Working capital has been invested in various money market funds and overnight repurchase agreements. Substantial portions of the Town's cash and cash equivalents at June 30, 2002, were invested in the Local Government Investment Pool administered by the State Treasurer. The mix of deposit and investment accounts is periodically evaluated to optimize return and ensure compliance with the Town's investment policies. All funds are collateralized in accordance with requirements of South Carolina law.

## **RISK MANAGEMENT**

The Town of Lexington is insured through various third party organizations for tort, health and workers' compensation claims. The Town funds all unemployment claims through current resources. The Town is a member of governmental pools that provide coverage for the Town's insurance claims including the South Carolina Insurance Reserve Fund (SCMIRF) for tort and liability claims and the South Carolina Municipal Insurance Trust (SCMIT) for workers' compensation. The Town's health and dental claims are insured through the South Carolina Office of Insurance Services (OIS).

## **INDEPENDENT AUDIT**

An audit of the general purpose financial statements was performed by the independent certified public accounting firm of Brittingham, Dial & Jeffcoat, P. A., of West Columbia, South Carolina. The Town again received an unqualified opinion, which is the best possible result from the financial statement audit process.

## **AWARDS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the year ended June 30, 2001. This was the fourth consecutive year that the Town has received this prestigious award. In order to be awarded the Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both the generally accepted accounting principles and applicable legal requirements.

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

## **ADDITIONAL INFORMATION**

The following tables and charts depict the revenues, expenditures and expenses of the General, Special Revenue, Debt Service and Capital Projects Funds (all governmental fund types), and the Enterprise Fund for the Town of Lexington. This information has been included as a part of the letter of transmittal to help the reader assess the financial performance of the Town of Lexington for the Fiscal Year 2001 – 2002.

The Town's general fixed assets, exclusive of those used in the enterprise fund, are reported within the general fixed assets account group. During the year ended June 30, 2000, the Town began presenting its general fixed assets by function and activity in three categories: general government, public safety, and parks, streets and sanitation.

### ACKNOWLEDGEMENTS

This report represents countless hours of preparation and record keeping by the members of the Finance Department. Those staff members are:

**Gwen Holdman, Assistant Finance Director**  
**Mira Jeffcoat, Billing Supervisor**  
**Laraine Wieder, Accountant II**  
**Sonya Lee, Accountant I**  
**Regina Lowell, Accounting Clerk**  
**Vesta Troutman, Accounting Clerk**  
**Sherry Brooks, Accounting Clerk**  
**Tony Harsey, Meter Technician**  
**Mary Louise Resch, Grants Administrator**

Additional thanks to **Wendy Jeffcoat** of Design Concepts for providing the art work used throughout the report and on the cover featuring "old Town Hall" circa 1970s. Also, special thanks to the firm of Brittingham, Dial & Jeffcoat, P. A., (particularly **Ken Prince, CPA**), for their technical assistance in helping to complete this – the Town's fifth-year Comprehensive Annual Financial Report.

Respectfully submitted,

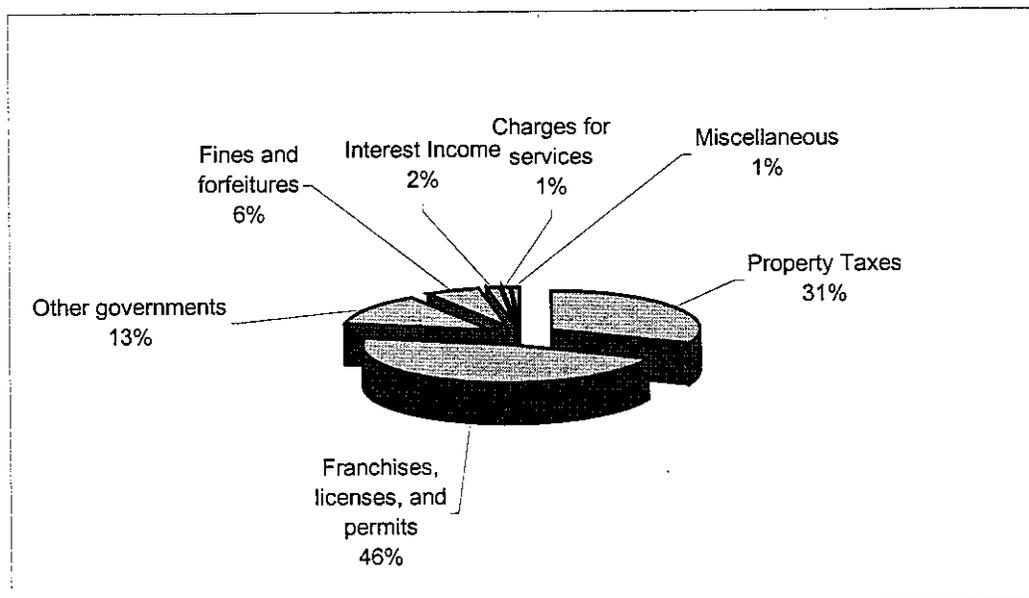


Stuart W. Ford, CPA  
Finance Director

Town of Lexington, South Carolina  
 All Governmental Fund Types  
 Year Ended June 30, 2002  
 (With Comparative Totals for the Year Ended June 30, 2001)

Revenue	2002 Total Revenue	2001 Total Revenue	Increase (Decrease)	Percent Change
Property Taxes	\$ 1,643,953	\$ 1,654,082	\$ (10,129)	-0.61%
Franchises, licenses, and permits	2,485,391	2,252,406	232,985	10.34%
Other governments	691,297	486,530	204,767	42.09%
Fines and forfeitures	299,714	276,889	22,825	8.24%
Interest Income	81,140	152,459	(71,319)	-46.78%
Charges for services	41,429	35,591	5,838	16.40%
Miscellaneous	40,634	43,485	(2,851)	-6.56%
<b>Total Revenue</b>	<b>5,283,558</b>	<b>4,901,442</b>	<b>382,116</b>	<b>7.80%</b>

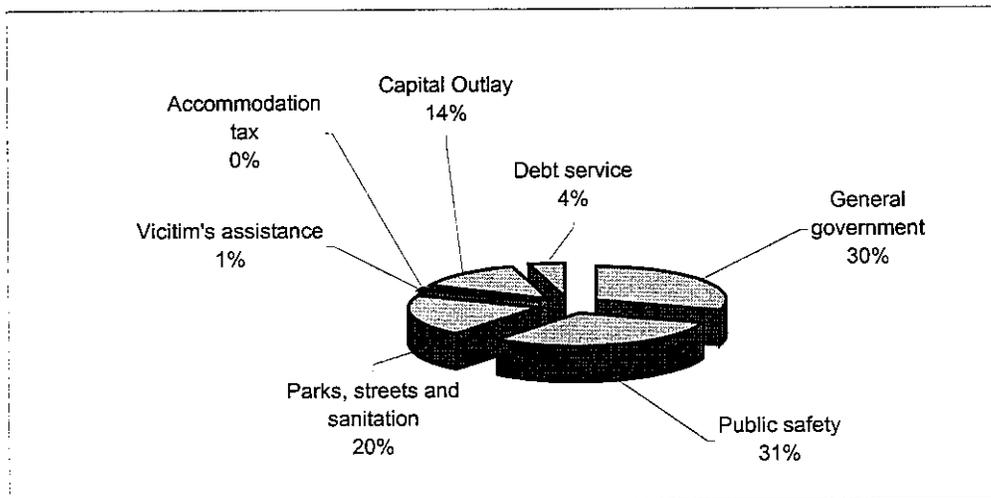
Percentages of Revenue  
 Year Ended June 30, 2002



Town of Lexington, South Carolina  
 All Governmental Fund Types  
 Year Ended June 30, 2002  
 (With Comparative Totals for the Year Ended June 30, 2001)

Expenditures	2002 Total Expenditures	2001 Total Expenditures	Increase (Decrease)	Percent Change
<b>Current:</b>				
General government	\$ 1,509,230	\$ 1,387,621	\$ 121,609	8.76%
Public safety	1,551,536	1,391,450	160,086	11.50%
Parks, streets and sanitation	1,023,938	957,204	66,734	6.97%
Victim's assistance	44,184	35,236	8,948	25.39%
Accommodation tax	-	30,042	(30,042)	-100.00%
Capital Outlay	689,109	437,340	251,769	57.57%
Debt service	224,856	540,427	(315,571)	-58.39%
<b>Total Expenditures</b>	<b>5,042,853</b>	<b>4,779,320</b>	<b>263,533</b>	<b>5.51%</b>

Percentages of Total Expenditures  
 Year Ended June 30, 2002



Town of Lexington, South Carolina  
Enterprise Fund  
Year Ended June 30, 2002  
(With Comparative Totals for the Year Ended June 30, 2001)

	2002	2001	Increase (Decrease)	Percent Change
<b>Operating Revenue</b>				
Water Service	\$2,370,027	\$2,098,230	\$ 271,797	12.95%
Sewer Service	2,841,639	2,412,105	429,534	17.81%
Tap and meter fees	76,165	75,444	721	0.96%
Other income	237,782	167,197	70,585	42.22%
<b>Total Operating Revenues</b>	<b>5,525,613</b>	<b>4,752,976</b>	<b>772,637</b>	<b>16.26%</b>
<b>Operating Expenses</b>				
Salaries, Wages, & Fringes	1,197,937	1,020,376	177,561	17.40%
Contractual Services	1,381,714	1,280,273	101,441	7.92%
Materials and supplies	245,769	256,273	(10,504)	-4.10%
Heat, light, & power	83,740	118,403	(34,663)	-29.28%
Depreciation and amortization	1,196,263	1,134,802	61,461	5.42%
Other operating expenses	302,320	297,184	5,136	1.73%
<b>Total Operating Expenses</b>	<b>4,407,743</b>	<b>4,107,311</b>	<b>300,432</b>	<b>7.31%</b>
<b>Operating Income</b>	<b>1,117,870</b>	<b>645,665</b>	<b>472,205</b>	<b>73.13%</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	211,252	595,303	(384,051)	-64.51%
Capital contributions	3,091,977	1,814,291	1,277,686	70.42%
Sale of fixed assets	-	18,000	(18,000)	
Interest Expense	(1,557,984)	(1,761,301)	203,317	-11.54%
Amortization of bond issuance costs	(53,635)	(72,587)	18,952	-26.11%
<b>Total non-operating revenues (expenses)</b>	<b>1,691,610</b>	<b>593,706</b>	<b>1,097,904</b>	<b>184.92%</b>
<b>Net Income</b>	<b>2,809,480</b>	<b>1,239,371</b>	<b>1,570,109</b>	<b>126.69%</b>

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Lexington,  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Timothy A. Arue*  
President

*Jeffrey L. Essler*  
Executive Director

# TOWN OF LEXINGTON

SOUTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2002

## MAYOR

Daniel P. Breazeale, Sr.

## MAYOR PRO-TEM

Stewart Bond

## COUNCIL MEMBERS

Linda W. Bryant

T. Randall Halfacre

James M. Lowman

Hazel Leggett-Tyndall

Richard D. Thompson

## TOWN ADMINISTRATOR

L.C. Greene

## MUNICIPAL CLERK

Julia Kight

## DEPARTMENT HEADS

Donna Smith, Economic Development

Joe Boles, Building/Zoning

Dan Walker, Parks, Streets, & Sanitation

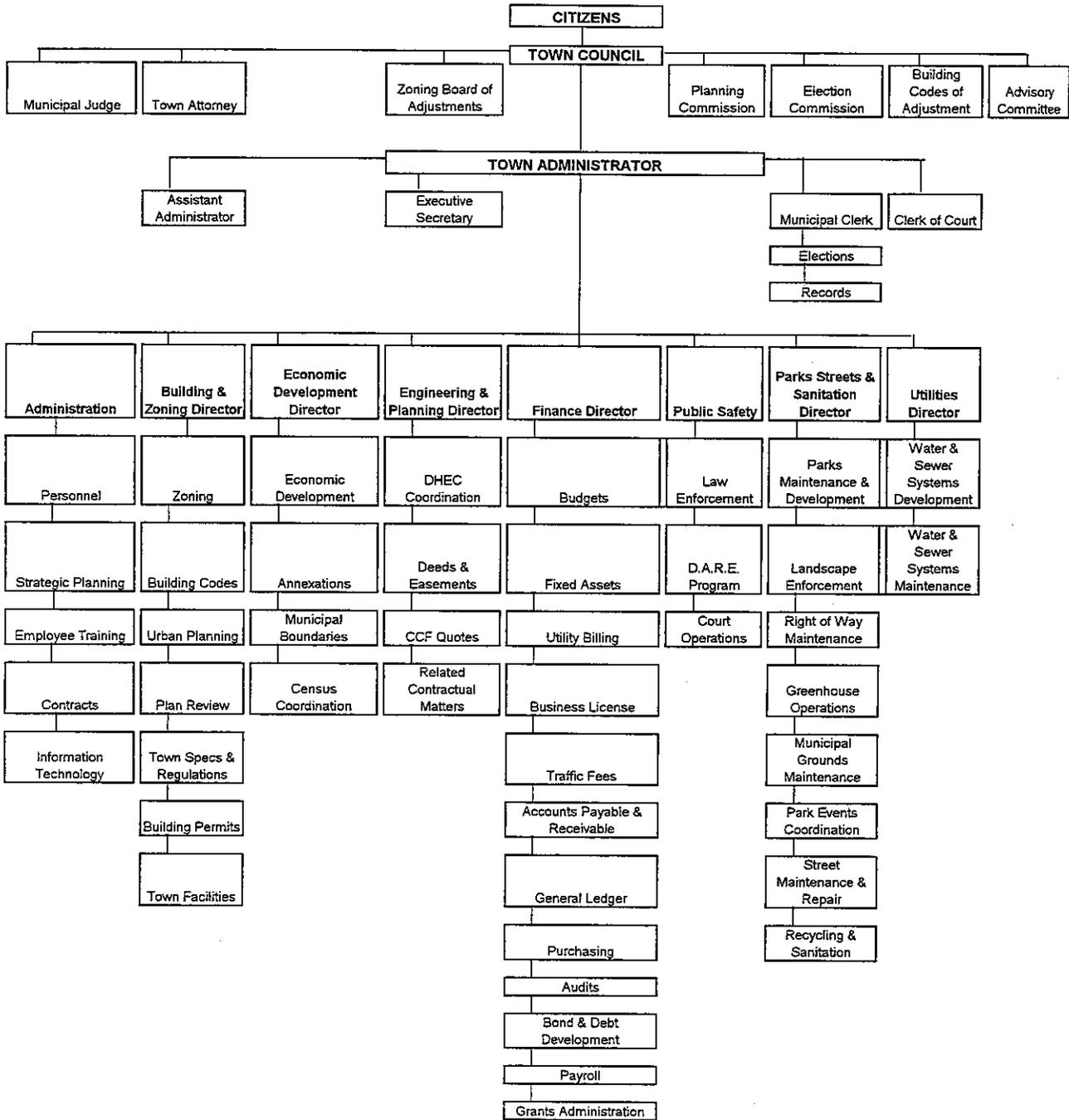
Chief Mike Roth, Police Department

Sidney Varn, Engineering & Planning

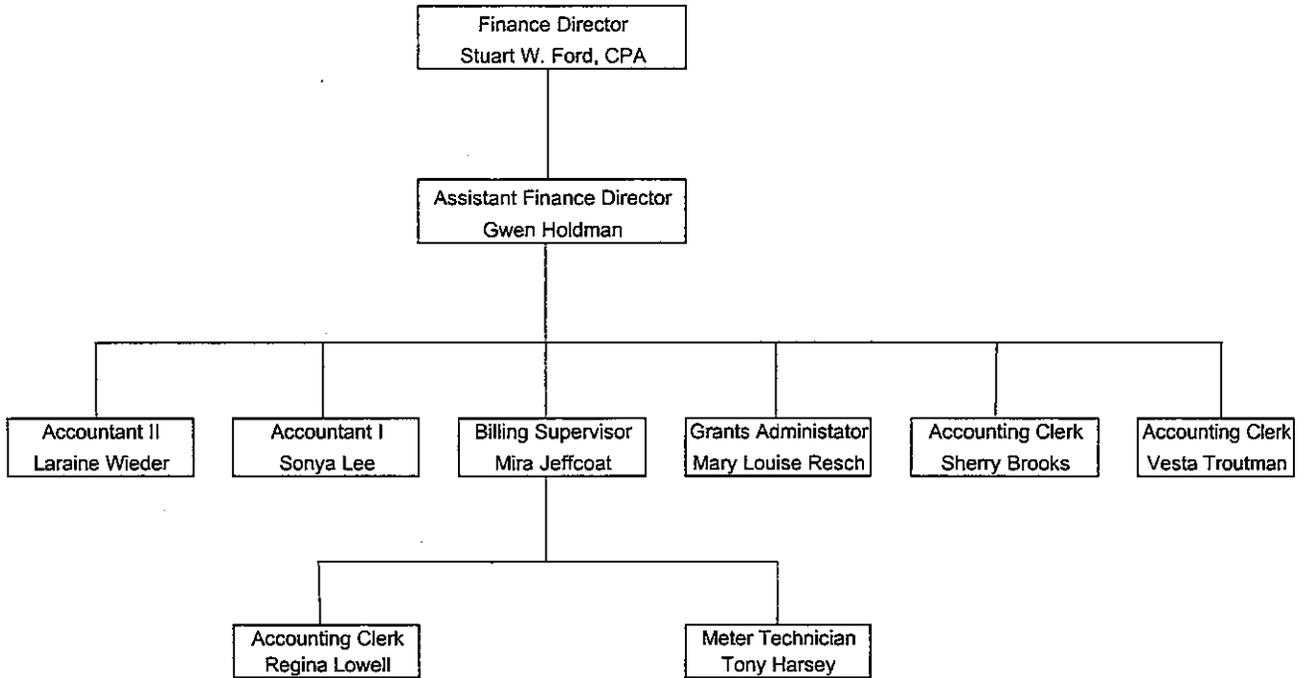
Allen Lutz, Utilities

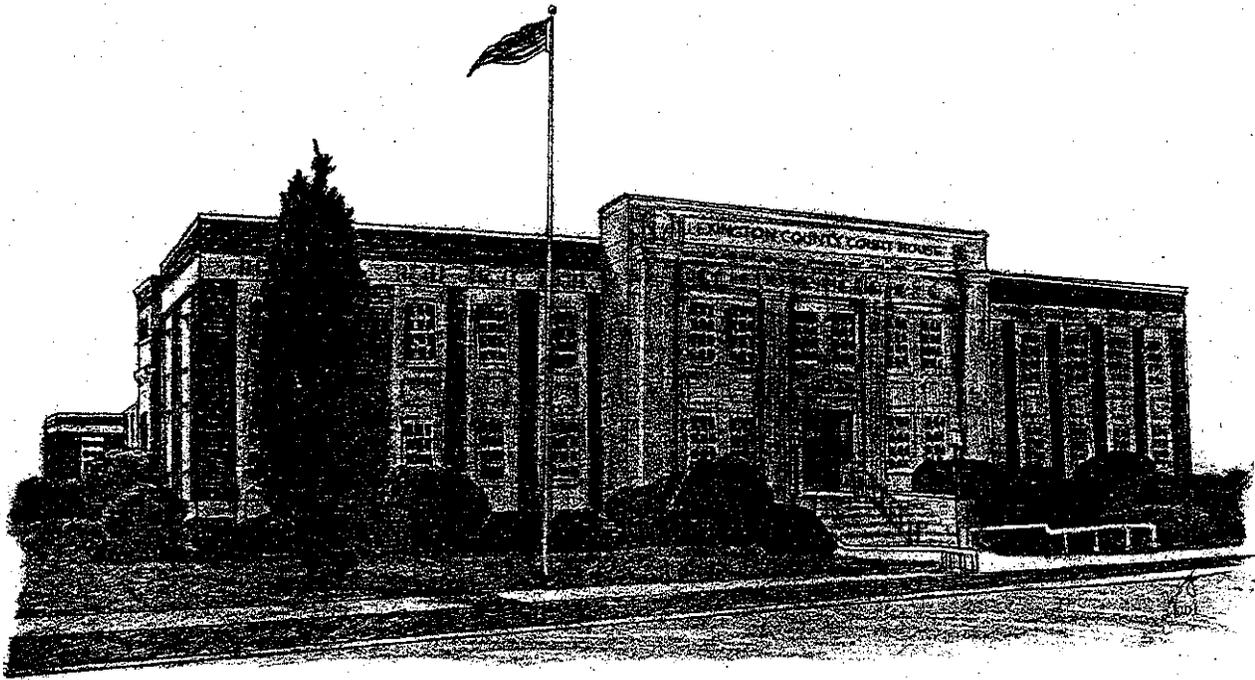
Stuart W. Ford, Finance

TOWN OF LEXINGTON, SOUTH CAROLINA  
ORGANIZATIONAL CHART



TOWN OF LEXINGTON, SOUTH CAROLINA  
FINANCE DEPARTMENT  
ORGANIZATIONAL CHART





**Lexington County Courthouse (1939)** on the corner of Main Street and South Lake Drive is the fourth courthouse since 1821.

**BRITTINGHAM, DIAL & JEFFCOAT, P.A.**

PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET  
POST OFFICE BOX 5949  
WEST COLUMBIA, S.C. 29171-5949  
TELEPHONE: (803) 791-0820  
FAX: (803) 791-0834

J.T. BRITTINGHAM, C.P.A. (1924 - 1995)  
W.F. DIAL, JR., C.P.A.  
J.M. JEFFCOAT, C.P.A. (RET.)  
K.R. BROWN, C.P.A.  
K.E. PRINCE, C.P.A.  
J.R. HITE, C.P.A.  
J.T. BRITTINGHAM, JR., C.P.A.  
K.D. DIAL, C.P.A.  
WM. H. HANCOCK, C.P.A.  
M.A. BRANDON, C.P.A.  
K. L. EUBANKS, C.P.A.

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SEC PRACTICE SECTION  
PRIVATE COMPANIES  
PRACTICE SECTION  
SOUTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members of Town Council  
Town of Lexington, South Carolina

We have audited the accompanying general purpose financial statements of the Town of Lexington, South Carolina (the Town), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2002 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our Audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and supporting schedules (as listed in the table of contents as Other Financial Information) are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Town of Lexington, South Carolina. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. We did not audit the introductory and statistical sections of this report, and accordingly, do not express an opinion or any other form of assurance on this information.

*Brittingham Dial & Jeffcoat*

December 17, 2002

**COMBINED STATEMENTS - OVERVIEW  
(GENERAL PURPOSE FINANCIAL STATEMENTS)**

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

(With comparative total amounts for June 30, 2001)

	Governmental Fund Types				Proprietary Fund Type		Account Groups			Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	General	General		2002	2001	
							Fixed Assets	Long-Term Debt			
<b>Assets and other debits</b>	\$2,886,926	\$395,993	\$ -	\$ -	\$ 3,602,752	\$ -	\$ -	\$ -	\$ 6,885,671	\$ 6,589,016	
Cash and temporary investments	387,319	-	-	-	875,072	-	-	-	1,262,391	738,164	
Receivables, net:	106,698	15,581	-	-	-	-	-	-	122,279	107,953	
Fees and services	141,475	68,024	-	18,226	-	-	-	-	227,725	176,598	
Property and other taxes	-	-	-	-	-	-	-	-	45,862	13,221	
From other governments	1,864	-	-	-	43,998	-	-	-	58,085	81,563	
Other	53,867	4,218	-	-	242,128	-	-	-	242,128	126,442	
Due from other funds	-	-	-	-	-	-	-	-	2,790	109,968	
Inventories-supplies	-	-	-	-	-	-	-	-	-	-	
Prepaid items	2,790	-	-	-	-	-	-	-	-	-	
Restricted assets:	-	-	-	-	-	-	-	-	-	-	
Cash and temporary investments	-	-	307,444	2,294,099	5,481,982	-	-	-	8,083,525	5,156,750	
Property, plant, and equipment, net	-	-	-	-	36,650,214	7,210,467	-	-	43,860,681	40,615,292	
Deferred charges:	-	-	-	-	-	-	-	-	-	-	
Water and sewer capacity reserve	-	-	-	-	11,688,210	-	-	-	11,688,210	11,952,281	
Retail distribution rights	-	-	-	-	2,352,622	-	-	-	2,352,622	2,402,677	
Bond issue cost, net of amortization	-	-	-	-	1,084,515	-	-	-	1,084,515	1,792,033	
Amount to be provided for accrued compensated absences	-	-	-	-	-	-	173,292	-	173,292	150,288	
Amount to be provided for long-term debt retirement	-	-	-	-	-	-	-	4,488,872	4,488,872	2,042,520	
Amount available in Debt Service Fund	-	-	-	-	-	-	-	307,444	307,444	301,484	
<b>Total assets and other debits</b>	<b>\$3,580,939</b>	<b>\$483,816</b>	<b>\$ 307,444</b>	<b>\$2,312,325</b>	<b>\$62,021,493</b>	<b>\$ 7,210,467</b>	<b>\$4,969,608</b>	<b>\$ 80,886,092</b>	<b>\$ 72,356,250</b>		

**Liabilities, equity and other credits**

Liabilities:										
Accounts payable	\$ 120,835	\$ 13,818	\$ -	\$ 11,945	\$ 203,082	\$ -	\$ -	\$ 349,680	\$ 275,219	
Accrued liabilities	53,539	-	-	-	22,280	-	-	75,819	67,302	
Due to other funds	1,639	56,446	-	-	-	-	-	58,085	81,563	
Other liabilities	15,298	-	-	-	-	-	-	15,298	-	
Bond anticipation note	-	-	-	-	-	-	-	-	7,002,715	

- CONTINUED -

## TOWN OF LEXINGTON, SOUTH CAROLINA

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

- CONTINUED -

	Governmental Fund Types			Proprietary Fund Type	Account Groups			Totals	
	General	Special			Enterprise	General Fixed Assets	Long-Term Debt	Memorandum Only	
		Revenue	Debt Service					Capital Projects	2002
Current liabilities payable from restricted assets:									
Construction payables	-	-	-	314,906	-	-	314,906	3,433	
Accrued interest	-	-	-	327,477	-	-	327,477	579,693	
Contract payable-current	-	-	-	-	-	-	-	278,686	
Arbitrage rebate	-	-	-	-	-	-	-	55,400	
Capital leases-current	-	-	-	-	-	-	-	27,551	
Revenue bonds/note payable-current	-	-	-	855,000	-	-	855,000	475,000	
Customer deposits	-	-	-	2,000	-	-	2,000	2,000	
Deferred revenue	86,966	16,147	-	-	-	-	103,113	56,907	
Revenue bonds payable	-	-	-	29,847,465	-	-	29,847,465	20,481,922	
Notes payable	-	-	-	-	-	-	170,653	96,798	
Contract payable	-	-	-	2,559,018	-	-	2,559,018	4,868,936	
Accrued compensated absences	-	-	-	55,153	-	-	228,445	196,095	
Capital lease obligation	-	-	-	515,415	-	-	515,415	713,317	
General obligation bonds	-	-	-	-	-	-	2,450,000	-	
Certificates of participation payable	-	-	-	-	-	-	2,175,663	2,247,206	
Total liabilities	278,277	86,411	-	34,701,796	-	-	40,048,037	37,509,743	
Equity and other credits:									
Contributed capital	-	-	-	17,944,227	-	-	17,944,227	17,944,227	
Investment in general fixed assets	-	-	-	-	7,210,467	-	7,210,467	6,753,596	
Retained earnings:									
Reserved-debt service and renewal and replacement	-	-	-	-	-	-	-	864,892	
Unreserved	-	-	-	9,375,470	-	-	9,375,470	5,701,098	
Fund balances:									
Reserved for:									
Debt service	-	-	-	-	-	-	-	301,484	
Prepaid items	2,790	-	-	-	-	-	2,790	96,540	
Unreserved:									
Designated for Drug Enforcement	13,745	-	-	-	-	-	13,745	9,332	
Undesignated	3,286,127	397,405	2,300,380	-	-	-	5,983,912	3,175,338	
Total equity and other credits	3,302,662	397,405	2,300,380	27,319,697	7,210,467	-	40,838,055	34,846,507	
Total liabilities, equity and other credits	\$3,580,939	\$483,816	\$2,312,325	\$62,021,493	\$ 7,210,467	\$4,969,608	\$ 80,886,092	\$ 72,356,250	

See accompanying notes

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2002

(With comparative total amounts for the year ended June 30, 2001)

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special	Debt	Capital	2002	2001
		Revenue	Service	Projects		
<b>Revenue</b>						
Property taxes	\$ 1,627,363	\$ 16,590	\$ -	\$ -	\$ 1,643,953	\$ 1,654,082
Franchises, licenses, and permits	2,485,391	-	-	-	2,485,391	2,252,406
Other governments	345,102	306,069	-	40,126	691,297	486,530
Fines and forfeitures	266,465	33,249	-	-	299,714	276,889
Interest income	52,964	4,041	6,290	17,845	81,140	152,459
Charges for services	41,429	-	-	-	41,429	35,591
Miscellaneous	17,774	22,860	-	-	40,634	43,485
<b>Total revenue</b>	<b>4,836,488</b>	<b>382,809</b>	<b>6,290</b>	<b>57,971</b>	<b>5,283,558</b>	<b>4,901,442</b>
<b>Expenditures</b>						
Current:						
General government	1,509,230	-	-	-	1,509,230	1,387,621
Public safety	1,373,068	178,468	-	-	1,551,536	1,391,450
Parks, streets and sanitation	1,019,930	4,008	-	-	1,023,938	957,204
Victim's assistance	-	44,184	-	-	44,184	35,236
Accommodation tax	-	-	-	-	-	30,042
Capital outlay	460,397	70,401	-	158,311	689,109	437,340
Debt service	18,226	-	206,630	-	224,856	540,427
<b>Total expenditures</b>	<b>4,380,851</b>	<b>297,061</b>	<b>206,630</b>	<b>158,311</b>	<b>5,042,853</b>	<b>4,779,320</b>
Excess (deficiency) of revenue over (under) expenditures	455,637	85,748	(200,340)	(100,340)	240,705	122,122
<b>Other Financing Sources (Uses)</b>						
Note payable proceeds	83,772	-	-	-	83,772	150,428
General obligation bond proceeds	-	-	-	2,463,140	2,463,140	-
Bond issuance costs	-	-	-	(62,420)	(62,420)	-
Operating transfers in	-	-	206,300	-	206,300	210,060
Operating transfers out	(153,574)	(52,726)	-	-	(206,300)	(210,060)
<b>Total other financing sources (uses)</b>	<b>(69,802)</b>	<b>(52,726)</b>	<b>206,300</b>	<b>2,400,720</b>	<b>2,484,492</b>	<b>150,428</b>
Excess of revenue and other financing sources over expenditures and other uses	385,835	33,022	5,960	2,300,380	2,725,197	272,550
Fund balances, beginning of year	2,916,827	364,383	301,484	-	3,582,694	3,310,144
<b>Fund balances, end of year</b>	<b>\$ 3,302,662</b>	<b>\$ 397,405</b>	<b>\$ 307,444</b>	<b>\$2,300,380</b>	<b>\$ 6,307,891</b>	<b>\$ 3,582,694</b>

See accompanying notes.

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2002

	General Fund			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>						
Property taxes	\$ 1,578,000	\$ 1,627,363	\$ 49,363	\$ -	\$ -	\$ -
Franchises, licenses, and permits	2,158,600	2,485,391	326,791	-	-	-
Other governments	330,000	345,102	15,102	-	-	-
Fines and forfeitures	262,500	266,465	3,965	-	-	-
Interest income	130,000	52,964	(77,036)	13,000	6,290	(6,710)
Charges for services	48,500	41,429	(7,071)	-	-	-
Miscellaneous	15,000	17,774	2,774	-	-	-
<b>Total revenue</b>	<u>4,522,600</u>	<u>4,836,488</u>	<u>313,888</u>	<u>13,000</u>	<u>6,290</u>	<u>(6,710)</u>
<b>Expenditures</b>						
Current:						
General government	1,563,435	1,509,230	54,205	-	-	-
Public safety	1,532,692	1,373,068	159,624	-	-	-
Parks, streets and sanitation	1,048,456	1,019,930	28,526	-	-	-
Capital outlay	161,409	460,397	(298,988)	-	-	-
Debt service	18,228	18,226	2	205,430	206,630	(1,200)
<b>Total expenditures</b>	<u>4,324,220</u>	<u>4,380,851</u>	<u>(56,631)</u>	<u>205,430</u>	<u>206,630</u>	<u>(1,200)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>198,380</u>	<u>455,637</u>	<u>257,257</u>	<u>(192,430)</u>	<u>(200,340)</u>	<u>(7,910)</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-	-	-	192,430	206,300	13,870
Operating transfers out	(192,430)	(153,574)	38,856	-	-	-
Note payable proceeds	-	83,772	83,772	-	-	-
<b>Total other financing sources (uses)</b>	<u>(192,430)</u>	<u>(69,802)</u>	<u>122,628</u>	<u>192,430</u>	<u>206,300</u>	<u>13,870</u>
Excess of revenue and other financing sources over expenditures and other uses	<u>5,950</u>	<u>385,835</u>	<u>379,885</u>	<u>-</u>	<u>5,960</u>	<u>5,960</u>
Fund balances, beginning of year	<u>2,916,827</u>	<u>2,916,827</u>	<u>-</u>	<u>301,484</u>	<u>301,484</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,922,777</u>	<u>\$ 3,302,662</u>	<u>\$ 379,885</u>	<u>\$ 301,484</u>	<u>\$ 307,444</u>	<u>\$ 5,960</u>

See accompanying notes.

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
ALL PROPRIETARY FUND TYPES  
WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND

YEAR ENDED JUNE 30, 2002

(With comparative amounts for the year ended June 30, 2001, as restated)

	<u>2002</u>	<u>2001</u>
<b>Operating Revenue</b>		
Water service	\$2,370,027	\$2,098,230
Sewer service	2,841,639	2,412,105
Tap and meter fees	76,165	75,444
Other income	237,782	167,197
Total operating revenue	<u>5,525,613</u>	<u>4,752,976</u>
<b>Operating Expenses</b>		
Salaries, wages, and fringes	1,197,937	1,020,376
Contractual services	1,381,714	1,280,273
Materials and supplies	245,769	256,273
Heat, light, and power	83,740	118,403
Depreciation and amortization	1,196,263	1,134,802
Other operating expenses	302,320	297,184
Total operating expenses	<u>4,407,743</u>	<u>4,107,311</u>
Operating income	<u>1,117,870</u>	<u>645,665</u>
<b>Non-Operating Revenue (Expenses)</b>		
Interest income	211,252	595,303
Capital contributions	3,091,977	1,814,291
Sale of fixed assets	-	18,000
Interest expense	(1,557,984)	(1,761,302)
Amortization of bond issuance costs	(53,635)	(72,587)
Total non-operating revenue (expenses)	<u>1,691,610</u>	<u>593,705</u>
Net income	2,809,480	1,239,370
Retained earnings, beginning of year as restated	6,565,990	5,326,620
Retained earnings, end of year	<u>\$9,375,470</u>	<u>\$6,565,990</u>

See accompanying notes.

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND

YEAR ENDED JUNE 30, 2002

(With comparative amounts for the year ended June 30, 2001, as restated)

	<u>2002</u>	<u>2001</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 5,336,157	\$ 4,789,214
Cash paid to suppliers for goods or services	(2,088,010)	(1,956,773)
Cash paid to employees for services	(1,173,703)	(1,011,488)
Net cash provided by operating activities	<u>2,074,444</u>	<u>1,820,953</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of fixed assets	(1,879,679)	(349,639)
Proceeds from the sale of fixed assets	-	18,000
Refund (purchase) of wastewater capacity	84,398	(3,204,535)
Proceeds from new debt	40,841,735	7,009,310
Bond issuance costs paid	(974,609)	-
Bond proceeds placed in defeasance escrow	(22,153,385)	-
Premium paid on revenue bond refunding	(10,650)	-
Principal paid on revenue bonds	(2,705,000)	(7,455,000)
Principal paid on contract payable	(216,736)	(268,100)
Principal paid on note's payable	(14,363,938)	(139,668)
Principal paid on capital lease obligation	-	(33,048)
Arbitrage rebate paid	(53,645)	-
Interest and fees paid	(1,644,962)	(1,618,510)
Capital contribution fees	1,528,075	1,251,965
Net cash used in capital and related financing activities	<u>(1,548,396)</u>	<u>(4,789,225)</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	209,497	650,703
Net cash provided by investing activities	<u>209,497</u>	<u>650,703</u>
Net increase (decrease) in cash and cash equivalents	735,545	(2,317,569)
Cash and cash equivalents, beginning of year	8,349,189	10,666,758
Cash and cash equivalents, end of year	<u>\$ 9,084,734</u>	<u>\$ 8,349,189</u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND

- CONTINUED -

	<u>2002</u>	<u>2001</u>
<b>Reconciliation of Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 1,117,870	\$ 645,665
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,196,263	1,134,802
Decrease (increase) in accounts receivable	(189,456)	34,238
Increase in inventory	(115,686)	(31,624)
Decrease (increase) in prepaid items	13,428	(13,428)
Increase in accounts payable	41,219	26,984
Increase in customer deposits	-	2,000
Increase in accrued expenses	10,806	22,316
Net cash provided by operating activities	<u>\$ 2,074,444</u>	<u>\$ 1,820,953</u>
<b>Non-cash Capital Supplementary Information:</b>		
Revenue bond principal accretion and discount amortization	\$ 118,100	\$ 118,174
Revenue bond premium and deferred amount on refunding amortization	157,894	-
Deeded fixed assets (capital contributions)	1,563,902	562,326

*See accompanying notes.*

# TOWN OF LEXINGTON, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

### 1. Summary of Significant Accounting Policies

The Town of Lexington, South Carolina (the "Town") was incorporated January 28, 1861. The Town operates under a Council form of government and is governed by a six (6) member council and Mayor. The Town provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, recreation, public improvements, planning and zoning, utilities (water and sewer) and general administrative services.

The financial statements of the Town have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Government Accounting Standards Boards (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant of these accounting policies are described below.

#### A. Reporting Entity

Using the criteria of GASB Statement No. 14, "The Financial Reporting Entity," the general purpose financial statements of the Town present the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town's general purpose financial statements to be misleading or incomplete. Blended component units are legally separate entities that are, substantially, part of the government's operations and so data from such units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. The Town does not have any discretely component units. Its blended presented component unit has the same fiscal year end as the Town.

#### Blended Component Unit

The Saxe Gotha Lexington Public Facilities Corporation (the "Corporation") is governed by a board comprised of the Town's elected Council. The Corporation leases the Town's Municipal Complex to the Town ("Town Hall Lease Project") for the identical amount of the Corporation's bond indebtedness (Certificates of Participation "COPS"). The Corporation has assigned all of its interest in the lease payments to a trustee. Due to its relationship and blending in the general purpose financial statements, the lease payments by the Town to the Trustee are recorded as debt service expenditures in the Debt Service Fund. The balance of the obligation is carried in the Town's General Long Term Debt Account Group.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation**

**Fund Accounting**

The Town uses funds and account groups to report financial position and the result of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds, as they do not directly affect net expendable and available financial resources. The various funds are grouped, in the financial statements in the report, into broad fund categories and generic fund types as follows:

*Governmental Fund Types*

**General Fund**-The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**-Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town's Special Revenue Fund is used to account for law enforcement, community development and other revenues from federal and state grants.

**Capital Projects Funds**-The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Debt Service Funds**-This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town, other than debt service payments financed by proprietary fund types. General Fund transfers and interest earned on the investments of the Debt Service Fund are used for the payment of principal and interest on the Town's long-term debt, which are recorded in the General Long-Term Debt Account Group.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

**Fund Accounting (Continued)**

*Proprietary Fund Type*

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Waterworks and Sewer System Enterprise Fund is used to account for enterprise operations of the Town's water and sewer utility systems.

*Account Groups*

Account groups are used to establish accounting control and accountability for the Town's general fixed assets and general long-term obligations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect net expendable available resources. The following are the Town's account groups:

**General Fixed Assets Account Group** - This group of accounts is established to account for all fixed assets of the Town, except those accounted for in proprietary and trust funds.

**General Long-Term Debt Account Group** - This group of accounts is established to account for all long-term obligations including general obligation bonds of the Town except those accounted for in the proprietary funds.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets, and the unreserved fund balance is a measure of available spendable resources.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

The modified accrual basis of accounting is used by all Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available.) "Measurable" means the transaction can be identified, and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are considered available if they are collected within sixty days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. The Town considers all revenues available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year.

Property taxes, franchise fees, accommodations taxes, licenses and interest are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred in compliance with the grant requirements.

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the occurrence of the qualifying expenditures. When the revenue recognition criteria are met and the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and revenue is recognized.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by Proprietary Fund types. Under this method, revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The Town applies all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, in accounting and reporting for its proprietary-type operations, except when there is a conflict with GASB pronouncements.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities And Fund Equity**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period.

Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

Cash and Temporary Investments

Cash includes currency on hand, demand deposits with financial institutions and other accounts that have the general characteristics of demand deposits in that additional funds may be deposited any time and withdrawn without prior notice or penalty. Cash equivalents are deposit accounts with an original maturity of three months or less from purchase, and other short-term, highly liquid investments that are readily convertible to known amounts of cash. The Town pools the cash of all funds into a central depository bank account except that portion of cash on deposit in the South Carolina Local Government Investment Pool and where legal restrictions prohibit the commingling of funds. Temporary investments are then made from the pooled account in collaborative form in order to maximize the return on invested funds. Therefore, in the "Statement of Cash Flows", all Enterprise Fund cash and temporary investments (including restricted assets) are essentially demand deposits and are considered cash and cash equivalents. Each individual fund's equity in the pooled cash and temporary investments is shown in that fund. Long-term investments, if any, are reported at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses (transfers out) in the reimbursing fund and as reductions of the expenditures or expenses (transfers in) in the fund that is reimbursed.

Inventory

Inventory is valued at cost, using the first-in, first-out method. Inventory in the Waterworks and Sewer System Enterprise Fund during the year ended June 30, 2002, consists of various supplies and other inventoriable items which are expensed at the time they are consumed.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities And Fund Equity (Continued)

Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items. Prepaid items in governmental funds result in a reservation of ending fund balance.

Fixed Assets and Depreciation

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated.

The Town has adopted the accounting policy of not capitalizing "infrastructure" general fixed assets (i.e., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the Town).

Property, plant and equipment used in Governmental Fund Type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant and equipment.

Depreciation is provided in the Waterworks and Sewer System Enterprise Fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings	10-50 Years
Distribution Systems	15-75 Years
Machinery and Equipment	5-10 Years

Compensated Absences

All permanent, full-time employees of the Town accrued vacation leave according to the following schedule:

1st Year - Five (5) days per year
2-5 Years - Ten (10) days per year
6-15 Years - Fifteen (15) days per year
16 or more years - Twenty (20) days per year

An employee may accrue up to forty-five (45) days of vacation leave. Upon termination of employment, any accrued vacation leave is earned and payable, whereas no compensation is provided for sick leave.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities And Fund Equity (Continued)**

Compensated Absences (Continued)

In Governmental Fund Types, the cost of vacation pay is recognized when payments are made to employees. Accordingly, the Town has accrued a long-term liability in the General Long-Term Debt Account Group for such outstanding amounts. This represents the Town's commitment to fund such costs from future operations. The Town's Enterprise Fund recognizes accrued vacation pay and the related liability in the period it is earned. At June 30, 2002, \$173,292 and \$55,153 have been recorded in the General Long-Term Debt Account Group and Waterworks and Sewer System Enterprise Fund, respectively.

Long-Term Liabilities

Long-term liabilities expected to be financed from Governmental Fund Types are accounted for in the General Long-Term Debt Account Group while those of the Enterprise Fund have been recorded directly in the Waterworks and Sewer System Enterprise Fund.

Fund Equity Reservations and Designations

Reserves represent those portions of fund equity not appropriate for expenditure/expense or legally segregated for a specific use. Designated fund balances represent tentative plans by management for future use of available financial resources.

Contributed Capital

Contributions are recorded as non-operating revenue in Proprietary Funds which receive capital grants or contributions from developers, customers or other funds. Contributions from developers and customers can take the form of cash or capital assets which include both fixed assets and capital contribution fees for water and sewer service. The Town issues certificates redeemable for future sewer taps in exchange for payment of capital contribution fees. The purchase of capital contribution certificates is generally recorded as non-operating revenue in the Waterworks and Sewer System Enterprise Fund when received.

**E. Revenue, Expenditures And Expenses**

Property Taxes

Real property tax levy is effective January 1, billed in October of each year and due by January 15 of the following year. Real property taxes attach as an enforceable lien on property as of March 15 of the following year, if unpaid at that time. Vehicle taxes are levied on a monthly basis in accordance with guidelines established by the State of South Carolina. Lexington County bills and collects the Town's taxes and remits collections to the Town on a periodic basis. The Town recognizes property tax revenue

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**E. Revenue, Expenditures And Expenses (Continued)**

Property Taxes (Continued)

when they become available for the fiscal year budget period to which they apply and includes those property tax receivables expected to be collected within sixty days after year-end. Property tax amounts collected in advance of the fiscal year to which they apply or that are receivable but not yet available are recorded as deferred revenue.

Deferred Revenue

Grant revenues or miscellaneous contributions received for specific purposes are recognized in amounts equal to related expenditures (expenses) made or accrued. Funds received in excess of such expenditures are recorded as deferred revenue. Additionally, property taxes collected in advance or that are receivable but not yet available are recorded as deferred revenue.

Deferred Bond Issuance Costs

Bond issuance costs in the Town's Waterworks and Sewer System Enterprise Fund relates to the 1993, 2001A and 2001B Series Revenue Bonds and are being amortized over the life of the debt on the straight line method. During the year ended June 30, 2002, the Town currently refunded a portion of its Series 1993 Revenue Bonds and advance refunded all Series 1997 Revenue Bonds. Series 2001A and 2001B Revenue Bonds were issued to accomplish the refundings (See *Note 9*). Total deferred bond issue costs totaled \$1,113,955 and accumulated amortization at June 30, 2002, equaled \$29,440.

Capitalized Interest

The Town capitalizes interest costs net of applicable interest earned, as part of the cost of construction of its assets recorded in Proprietary Fund Types. Capitalized interest of \$114,592 was recorded in the Waterworks and Sewer System Enterprise Fund during the year ended June 30, 2002.

**F. Total Memorandum Only**

The Total "Memorandum Only" column represents an aggregation of the combined financial statements and does not represent consolidated financial information. Data in those columns do not present financial position, results of operations, or cash flows in conformity with GAAP and are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (Continued)**

**G. Comparative Data and Reclassifications**

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. **Stewardship, Compliance and Accountability**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Debt Service and Waterworks and Sewer System Funds. When applicable, project-length financial plans are adopted for all capital projects funds. All annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The various departments meet with the Finance Director, Town Administrator, and Council members during the last quarter of the fiscal year to discuss their operating budget requests.
- 2) The Council meets in a workshop to discuss all the departments' budgets.
- 3) The proposed budget was then compiled and enacted prior to July 1 in the form of an ordinance with two readings and one public hearing.
- 4) Department heads are authorized to transfer budgeted amounts between line items in their department with the approval of the Mayor and the Finance Director.
- 5) Council must authorize budget transfers between departments.
- 6) Budget amounts are as originally adopted or as amended as outlined above. Individual amendments were not material in relation to the original appropriations which were amended.
- 7) Formal budgetary integration is employed as a management control device during the year for the General, Debt Service and Waterworks and Sewer System Enterprise Funds.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**2. Stewardship, Compliance and Accountability (Continued)**

**B. Encumbrances**

Encumbrances represent outstanding purchase orders or commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the Governmental Fund Types. During the year ended June 30, 1997, the Town Council changed its policy whereby all contracts and commitments lapse at fiscal year end. Therefore, no reserve for encumbrances is applicable for year ended June 30, 2002.

**3. Deposits and Investments**

At June 30, 2002, the reported amount of the Town's cash deposits with financial institutions was \$8,212,187 and the financial institution's balances totaled \$7,759,614. Of the balance, \$300,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in the Town's name. The Town's cash on hand at June 30, 2002, amounted to \$1,100.

State statute authorizes the Town to invest in obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units provided such obligations are rated as an "A" or better by Moody's Investors Service, Inc. and Standard and Poor's Corporation or their respective successors; interest bearing accounts in savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an agency of the United States Government; or deposit accounts with banking institutions insured and secured in the same manner.

The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The State Treasurer also provides oversight for the State Treasurer's Investment Pool, of which, the fair value of the Town's investments are the same as the value of the pooled shares. The Town is under no contractual agreements which restrict investment alternatives.

The Town's investments, if any, are categorized to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes investments that are insured or registered or where the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments where the securities are held by a financial institution's trust department or agent in the Town's name. A third category would include uninsured and unregistered investments where the securities are held by the

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**3. Deposits and Investments (Continued)**

counterparty, or by its trust department or agent but not in the Town's name. At June 30, 2002, the Town had no investments subject to categorization. The Town's investments at June 30, 2002, are reported at fair value and are summarized as follows:

Investments not subject to categorization:	
Investment in State	
Treasurer's Investment Pool	6,755,909
Total investments	<u>\$ 6,755,909</u>

A reconciliation of cash and investments as shown on the Combined Balance Sheet follows:

Cash on hand	\$ 1,100
Carrying amount of cash deposits	8,212,187
Carrying amount of investments	6,755,909
Total	<u>\$ 14,969,196</u>
Cash and temporary investments	\$ 6,885,671
Cash and temporary investments-restricted	8,083,525
Total	<u>\$ 14,969,196</u>

**4. Receivables**

Receivables at June 30, 2002, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise Fund</u>	<u>Total</u>
Fees and services	\$ 387,319	\$ -	\$ -	\$ 894,457	\$ 1,281,776
Property and other taxes	169,242	15,581	-	-	184,823
Due from other governments	141,475	68,024	18,226	-	227,725
Other	1,864	-	-	43,998	45,862
Less, allowance for doubtful accounts	(62,544)	-	-	(19,385)	(81,929)
	<u>\$ 637,356</u>	<u>\$ 83,605</u>	<u>\$ 18,226</u>	<u>\$ 919,070</u>	<u>\$ 1,658,257</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**4. Receivables (Continued)**

Fees and services represent outstanding franchise and business license fees in the General Fund, and outstanding water and sewer service billings in the Waterworks and Sewer System Enterprise Fund. Other receivables in the Enterprise Fund include approximately \$33,200 for an insurance reimbursement.

**5. Interfund Receivables and Payable**

Individual fund interfund receivable and payable balances at June 30, 2002, were as follows:

	<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>
General Fund	\$ 53,867	\$ 1,639
Special Revenue Funds:		
Police Grants and Programs	-	55,667
Accommodations tax	-	779
Victim's Assistance	4,218	-
	<b>\$ 58,085</b>	<b>\$ 58,085</b>

**6. Components of Restricted Assets**

Waterworks and Sewer System Enterprise Fund:

Certain proceeds of Waterworks and Sewer System Fund Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The revenue bond current debt service retirement account is used to segregate resources accumulated for debt service payments over the next twelve months. The revenue bond debt service reserve account is used for resources set aside to make up potential future deficiencies in the revenue bond current debt service retirement account. The revenue bond renewal and replacement account is used for resources set aside to meet unexpected contingencies or to fund asset renewals or replacements.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. **Components of Restricted Assets (Continued)**

Carrying balances of restricted assets in the Waterworks and Sewer System Enterprise Fund at June 30, 2002, are as follows:

	<b>Cash and Temporary Investments</b>
Debt Service Reserve Fund	\$ 393,359
Renewal and Replacement Fund	103,632
Debt Service Fund 2001A	455,756
Debt Service Fund 2001B	102,943
Construction Fund(1997)	299,656
Construction Fund(2001A)	4,126,636
	<hr/>
	\$ 5,481,982

Debt Service Fund:

Certain proceeds of the Series 1994 Certificates of Participation, as well as amounts set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by the lease agreement (See Note 9). The reserve account is set aside to protect against possible future deficiencies in funds available to pay the lease obligations. Carrying balance at the year ended June 30, 2002, is as follows:

	<b>Cash and Temporary Investments</b>
Reserve Account	\$ 307,444

7. **Fixed Assets**

The following is a summary of changes in the General Fixed Assets Account Group for the year ended June 30, 2002:

	<b>Balances June 30, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balances June 30, 2002</b>
Land	\$ 1,231,585	\$ 191,269	\$ -	\$ 1,422,854
Buildings	2,851,686	79,147		2,930,833
Vehicles and equipment	2,670,325	186,455	-	2,856,780
	<hr/>			<hr/>
	\$ 6,753,596	\$ 456,871	\$ -	\$ 7,210,467

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Fixed Assets (Continued)

A summary of Waterworks and Sewer System Enterprise Fund fixed assets at June 30, 2002, follows:

Land	\$ 217,434
Buildings	213,215
Waterworks and sewer systems	40,163,755
Machinery and equipment	1,425,582
Construction in progress	1,311,255
	<hr/>
	43,331,241
Less, accumulated depreciation	(6,681,027)
	<hr/>
	\$ 36,650,214
	<hr/>

8. Deferred Charges

Purchase of Sewer Capacity

During the year ended June 30, 1997, the Town entered into an agreement with the City of Cayce, South Carolina ("Cayce") and acquired the usage rights of up to 6.4 million gallons per day in Cayce's sewer treatment facility. In addition, the Town and Cayce agreed during the year ended June 30, 1999, to share the cost of construction of a sewer line to facilitate the Town's use of purchased capacity. Accordingly, the purchase price of reserving sewer capacity equaling \$7,140,262 and the Town's share of cost incurred on the new sewer line of \$773,879 are being amortized to the Town's Waterworks and Sewer System Enterprise Fund operations, with amortization expense totaling \$ 94,282 recognized during the year ended June 30, 2002.

Purchase of Water Capacity

During the year ended June 30, 1998, the Town entered an agreement with the City of West Columbia, South Carolina ("West Columbia"). The terms provided in part for the Town to acquire a maximum of 4.5 million gallons per day of water from West Columbia's water treatment plant, known as the Lake Murray Water Treatment Facility (the "LMWTF"). The Town agreed to pay the cost of expanding the LMWTF to meet its capacity needs. Accordingly, the cost of the expansion equaled \$4,269,496 and is being amortized to the Town's Waterworks and Sewer System Enterprise Fund operations with amortization expense totaling \$135,446 recognized during the year ended June 30, 2002.

Purchase of Retail Distribution Rights

The Town's agreement with West Columbia also provided the Town the non-exclusive right of retail distribution within a certain geographical location (defined in the agreement as the "service area"). Accordingly, the purchase price for the service area rights equaled \$2,980,000 with the rights reported at their discounted value at June 30, 2002, net of accumulated amortization (\$2,402,677, taking into account the imputed cost of capital

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. **Deferred Charges (Continued)**

approximating 5%) and is being amortized to the Town's Waterworks and Sewer System Enterprise Fund operations with amortization expense totaling \$50,056 recognized during the year ended June 30, 2002.

9. **Long-Term Debt**

The following is a summary of long-term debt of the Town for the year ended June 30, 2002:

<b>General Long-Term Debt Account Group:</b>	<b>Balances June 30, 2001</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balances June 30, 2002</b>
Certificates of participation	\$ 2,247,206	\$ 88,457	\$ (160,000)	\$ 2,175,663
Notes payable	96,798	83,772	(9,917)	170,653
General obligation				
Bonds	-	2,450,000	-	2,450,000
Accrued compensated absences	150,288	23,004	-	173,292
	<u>\$ 2,494,292</u>	<u>\$2,645,233</u>	<u>\$ (169,917)</u>	<u>\$ 4,969,608</u>

Non-cash principal certificate of participation 'additions' include amounts (\$88,457) of accretion on certain capital appreciation certificates.

<b>Waterworks and Sewer System Enterprise Fund:</b>	<b>Balances June 30, 2001</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balances June 30, 2002</b>
Revenue				
Bonds/Notes	\$ 27,959,637	\$ 37,203,663	\$ (34,460,835)	\$ 30,702,465
Contract payable	5,147,622	-	(2,588,604)	2,559,018
Capital lease	740,868	-	(225,453)	515,415
Accrued compensated absences	45,807	9,346	-	55,153
	<u>\$ 33,893,934</u>	<u>\$ 37,213,009</u>	<u>\$ (37,274,892)</u>	<u>\$ 33,832,051</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

Included as part of Revenue Bonds/Notes additions is the premium totaling \$93,752 on the Town's Bond Anticipation Notes and the deferred amount on refunding of (\$3,529,029). The amortization of the premium and the deferred amount totaling \$157,894 and \$118,100 of non-cash principal accretion on certain capital appreciation bonds are included as components of the reductions to Revenue Bonds/Notes.

**Certificates of Participation**

Pursuant to *Note I*, the Town's "blended" component unit (Saxe Gotha Lexington Public Facilities Corporation) issued Series 1994 Certificates of Participation which require semi-annual interest payments at rates from 3.65% to 5.75% and annual principal installments ranging from \$165,000 to \$200,000 through December, 2005. These debt service requirements are followed by capital appreciation certificates maturing annually on December 1 from year 2006 to 2018 with annual maturity values of \$210,000 and at yields from 6.0% to 6.8%.

Optional Redemption:

The Current Interest Certificates maturing on or prior to December 1, 2002, and the Capital Appreciation Certificates are not subject to optional redemption prior to maturity. The Current Interest Certificates maturing after December 1, 2002, are subject to optional redemption prior to maturity in whole at any time or in part on any interest payment date on or after December 1, 2002, at the following prices, expressed as percentages of the principal amount to be redeemed, plus accrued interest to the redemption date:

Redemption Dates (Both Dates Inclusive)	Redemption Price
November 1, 2002 to October 31, 2003	102%
November 1, 2003 to October 31, 2004	101
November 1, 2004 and thereafter	100

The annual debt service requirements to amortize all certificates outstanding as of June 30, 2002, including interest components are as follows:

Year Ending June 30,	Requirements
2003	\$ 206,683
2004	207,185
2005	206,868
2006	205,750
2007	210,000
Thereafter	2,520,000
	3,556,486
Less, interest component	(1,380,823)
	\$ 2,175,663

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Notes Payable**

Boozer Property

The Town entered an agreement during the year ended June 30, 1999, to purchase property for \$150,000. The agreement's terms provide for the Seller (Boozer) to continue to live on the property as long as is desired. A portion of the property, however, was agreed to be immediately incorporated into the Virginia Hylton Park.

If, at the death of the Seller, less than \$130,000 shall have been paid under the terms of the agreement, the remaining balance under the terms shall become due. However, if more than \$130,000 shall have been paid, then the balance shall be deemed fully satisfied. Monthly simple interest payments of 9% per annum and principal payments ranging from \$620 to \$1,519 are required through September 19, 2008.

106 Hendrix Street

The Town entered an agreement during the year ended June 30, 2002, to purchase property at 106 Hendrix Street for a total of \$130,500 at no stated rate of interest. The Town paid \$21,750 at closing. The note payable and the cost of the acquired property (recorded in the General Fixed Assets Account Group) have been valued based on an imputed rate of interest of 6%. Annual payments of \$21,750 are due through April 11, 2007.

The annual debt service requirements to amortize notes payable as of June 30, 2002, including interest component are as follows:

<u>Year Ending June 30,</u>	<u>Requirements</u>
2003	\$ 39,976
2004	39,976
2005	39,976
2006	39,976
2007	39,976
Thereafter	22,782
	<u>222,662</u>
Less, interest component	<u>(52,009)</u>
	<u>\$ 170,653</u>

**General Obligation Bonds**

During the year ended June 30, 2002, the Town issued \$2,450,000 of Town of Lexington, South Carolina General Obligation Bonds of 2002. The payment of principal and interest on the Bonds is secured by an irrevocable pledge of the full faith, credit and taxing power of the Town. The Bonds require semi-annual interest payments at rates from 4.00% - 6.00% and annual principal installments ranging from \$80,000 - \$190,000 through March 1, 2021. The proceeds from the bonds are to fund roadway and other capital improvements.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**General Obligation Bonds (Continued)**

Optional Redemption:

The Bonds maturing on or before March 1, 2011, are not subject to redemption prior to their maturity. The Bonds maturing subsequent to March 1, 2011, are subject to redemption on or after March 1, 2011, at the option of the Town, in whole or in part on any interest payment date at par plus accrued interest.

The annual debt service requirements to amortize all general obligation bonds outstanding as of June 30, 2002, including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Requirements</u>
2003	\$ 213,391
2004	201,135
2005	202,535
2006	198,735
2007	199,935
Thereafter	2,753,737
	<hr/>
	3,769,468
Less, interest component	(1,319,468)
	<hr/>
	\$ 2,450,000
	<hr/>

**Revenue Bonds/Notes**

During the year ended June 30, 2002, the Town issued Town of Lexington, South Carolina Bond Anticipation Note Series 2001, Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds Series 2001A and Combined Waterworks and Sewer System Revenue Refunding and Improvements Bonds Series 2001B. Proceeds from these issues were used in part to accomplish a current refunding of the remaining serial bonds of the Town's Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds Series 1993, advance refund the Town's Combined Waterworks and Sewer System Revenue Bonds Series 1997, advance refund a portion of a contract and capital lease payable to the City of West Columbia for wholesale water capacity charges, retail distribution rights, and related waterlines. Proceeds necessary to generate resources for all future debt service payments on the refunded bonds and contractual obligations were placed in irrevocable trusts. As a result, the amounts refunded are considered to be defeased and the liabilities have been removed from the Enterprise Fund Balance Sheet.

The refunding was undertaken to reduce annual debt service payments thereby reducing the rate increases necessary to maintain and improve the coverage ratio required by the restrictive bond covenants on outstanding revenue bonds. Additionally, the transaction provided additional resources necessary to improve the system.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

Revenue Bonds/Notes

The reacquisition price exceeded the net carrying amount of the old debt by \$3,529,026. This deferred amount on refunding is being netted against the new debt and amortized over the old debt's life, which is shorter than the life of the new debt. The transaction resulted in an approximate economic cost of \$83,500 and a \$3,580,000 increase in total future debt service payments.

Gross revenues of the Waterworks and Sewer System Enterprise Fund, after paying the costs and expenses of operating and maintaining the system, are pledged for repayment of the revenue bonds.

Series 1993 Revenue Refunding and Improvement Bonds:

The current interest bonds due through May, 2004, totaling \$1,065,000, were currently refunded during the year ended June 30, 2002. The Series 1993 Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds capital appreciation bonds remain outstanding and maturing annually on May 1 from 2005 to 2012 at yields from 4.90% to 5.50% and maturity values of \$385,000 with the final maturity at \$195,000. The capital appreciation bonds were issued at a discount with principal at maturity totaling \$3,275,000. The balance of Series 1993 Bonds at June 30, 2002 equaled \$2,342,430 (net of discount of \$932,570 with principal accretion recognized during the year of \$118,100).

Optional Redemption:

The Capital Appreciation Bonds are not subject to redemption prior to their maturity.

Series 1997 Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 1997 were advance refunded during the year ended June 30, 2002.

Series 2001A Revenue Refunding and Improvement Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2001A require semi-annual interest payments at rates of 3.50% to 5.75% and annual principal installments ranging from \$205,000 to \$1,935,000. The Series 2001A Bonds were issued for \$27,475,000 with an outstanding balance at June 30, 2002 of \$22,855,035 (net unamortized premium and deferred amount on refunding equaled \$91,697 and (\$3,366,662), respectively). Amortization of the premium and deferred amount equaled (\$4,770) and \$162,364, respectively.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

Revenue Bonds/Notes (Continued)

The Series 2001A Bonds maturing on or prior to April 1, 2010, are not subject to redemption prior to their maturity. The Bonds maturing on and after April 1, 2010, are subject to redemption prior to maturity, at the option of the Town, on or after April 1, 2010, as a whole at any time, or in part from time to time on any Interest Payment Date in the maturities as designated by the Town (but only in integral multiples of \$5,000 denomination) and by lot within a maturity, at the redemption prices with respect to each Series 2001A Bond, expressed as a percentage of principal amount of the Series 2001A Bond to be redeemed, as set forth below, together, in each case, with the interest accrued on the principal amount to the date fixed for redemption:

<u>Redemption Dates (Both Dates Inclusive)</u>	<u>Redemption Price</u>
April 1, 2010 to March 31, 2011	101%
April 1, 2011 and thereafter	100

Series 2001B Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2001B will initially bear interest from their date of issuance at the weekly rate. The weekly rate is a fluctuating rate per annum determined periodically by the remarketing agent. The Town may at its option convert (subject to certain conditions) from the weekly rate mode to either the daily rate, term rate or fixed rate mode. The interest rate on the Bonds shall not exceed 12% per annum except for the bank bonds (bonds purchased under the terms of the Standby Bond Purchase Agreement) which shall not exceed 18% per annum. The Town has assumed an average interest rate of 3.37%. The Series 2001B Revenue Bonds were issued for \$5,800,000 with \$5,505,000 remaining outstanding at June 30, 2002.

Optional Redemption:

The Series 2001B Bonds may be redeemed in whole or in part at the option of the Town at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest on any weekly rate interest payment date when in the weekly rate mode, on any daily rate interest payment date when in the daily rate mode and on any conversion date between interest payment modes.

The Series 2001B Bonds in the term rate mode or the fixed rate mode are not subject to optional redemption during any term rate period of 5 years or less. During any term rate period of more than 5 years, the Bonds may be redeemed on or after the first optional call date. For any term rate period or fixed rate period of more than 5 years but less than 10 years the first optional call date shall be the fifth anniversary of the beginning of the term rate or fixed rate period. For any term or fixed rate of more than 10 years but less than 32 years the first optional call date shall be the anniversary of the beginning of the term or

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

Revenue Bonds/Notes (Continued)

fixed rate period that is on or immediately after the midpoint of such term or fixed rate period.

The Series 2001B Bonds in the term rate mode or the fixed rate mode may be redeemed in whole or in part on or after the first optional call date as defined above at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest plus a redemption premium (expressed as a percentage of principal amount redeemed) of 2% if the date of redemption is on or after the first call date but prior to the first anniversary of the first call date, 1% if the date of redemption is on or after the first anniversary of the first optional call date but prior to the second anniversary of the first optional call date, and without premium if the date of redemption is on or after the second anniversary of the first optional call date.

Bond Anticipation Note, Series 2001:

The Town issued Bond Anticipation Note, Series 2001 for \$7,375,000 during the year ended June 30, 2002 with a premium of \$11,062. Principal and interest of 2.25% per annum were due at maturity on January 11, 2002. The net proceeds were used to refund Bond Anticipation Note, Series 2000 for \$7,000,000 plus accrued interest. The Series 2001 BAN was prepaid on November 15, 2001 with proceeds from the Series 2001B Revenue Bond and unexpended Series 1999B BAN proceeds.

The annual debt service requirements to amortize revenue bonds outstanding as of June 30, 2002, including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Requirements</u>
2003	\$ 2,301,954
2004	2,297,241
2005	2,327,468
2006	2,339,748
2007	2,321,988
Thereafter	53,389,311
	<hr/> 64,977,710
Less, interest component	(34,275,245)
	<hr/> <hr/> \$ 30,702,465

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Contract Payable**

As discussed in *Note 8*, the Town agreed to pay West Columbia \$2.98 million for the non-exclusive use of the existing distribution lines and the non-exclusive retail distribution rights in an agreed upon service area. An initial payment of \$1 million was incurred at execution of the agreement during the year ended June 30, 1998. The remainder was to be paid in semi-annual payments of \$90,000 through December 30, 2008. The remaining obligation under this portion of the agreement was defeased during the year ended June 30, 2002. The agreement with West Columbia also requires the Town to pay for water capacity in an amount equal to its pro rata share of the debt service requirements on West Columbia's Water and Sewer System Improvements Revenue Bonds, Series 1998B. The Town's pro rata share is approximately 89% of the Series 1998B issue (based on the cost of expanding the LMWTF relative to entire issue). The Series 1998B requires semi-annual interest payments at rates from 3.45% to 4.5% and annual principal installments ranging from \$160,000 to \$345,000 through October 1, 2018. The Town defeased all required payments on Series 1998B through January 1, 2009, during the year ended June 30, 2002. The liabilities for all payments required to be made to West Columbia through January 1, 2009 have been reduced on the Enterprise Fund Balance Sheet. Accordingly, a contract payable has been recorded for the remaining installment payments due between January 1, 2009 and October 1, 2018 for the Town's pro rata share of the West Columbia Series 1998B.

The annual debt service requirements to amortize the contract payable as of June 30, 2002, including interest components are as follows:

Year Ending June 30,	Requirements
2003	\$ -
2004	-
2005	-
2006	-
2007	-
Thereafter	3,220,343
	<hr/> 3,220,343
Less, interest component	(661,325)
	<hr/> \$ 2,559,018 <hr/>

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Capital Lease**

The agreement with West Columbia provides in part for the Town to purchase waterlines from West Columbia under a capital lease. The minimum lease payments equaled the Town's pro rata share of the debt service requirements on West Columbia's Water and Sewer System Improvements Revenue Bonds, Series 1998A. The Town's pro rata share is approximately 40% of the Series 1998A issue (based on the construction cost of the waterlines relative to entire issue). The Series 1998A required quarterly interest payments at 4.75% and principal installments ranging from \$15,177 to \$38,566 through January 1, 2019. The Town defeased all required payments through January 1, 2009 on the Series 1998A Bonds with the corresponding capital lease liability being reduced on the Enterprise Fund Balance Sheet. Accordingly, a capital lease payable has been recorded at the present value of the minimum lease payments required from January 1, 2009 through January 1, 2019.

The annual debt service requirements to amortize the capital lease payable as of June 30, 2002, including interest component are as follows:

Year Ending June 30,	Requirements
2003	\$ -
2004	-
2005	-
2006	-
2007	-
Thereafter	620,207
	<hr/> 620,207
Less, interest component	(104,792)
	<hr/> <hr/> \$ 515,415

The waterlines acquired under the capital lease have been recorded in the Enterprise Fund for \$805,068.

10. Capacity Charges and Other Contributed Capital

Pursuant to GASB Statement #33, contributed capital in the Waterworks and Sewer Enterprise Fund for the year ended June 30, 2002, has been recognized as non-operating revenue.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**10. Capacity Charges and Other Contributed Capital (Continued)**

A summary of cash receipts and contributions from developers during the year ended June 30, 2002, were as follows:

Capacity charges receipts and other cash contributions received	\$ 1,528,075
System contributions from developers	<u>1,563,902</u>
Total capacity charges and other contributed capital recognized	<u>\$ 3,091,977</u>

The Town has outstanding contracts that allow certain developers to pay capital contribution fees on an installment basis. Total capital contribution fees outstanding approximate \$10,000 at June 30, 2002. Upon payment of periodic installments, the developers may claim the applicable number of capital contribution certificates.

Prior to implementation of GASB #33, capital contributions of the Proprietary Fund-types were recorded as increases in "contributed capital" and reported in the fund equity section of the balance sheet. Statement 33 further states that governments should not 'restate' contributed capital arising from prior periods until the government adopts and implements GASB Statement #34, which requires such restatement. As of the year ended June 30, 2002, the Town has not adopted nor implemented GASB Statement #34.

Accordingly, the Town has recognized current year capacity charges and other capital contributions as non-operating revenue. Prior year cumulative amounts of capacity charges and other contributed capital have not been restated. The balance of contributed capital reported in the fund equity section at June 30, 2002, is summarized as follows:

<u>Local Support</u>	<u>Capital Contribution Fees</u>	<u>Developers</u>	<u>Other Governments</u>	<u>Total</u>
\$ 75,000	\$ 8,540,699	\$ 7,901,280	\$ 1,427,248	<u>\$ 17,944,227</u>

**11. Related Party Transaction**

The Town and other neighboring governments in Lexington County support the Lexington Economic Development Association (LEDA). LEDA is a non-profit entity established to promote economic development within the Town and immediate surrounding area. The LEDA's executive director is a Town employee and office space has been provided by the Town.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**12. Contingencies**

Federal Grants

In the normal course of operations, the Town receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of audits of grant funds is not believed by Town officials to be material.

Litigation

Department of Health and Environmental Control (“DHEC”):

Under terms of *The 208 Water Quality Management for the Central Midlands Region* (the “208 Plan”), the Town established a regional sewer system. The original terms of the 208 Plan included in part a requirement for several service providers to decommission treatment facilities that discharge into the lower Saluda River. The Town’s Coventry Woods plant was one of the facilities designated for decommissioning upon availability of the regional system.

The Central Midlands Council of Governments (the “COG”) is charged with developing and ensuring compliance with the 208 Plan. The COG approved an amendment to the plan to extend the deadline for closure of Coventry Woods for five years. The extension would allow adequate capacity to be constructed in the City of Cayce’s Wastewater Treatment Plant to serve present and anticipated demand from the regional system. DHEC disapproved the amendment and filed suit against the Town to enjoin continued operation of Coventry Woods and to impose a \$10,000 per day fine, retroactive to March 1, 2001, for each day of continued operation.

The Town believes that the COG, as the agency delegated with the responsibility for managing the 208 Plan, properly approved the 208 Amendment. Pending a resolution of whether DHEC has jurisdiction, the Court granted the Town’s motion to stay, which not only stayed the proceedings and imposition of fines, but also enjoins DHEC from taking any enforcement action against the Coventry Woods plant, based on information known to DHEC before September 14, 2001. Subsequent to year end the Administrative Law Judge issued a ruling in the case which held that DHEC’s role is ministerial in nature and consists of certifying 208 Plan amendments to the U.S. Environmental Protection Agency but does not include the power to reject the amendments. The Town believes an appeal is unlikely. However, if an appeal is taken, the Town is confident that the decision of the Administrative Law Judge will be upheld. Accordingly, it is improbable that the any fine will be imposed or upheld.

The Town is party to other legal proceedings that normally occur in governmental operations. These proceedings are not likely to have a material adverse impact on the affected funds of the Town.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**13. Commitments**

Developers and Contractors

The Town has outstanding contracts to provide certain developers future sewer and water taps at June 30, 2002. The Town reserves sewer treatment capacity to provide the future service at the inception of the installment contracts.

Additionally, the Town has outstanding commitments to contractors and others for approximately \$1,500,000.

Wastewater Treatment Service Agreement

As discussed in *Note 8*, the Town entered into a Wastewater Treatment Service agreement with the City of Cayce, South Carolina Municipal Corporation, to provide wastewater treatment capacity for the Town. Under the agreement the Town is obligated to pay (1) Its' "pro rata" share of the capacity in the plant for the cost of future capital replacement or improvement to the Plant, upon receipt of a statement from the City of Cayce setting forth in reasonable detail the calculation of such cost, and (2) for additional capacity in the plant at the rate of \$1.60 per gallon until June 18, 2001. Thereafter, the price shall be 88% of the then applicable residential equivalent unit (REU) charge imposed by the City of Cayce if purchased in increments of one million gallons per day (GPD) or more, and 100% of the City of Cayce's then current REU charge purchased in increments of less than one million GPD.

Provided, however, that if the requested capacity is in excess of amounts necessary to serve City of Cayce's needs and amounts made available by contract to other governmental entities, (a) City of Cayce shall not be required to sell capacity in increments of less than one million GPD and (b) City of Cayce shall not be required to make such capacity available until 36 months following the date of the request.

Water Sale and Purchase Agreement

As discussed in *Note 8*, the Town is obligated under a Water Sale and Purchase Agreement with the City of West Columbia, South Carolina whereby the Town purchased capacity of up to 4.5 million gallons of water per day in the LMWTF. Wholesale water rates are determined by a formula that both parties agreed to, as described in the agreement. The agreement is for the economic life of the LMWTF or for the duration of the lease of the property upon which the facility is operated as executed between the City of West Columbia and the County of Lexington, South Carolina.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**14. Employee Retirement**

All employees, excluding public safety department employees, are eligible for membership in the South Carolina Governmental Employees' Retirement System (SCRS). Public safety department employees are covered by the South Carolina Police Officers' Retirement System (PORS). Both are a cost sharing, multiple employer defined benefit public employee retirement system administered by the State Budget and Control Board of South Carolina. Actuarial determinations are made by the administrators for the system. The System issues a publicly available Comprehensive Annual Financial Report that includes required supplementary information for both plans. The report may be obtained by writing to: The South Carolina Retirement System, Fontaine Business Center, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

The Town's total payroll for the year ended June 30, 2002, was approximately \$3,028,011, of which \$2,109,283 was for substantially all employees covered by the SCRS and \$918,728 was for PORS covered employees.

Benefits of the retirement systems are established by state statutes. Under current statutes, member employees who retire at age 65 or after 28 years (public safety employees after 25 years) of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the employee's highest twelve consecutive quarters of compensation for non-public safety employees and 2.14 percent for public safety employees. Member employees who are at least 60 years of age may elect early retirement in which case the full service benefit is reduced by 5 percent for each year the employee's age at retirement is less than 65. In either case, any unrecovered contributions are payable upon death and benefit payments increase 4 percent each year following an increase in the Consumer Price Index of at least 3 percent. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement systems also provide death and disability benefits to all member employees.

State statutes also determine the levels of contributions required. Non-public safety members are required to contribute 6 percent of their compensation. Under this system, the Town's contributions were 6.85 percent of each member employee's compensation, which included .15 percent of group life coverage. Contributions to the SCRS for the years ending June 30, 2002, 2001, and 2000 were \$144,486, \$126,703, and \$108,791, respectively, which equal 100% of required contributions. For public safety employees, amounts equaled 6.5 percent for member employees' contributions and 10.7 percent for the Town's contribution, which included .2 percent of group life and .2 percent of accidental death coverages. Contributions to the PORS for the years ending June 30, 2002, 2001, and 2000 were \$98,304, \$87,198, and \$78,867, respectively, which equal 100% of required contributions.

The current interest rate assumption for actuarial purposes equals eight percent, compounded annually.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**14. Employee Retirement (Continued)**

The Town does not provide other post-employment benefits.

**15. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial property insurance coverage and general liability coverage for these risks. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The Town participates in the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF), an insurance pool currently operating as a common tort liability and insurance program. The limit of the tort liability is \$2,000,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property. The Town pays an annual experience rated premium to SCMIRF for its general insurance coverage, totaling approximately \$111,219 in the current year.

The Town provides for the administration of a plan providing health and dental coverage for all employees through the Office of Insurance Services (OIS). The Town's payments to the OIS plan approximated \$417,000 during the year.

The Town participated in the South Carolina Municipal Insurance Trust (SCMIT) for its workers' compensations insurance program. The Town funds "contributions" monthly to SCMIT to provide for payment of claims, including a reserve against any unused large claims as they are filed. The Town paid SCMIT approximately \$47,000 during the year.

The Town is self-insured for unemployment benefits. Claims are administered by the South Carolina Employment Security Commission and are then reimbursed by the Town. The Town funds all unemployment claims through current available resources. No liability has been accrued at year-end for potential claims, as they are expected to be minimal.

**16. Prior Period Adjustments**

The Town has recognized two prior period adjustments related to "contributed capital" in the Waterworks and Sewer Enterprise Fund.

Conveyance of Sewer Subsystems:

An agreement between the Lexington County Joint Municipal Water and Sewer Commission (the "Commission") provided for certain sewer subsystems to be conveyed to the Town as a result of the Town's acquisition of the Highway 378 Sewer Line. The fair value of the conveyance should have been recognized as an increase in contributed capital in the year of acquisition.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**16. Prior Period Adjustments (Continued)**

Recognition of Contributed Capital in Accordance with GASB Statement 33:

Pursuant to the provisions of GASB 33, capital contributions to the Waterworks and Sewer Enterprise Fund should have been recognized as non-operating revenue beginning in the year ended June 30, 2001. Historically, these contributions to the Proprietary Fund – Types were recorded as increases in “contributed capital” and reported in the fund equity section of the balance sheet.

The following summarizes prior period adjustments:

	Contributed Capital	Retained Earnings/ Unreserved
	<hr/>	<hr/>
Balances at June 30, 2001	\$18,331,270	\$ 3,958,169
Conveyed sewer subsystems from the Commission and related depreciation	1,427,248	( 71,362)
Recognition of capital contributions in accordance with GASB 33	(1,814,291)	1,814,291
	<hr/>	<hr/>
Restated balances at June 30, 2001	<u>\$17,944,227</u>	<u>\$ 5,701,098</u>

Retained earnings – reserved totaled \$864,892 resulting in total restated retained earnings of \$6,565,990 at June 30, 2001.

These adjustments resulted in an increase in operating expenses of \$28,545 and an increase in non-operating revenue of \$1,814,291 for the year ended June 30, 2001 (thereby resulting in net income of \$1,239,370). Prior year financial statements reflect these adjustments and are comparable with current year presentation.

**17. Subsequent Events**

The Town issued Town of Lexington, South Carolina Combined Waterworks and Sewer System Bond Anticipation Note of 2002 for \$7,500,000 with principal and interest at 1.52% per annum due at maturity on September 20, 2003.

OTHER FINANCIAL INFORMATION

TOWN OF LEXINGTON, SOUTH CAROLINA

## GENERAL FUND

The General Fund is the principal operating fund of the Town that accounts for all financial resources not accounted for in other funds.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND  
BALANCE SHEET

JUNE 30, 2002

(With comparative amounts at June 30, 2001)

	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
Cash and temporary investments	\$ 2,886,926	\$ 2,704,934
Receivables, net:		
Fees and services	387,319	18,865
Property taxes, net	106,698	95,595
Other governments	141,475	95,285
Other	1,864	2,906
Due from other funds	53,867	78,281
Prepaid items	2,790	96,540
Total assets	<u>\$ 3,580,939</u>	<u>\$ 3,092,406</u>
 <b>Liabilities and Fund Equity</b>		
Liabilities:		
Accounts payable	\$ 120,835	\$ 106,357
Accrued liabilities	53,539	46,482
Due to other funds	1,639	2,896
Other liabilities	15,298	-
Deferred revenue	86,966	19,844
Total liabilities	<u>278,277</u>	<u>175,579</u>
 Fund equity:		
Reserved for prepaid items	2,790	96,540
Unreserved:		
Designated for drug enforcement	13,745	9,332
Undesignated	3,286,127	2,810,955
Total fund equity	<u>3,302,662</u>	<u>2,916,827</u>
Total liabilities and fund equity	<u>\$ 3,580,939</u>	<u>\$ 3,092,406</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2002  
(With comparative amounts for the year ended June 30, 2001)

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
<b>Revenue</b>				
Property taxes	\$ 1,578,000	\$ 1,627,363	\$ 49,363	\$ 1,639,382
Franchises, licenses and permits	2,158,600	2,485,391	326,791	2,252,406
Other governments	330,000	345,102	15,102	245,497
Fines and forfeitures	262,500	266,465	3,965	239,456
Interest income	130,000	52,964	(77,036)	121,190
Charges for services	48,500	41,429	(7,071)	35,591
Miscellaneous	15,000	17,774	2,774	19,408
Total revenue	<u>4,522,600</u>	<u>4,836,488</u>	<u>313,888</u>	<u>4,552,930</u>
<b>Expenditures</b>				
<b>General Government</b>				
Building Department:				
Personnel	278,936	278,333	603	263,385
Contractual services	1,520	2,048	(528)	5,053
Repairs and maintenance	7,475	4,621	2,854	5,588
Supplies	16,415	8,371	8,044	12,465
Other operating	10,235	8,247	1,988	8,255
Total building department	<u>314,581</u>	<u>301,620</u>	<u>12,961</u>	<u>294,746</u>
Administration Department:				
Personnel	393,423	398,793	(5,370)	344,086
Contractual services	2,235	2,854	(619)	20,759
Repairs and maintenance	4,280	743	3,537	1,246
Supplies	19,870	18,461	1,409	14,065
Other operating	34,450	27,354	7,096	25,293
Total administration department	<u>454,258</u>	<u>448,205</u>	<u>6,053</u>	<u>405,449</u>
Finance:				
Personnel	289,761	286,352	3,409	261,762
Contractual services	2,380	3,073	(693)	6,220
Repairs and maintenance	1,100	123	977	630
Supplies	5,813	5,834	(21)	12,138
Other operating	42,325	41,775	550	48,156
Total finance	<u>341,379</u>	<u>337,157</u>	<u>4,222</u>	<u>328,906</u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (GAAP BASIS) AND ACTUAL

- CONTINUED -

	2002		Variance	2001
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Expenditures (Continued)</b>				
<b>General Government (Continued)</b>				
Council:				
Personnel	95,764	92,230	3,534	93,691
Other operating	357,453	323,318	34,135	244,829
Contributions	-	6,700	(6,700)	20,000
Total council	<u>453,217</u>	<u>422,248</u>	<u>30,969</u>	<u>358,520</u>
Total general government	<u>1,563,435</u>	<u>1,509,230</u>	<u>54,205</u>	<u>1,387,621</u>
<b>Public Safety</b>				
Personnel	1,333,831	1,194,961	138,870	1,067,139
Contractual services	51,662	44,719	6,943	41,815
Repairs and maintenance	26,650	20,096	6,554	25,886
Supplies	25,330	27,903	(2,573)	24,586
Other operating	95,219	85,389	9,830	85,607
Total public safety	<u>1,532,692</u>	<u>1,373,068</u>	<u>159,624</u>	<u>1,245,033</u>
<b>Parks, Streets and Sanitation</b>				
Personnel	410,857	402,013	8,844	349,450
Contractual services	429,690	439,693	(10,003)	411,300
Repairs and maintenance	13,410	13,263	147	13,631
Supplies	61,649	38,337	23,312	57,891
Other operating	132,850	126,624	6,226	119,560
Total parks and appearances	<u>1,048,456</u>	<u>1,019,930</u>	<u>28,526</u>	<u>951,832</u>
<b>Capital Outlay</b>	161,409	460,397	(298,988)	378,226
<b>Debt Service</b>	18,228	18,226	2	331,806
Total expenditures	<u>4,324,220</u>	<u>4,380,851</u>	<u>(56,631)</u>	<u>4,294,518</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(192,430)	(153,574)	38,856	(183,479)
Note payable proceeds	-	83,772	83,772	150,428
Total other financing sources (uses)	<u>(192,430)</u>	<u>(69,802)</u>	<u>122,628</u>	<u>(33,051)</u>
Excess of revenue over (under) expenditures and other financing sources (uses)	5,950	385,835	379,885	225,361
Fund balance, beginning of year	2,916,827	2,916,827	-	2,691,466
Fund balance, end of year	<u>\$ 2,922,777</u>	<u>\$ 3,302,662</u>	<u>\$ 379,885</u>	<u>\$ 2,916,827</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

## SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than sources for major capital projects) that are restricted by law or otherwise restricted for specified purposes.

- Police Grants and Programs Fund:** The Town currently receives federal grant revenue funding that is coordinated through the South Carolina Department of Public Safety. The grants help fund the personnel costs of the Lexington Police Department through the COPS and DARE grant programs. The Town accounts for the DARE Camp program, which is funded by contributions, in this fund.
- Golden Hills Tax District Fund:** Established by Town Council and the voters of the Town to account for the proceeds of a special assessment on all property in the District. Proceeds are expended to fund maintenance of roads within the Golden Hills subdivision.
- Downtown Restoration Fund:** Donations made by SCANA to assist the residents of the Town after the 1993 tornado. Funds were used to account for the cleanup associated with natural disasters.
- Disaster Fund:** Donations that have been made by SCANA and other local businesses to assist with future natural disasters. Funds will be utilized to assist local residents after future natural disasters.
- Greenback Fund:** Funding that was provided by local businesses to enhance the appearance of the Town. Funds are utilized to purchase additional planting materials that are located along the main thoroughfares.
- Sidewalk Fund:** Funding that is provided by local developers to install sidewalks within the Town limits when the requirements of the South Carolina Department of Transportation have been met. Developers are required to contribute to this fund when sidewalk construction is disallowed due to a lack of terminus points. Funding levels are established by the current construction costs necessary to complete the project.
- Forestry Grant Fund:** Funding is provided by the South Carolina Forestry Commission to provide additional training and reference materials associated with the maintenance and care of Lexington's Community Forest.
- Cans to Trees Fund:** Recycling and other revenues accounted for in this fund will expand "green" areas within the Town.
- Victim's Assistance Fund:** Funding is provided by the assessment of ticket proceeds. Funds are used to provide victim services that include travel, training, personnel costs, and the notification processes that are required to meet the criteria established by the South Carolina General Assembly.
- Accommodations Tax Fund:** Established to account for the Town's share of tax levied on the rental of transient accommodations. Use of the revenue is restricted to the promotion of tourism and tourist related activities.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2002

(With comparative total amounts at June 30, 2001)

	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Greenback Fund	Sidewalk Fund	Forestry Grant	Cans to Trees	Victims Assistance	Accommodation Tax	Totals	
											2002	2001
<b>Assets</b>												
Cash and temporary investments	\$ 542	\$23,530	\$ 21,716	\$ 12,126	\$ -	\$244,012	\$ -	\$ 6,814	\$ 49,848	\$ 37,405	\$395,993	\$390,159
Taxes receivable	-	-	-	-	-	-	-	-	-	15,581	15,581	12,358
Due from grantor	67,883	-	-	-	-	-	-	141	-	-	68,024	81,313
Due from other funds	-	-	-	-	-	-	-	-	4,218	-	4,218	3,282
Total assets	\$ 68,425	\$23,530	\$ 21,716	\$ 12,126	\$ -	\$244,012	\$ -	\$ 6,955	\$ 54,066	\$ 52,986	\$483,816	\$487,112
<b>Liabilities and Balances</b>												
Accounts payable	\$ 4,820	\$ -	\$ -	\$ -	\$ -	\$ 95	\$ -	\$ -	\$ 8,903	\$ -	\$ 13,818	\$ 6,999
Due to other funds	55,667	-	-	-	-	-	-	-	-	779	56,446	78,667
Deferred revenue	-	-	-	-	-	16,147	-	-	-	-	16,147	37,063
Total liabilities	60,487	-	-	-	-	16,242	-	-	8,903	779	86,411	122,729
Fund balances:												
Unreserved/undesignated	7,938	23,530	21,716	12,126	-	227,770	-	6,955	45,163	52,207	397,405	364,383
Total fund equity	7,938	23,530	21,716	12,126	-	227,770	-	6,955	45,163	52,207	397,405	364,383
Total liabilities and fund balances	\$ 68,425	\$23,530	\$ 21,716	\$ 12,126	\$ -	\$244,012	\$ -	\$ 6,955	\$ 54,066	\$ 52,986	\$483,816	\$487,112

TOWN OF LEXINGTON, SOUTH CAROLINA

SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2002  
 (With comparative total amounts for the year ended June 30, 2001)

	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Greenback Fund	Sidewalk Fund	Forestry Grant	Cans to Trees Fund	Victim's Assistance	Accommodation Tax	Totals 2002	Totals 2001
<b>Revenue</b>												
Grant revenue	\$ 254,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,646	\$ 187,927
Road assessment	-	16,590	-	-	-	-	-	-	-	-	16,590	14,700
Sidewalk proceeds	-	-	-	-	-	19,118	-	-	-	-	19,118	9,426
DARE camp proceeds	2,116	-	-	-	-	-	-	-	-	-	2,116	10,865
Recycling proceeds	-	-	-	-	-	-	-	1,290	-	-	1,290	2,596
Victim's assistance	-	-	-	-	-	-	-	-	33,249	-	33,249	37,433
Accommodations tax	-	-	-	-	-	-	-	-	-	51,423	51,423	53,106
Interest income	-	159	172	318	-	2,988	-	-	-	404	4,041	15,492
Other income	-	-	-	-	-	-	-	-	336	-	336	1,190
<b>Total revenue</b>	<b>256,762</b>	<b>16,749</b>	<b>172</b>	<b>318</b>	<b>-</b>	<b>22,106</b>	<b>-</b>	<b>1,290</b>	<b>33,585</b>	<b>51,827</b>	<b>382,809</b>	<b>332,735</b>
<b>Expenditures</b>												
Current:												
Public safety	176,278	-	-	-	-	-	-	-	-	-	176,278	135,552
DARE camp expenses	2,190	-	-	-	-	-	-	-	-	-	2,190	10,865
Victim's assistance	10,695	-	-	-	-	-	-	-	33,489	-	44,184	35,236
Street maintenance	-	2,665	-	-	-	-	-	-	-	-	2,665	5,372
Parks and appearance	-	-	-	-	386	-	957	-	-	-	1,343	-
Accommodation tax	-	-	-	-	-	-	-	-	-	-	-	30,042
Capital outlay	68,093	-	-	-	-	2,308	-	-	-	-	70,401	59,114
<b>Total expenditures</b>	<b>257,256</b>	<b>2,665</b>	<b>-</b>	<b>-</b>	<b>386</b>	<b>2,308</b>	<b>957</b>	<b>-</b>	<b>33,489</b>	<b>-</b>	<b>297,061</b>	<b>276,181</b>
<b>Other Financing Sources</b>												
Operating transfers in (out)	-	-	-	-	-	-	-	-	-	(52,726)	(52,726)	(26,427)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,726)</b>	<b>(52,726)</b>	<b>(26,427)</b>
Excess (deficiency) of revenue over (under) expenditures	(494)	14,084	172	318	(386)	19,798	(957)	1,290	96	(899)	33,022	30,127
Fund balances, beginning of year	8,432	9,446	21,544	11,808	386	207,972	957	5,665	45,067	53,106	364,383	334,256
<b>Fund balances, end of year</b>	<b>\$ 7,938</b>	<b>\$ 23,530</b>	<b>\$ 21,716</b>	<b>\$ 12,126</b>	<b>\$ -</b>	<b>\$ 227,770</b>	<b>\$ -</b>	<b>\$ 6,955</b>	<b>\$ 45,163</b>	<b>\$ 52,207</b>	<b>\$ 397,405</b>	<b>\$ 364,383</b>

## DEBT SERVICE FUND

This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town. Transfers from other governmental funds and interest earned on the investments of the Debt Service Fund are used for the payment of principal, interest, and fiscal agent expenditures on the Town's general obligation bonds, which are recorded in the General Long-Term Debt Account Group.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

DEBT SERVICE FUND  
BALANCE SHEET

JUNE 30, 2002

(With comparative amounts at June 30, 2001)

	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
Restricted cash and temporary investments	\$ 307,444	\$ 301,484
Total assets	<u>\$ 307,444</u>	<u>\$ 301,484</u>
<b>Liabilities and Fund Balance</b>		
Fund balance:		
Reserved for debt service	\$ 307,444	\$ 301,484
Total fund balance	<u>307,444</u>	<u>301,484</u>
Total liabilities and fund balance	<u>\$ 307,444</u>	<u>\$ 301,484</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

DEBT SERVICE FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED JUNE 30, 2002

(With comparative actual amounts for the year ended June 30, 2001)

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
<b>Revenue</b>				
Interest earned on investments	\$ 13,000	\$ 6,290	\$ (6,710)	\$ 15,777
Total revenue	<u>13,000</u>	<u>6,290</u>	<u>(6,710)</u>	<u>15,777</u>
<b>Expenditures</b>				
Debt service	205,430	206,630	(1,200)	208,621
Total expenditures	<u>205,430</u>	<u>206,630</u>	<u>(1,200)</u>	<u>208,621</u>
Deficiency of revenue under expenditures	<u>(192,430)</u>	<u>(200,340)</u>	<u>(7,910)</u>	<u>(192,844)</u>
<b>Other Financing Sources</b>				
Operating transfers in	192,430	206,300	13,870	209,906
Total other financing source	<u>192,430</u>	<u>206,300</u>	<u>13,870</u>	<u>209,906</u>
Excess of revenue and other financing sources over expenditures	-	5,960	5,960	17,062
Fund balance, beginning of year	301,484	301,484	-	284,422
Fund balance, end of year	<u>\$ 301,484</u>	<u>\$ 307,444</u>	<u>\$ 5,960</u>	<u>\$ 301,484</u>

## CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for all financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by the Proprietary Fund). The primary sources of money in this fund are the proceeds of general obligation bond issues, federal and state grants, and interest earnings.

Streetscape: Accounts for financial resources and construction of the Main Street Streetscape project.

Streets and Infrastructure: Accounts for financial resources and construction of major street and infrastructure projects.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2002

	<u>Streetscape</u>	<u>Streets and Infrastructure</u>	<u>Totals</u>
<b>Assets</b>			
Restricted cash and temporary investments	\$ 1,578,677	\$ 715,422	\$2,294,099
Due from grantor	18,226	-	18,226
Total assets	<u>\$ 1,596,903</u>	<u>\$ 715,422</u>	<u>\$2,312,325</u>
<b>Liabilities and Fund Balance</b>			
Accounts payable	\$ 225	\$ 11,720	\$ 11,945
Fund Balance:			
Unreserved/Undesignated	1,596,678	703,702	2,300,380
Total fund balance	<u>1,596,678</u>	<u>703,702</u>	<u>2,300,380</u>
Total liabilities and fund balance	<u>\$ 1,596,903</u>	<u>\$ 715,422</u>	<u>\$2,312,325</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2002

	<u>Streetscape</u>	<u>Streets and Infrastructure</u>	<u>Totals</u>
Revenue			
Grant revenue	\$ 40,126	\$ -	\$ 40,126
Interest earned on investments	12,081	5,764	17,845
Total Revenue	<u>52,207</u>	<u>5,764</u>	<u>57,971</u>
Expenditures			
Capital outlay	80,815	77,496	158,311
Total expenditures	<u>80,815</u>	<u>77,496</u>	<u>158,311</u>
Deficiency of revenue under expenditures	<u>(28,608)</u>	<u>(71,732)</u>	<u>(100,340)</u>
Other Financing Sources (Uses)			
Bond proceeds	1,667,546	795,594	2,463,140
Bond issuance costs	(42,260)	(20,160)	(62,420)
Total other financing sources	<u>1,625,286</u>	<u>775,434</u>	<u>2,400,720</u>
Excess of revenue and other financing sources over expenditures	1,596,678	703,702	2,300,380
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$1,596,678</u>	<u>\$ 703,702</u>	<u>\$2,300,380</u>

## ENTERPRISE FUND

Enterprise Funds are to be used to account for operations that are financed and operated in a manner similar to private sector businesses where the intent of the governing body is that the costs (including depreciation) of providing goods or services primarily or solely to the general public be financed or recovered primarily through user charges. The only Enterprise Fund of the Town is the Waterworks and Sewer System Enterprise Fund. The Waterworks and Sewer System Enterprise Fund is used to account for all financial resources associated with supplying water and providing sewage services to domestic, business, and industrial customers within the Town area.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND  
BALANCE SHEET

JUNE 30, 2002  
(With comparative amounts at June 30, 2001, as restated)

	2002	2001
<b>Assets</b>		
Cash and temporary investments	\$ 3,602,752	\$ 3,493,923
Receivables, net:		
Fees and services	875,072	722,205
Other	43,998	7,409
Inventories-supplies	242,128	126,442
Prepaid items	-	13,428
Restricted assets:		
Cash and temporary investments	5,481,982	4,855,266
Property, plant, and equipment, net	36,650,214	33,861,696
Deferred charges:		
Capacity reserve	11,688,210	11,952,281
Retail distribution rights	2,352,622	2,402,677
Bond issue cost, net of amortization	1,084,515	1,792,033
<b>Total assets</b>	<b>\$ 62,021,493</b>	<b>\$ 59,227,360</b>
 <b>Liabilities and Fund Equity</b>		
Liabilities:		
Accounts payable	\$ 203,082	\$ 161,863
Accrued liabilities	22,280	20,820
Bond anticipation note	-	7,002,715
Current liabilities payable from restricted assets:		
Construction payables	314,906	3,433
Accrued interest	327,477	579,693
Contract payable-current	-	278,686
Capital lease-current	-	27,551
Arbitrage rebate	-	55,400
Revenue bonds-current	855,000	475,000
Customer deposit	2,000	2,000
Revenue bonds payable	29,847,465	20,481,922
Contracts payable	2,559,018	4,868,936
Accrued compensated absences	55,153	45,807
Capital lease obligation	515,415	713,317
<b>Total liabilities</b>	<b>34,701,796</b>	<b>34,717,143</b>
Fund equity:		
Contributed capital	17,944,227	17,944,227
Retained earnings:		
Reserved-debt service and renewal and replacement	-	864,892
Unreserved	9,375,470	5,701,098
<b>Total fund equity</b>	<b>27,319,697</b>	<b>24,510,217</b>
<b>Total liabilities and fund equity</b>	<b>\$ 62,021,493</b>	<b>\$ 59,227,360</b>

TOWN OF LEXINGTON, SOUTH CAROLINA

WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEAR ENDED JUNE 30, 2002

(With comparative amounts for the year ended June 30, 2001, as restated)

	<u>2002</u>	<u>2001</u>
<b>Operating Revenue</b>		
Water service	\$2,370,027	\$2,098,230
Sewer service	2,841,639	2,412,105
Tap and meter fees	76,165	75,444
Other income	237,782	167,197
Total operating revenue	<u>5,525,613</u>	<u>4,752,976</u>
<b>Operating Expenses</b>		
Salaries, wages, and fringes	1,197,937	1,020,376
Contractual services	1,381,714	1,280,273
Materials and supplies	245,769	256,273
Heat, light, and power	83,740	118,403
Depreciation and amortization	1,196,263	1,134,802
Other operating expenses	302,320	297,184
Total operating expenses	<u>4,407,743</u>	<u>4,107,311</u>
Operating income	<u>1,117,870</u>	<u>645,665</u>
<b>Non-Operating Revenue (Expenses)</b>		
Interest income	211,252	595,303
Capital contributions	3,091,977	1,814,291
Sale of fixed assets	-	18,000
Interest expense	(1,557,984)	(1,761,302)
Amortization of bond issuance costs	(53,635)	(72,587)
Total non-operating revenue (expenses)	<u>1,691,610</u>	<u>593,705</u>
Net income	2,809,480	1,239,370
Retained earnings, beginning of year as restated	6,565,990	5,326,620
Retained earnings, end of year	<u>\$9,375,470</u>	<u>\$6,565,990</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2002

(With comparative amounts for the year ended June 30, 2001, as restated)

	<u>2002</u>	<u>2001</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 5,336,157	\$ 4,789,214
Cash paid to suppliers for goods or services	(2,088,010)	(1,956,773)
Cash paid to employees for services	(1,173,703)	(1,011,488)
Net cash provided by operating activities	<u>2,074,444</u>	<u>1,820,953</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of fixed assets	(1,879,679)	(349,639)
Proceeds from the sale of fixed assets	-	18,000
Refund (purchase) of wastewater capacity	84,398	(3,204,535)
Proceeds from new debt	40,841,735	7,009,310
Bond issuance costs paid	(974,609)	-
Bond proceeds placed in defeasance escrow	(22,153,385)	-
Premium paid on revenue bond refunding	(10,650)	-
Principal paid on revenue bonds	(2,705,000)	(7,455,000)
Principal paid on contract payable	(216,736)	(268,100)
Principal paid on note's payable	(14,363,938)	(139,668)
Principal paid on capital lease obligation	-	(33,048)
Arbitrage rebate paid	(53,645)	-
Interest and fees paid	(1,644,962)	(1,618,510)
Capital contribution fees	1,528,075	1,251,965
Net cash used in capital and related financing activities	<u>(1,548,396)</u>	<u>(4,789,225)</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	209,497	650,703
Net cash provided by investing activities	<u>209,497</u>	<u>650,703</u>
Net increase (decrease) in cash and cash equivalents	735,545	(2,317,569)
Cash and cash equivalents, beginning of year	8,349,189	10,666,758
Cash and cash equivalents, end of year	<u>\$ 9,084,734</u>	<u>\$ 8,349,189</u>

TOWN OF LEXINGTON, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND  
STATEMENT OF CASH FLOWS

- CONTINUED -

	2002	2001
<b>Reconciliation of Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 1,117,870	\$ 645,665
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,196,263	1,134,802
Decrease (increase) in accounts receivable	(189,456)	34,238
Increase in inventory	(115,686)	(31,624)
Decrease (increase) in prepaid items	13,428	(13,428)
Increase in accounts payable	41,219	26,984
Increase in customer deposits	-	2,000
Increase in accrued expenses	10,806	22,316
Net cash provided by operating activities	\$ 2,074,444	\$ 1,820,953
<b>Non-cash Capital Supplementary Information:</b>		
Revenue bond principal accretion and discount amortization	\$ 118,100	\$ 118,174
Revenue bond premium and deferred amount on refunding amortization	157,894	-
Deeded fixed assets (capital contributions)	1,563,902	562,326

## GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for the general fixed assets of the Town utilized in its general operations, exclusive of those used in the Enterprise Fund. General Fixed Assets include land, buildings, betterments and equipment owned by the Town.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

JUNE 30, 2002

(With comparative amounts at June 30, 2001)

	<u>2002</u>	<u>2001</u>
<b>General Fixed Assets</b>		
Land	\$ 1,422,854	\$ 1,231,585
Buildings	2,930,833	2,851,686
Vehicles and equipment	2,856,780	2,670,325
Total general fixed assets	<u>\$ 7,210,467</u>	<u>\$ 6,753,596</u>
<b>Investment in General Fixed Assets by Source</b>		
Certificates of participation	\$ 2,491,113	\$ 2,491,113
Special Revenue	158,873	91,523
General Fund	4,560,481	4,170,960
Total investment in general fixed assets	<u>\$ 7,210,467</u>	<u>\$ 6,753,596</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS  
BY FUNCTION AND ACTIVITY

JUNE 30, 2002

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Vehicles and Equipment</u>	<u>Totals</u>
General Government:				
Council	\$ -	\$ 142,139	\$ 40,550	\$ 182,689
Administration	-	-	19,299	19,299
Finance	-	-	25,219	25,219
Building department	-	-	20,507	20,507
Total general government	-	142,139	105,575	247,714
Public Safety:				
Police	-	-	555,150	555,150
Victim's assistance	-	-	14,311	14,311
Police grants and programs	-	-	77,212	77,212
Total public safety	-	-	646,673	646,673
Parks, streets, and sanitation	191,269	79,147	84,755	355,171
Assets in service prior to June 30, 1999	1,231,585	2,709,547	2,019,777	5,960,909
Total general fixed assets	<u>\$ 1,422,854</u>	<u>\$ 2,930,833</u>	<u>\$ 2,856,780</u>	<u>\$ 7,210,467</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
BY FUNCTION AND ACTIVITY

YEAR ENDED JUNE 30, 2002

Function and Activity	Balances June 30, 2001	Additions	Retirements	Balances June 30, 2002
General Government:				
Council	\$ 168,583	\$ 14,106	\$ -	\$ 182,689
Administration	16,507	2,792	-	19,299
Finance	25,219	-	-	25,219
Building department	19,166	1,341	-	20,507
Total general government	229,475	18,239	-	247,714
Public Safety:				
Police	396,999	158,151	-	555,150
Victim's assistance	14,311	-	-	14,311
Police grants and programs	77,212	-	-	77,212
Total public safety	488,522	158,151	-	646,673
Parks, streets, and sanitation	74,690	280,481	-	355,171
Assets in service prior to June 30, 1999	5,960,909	-	-	5,960,909
Total general fixed assets	\$ 6,753,596	\$ 456,871	\$ -	\$ 7,210,467

TOWN OF LEXINGTON, SOUTH CAROLINA

## GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-Term Debt Account Group is used to account for general obligation bonded debt of the Town and liabilities for vested amounts of compensated absences which are to be paid from taxes, and other Governmental Fund type revenue of the Town.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA  
 SCHEDULE OF GENERAL LONG-TERM DEBT

JUNE 30, 2002  
 (With comparative amounts at June 30, 2001)

	<u>2002</u>	<u>2001</u>
<u>Amount available and to be provided for the payment of</u>		
<u>General Long-Term Debt</u>		
Amount to be provided-compensated absences	\$ 173,292	\$ 150,288
Amount to be provided-general obligation bonds	2,450,000	-
Amount to be provided-long-term debt	2,038,872	2,042,520
Amount available in debt service fund	307,444	301,484
Total available and to be provided	<u>\$ 4,969,608</u>	<u>\$ 2,494,292</u>
 <u>General Long-Term Debt Payable</u>		
Notes payable	\$ 170,653	\$ 96,798
General obligation bonds	2,450,000	-
Certificates of participation	2,175,663	2,247,206
Total general long-term debt payable	<u>4,796,316</u>	<u>2,344,004</u>
 <u>Other Long-Term Obligations</u>		
Accrued compensated absences	173,292	150,288
Total other long-term obligations	<u>173,292</u>	<u>150,288</u>
 Total general long-term debt payable and other long-term obligations	 <u>\$ 4,969,608</u>	 <u>\$ 2,494,292</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

## SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

This schedule, which is mandated by state law, summarizes the amount of court fines, assessments, and surcharges retained by the Town and the amount remitted to the State Treasurer.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2002

Court Fines and Assessments

Total Court fines and assessments collected	\$ 509,050
Total Court fines and assessments retained by Municipal Treasurer	\$ 266,465
Total Court fines and assessments remitted to State Treasurer	\$ 209,336

Surcharges

Total surcharges collected	\$ 7,894
Total surcharges retained by Municipal Treasurer	\$ 7,894

Victim's Services

Total Court fines and assessments allocated	\$ 33,249
Total surcharges allocated	\$ 7,894

TOWN OF LEXINGTON, SOUTH CAROLINA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

**BRITTINGHAM, DIAL & JEFFCOAT, P.A.**

PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

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POST OFFICE BOX 5949  
WEST COLUMBIA, S.C. 29171-5949  
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J.T. BRITTINGHAM, C.P.A. (1924 - 1995)  
W.F. DIAL, JR., C.P.A.  
J.M. JEFFCOAT, C.P.A. (RET.)  
K.R. BROWN, C.P.A.  
K.E. PRINCE, C.P.A.  
J.R. HITE, C.P.A.  
J.T. BRITTINGHAM, JR., C.P.A.  
K.D. DIAL, C.P.A.  
WM. H. HANCOCK, C.P.A.  
  
M.A. BRANDON, C.P.A.  
K. L. EUBANKS, C.P.A.

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
SEC PRACTICE SECTION  
  
PRIVATE COMPANIES  
PRACTICE SECTION  
  
SOUTH CAROLINA ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

The Honorable Mayor and Members of Town Council  
Town of Lexington, South Carolina

We have audited the general purpose financial statements of the Town of Lexington, South Carolina (the Town), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows.

Internal control procedures should be implemented to provide detailed supporting documentation and adequate reconciliation of monthly posting of fines and assessments to the general ledger.

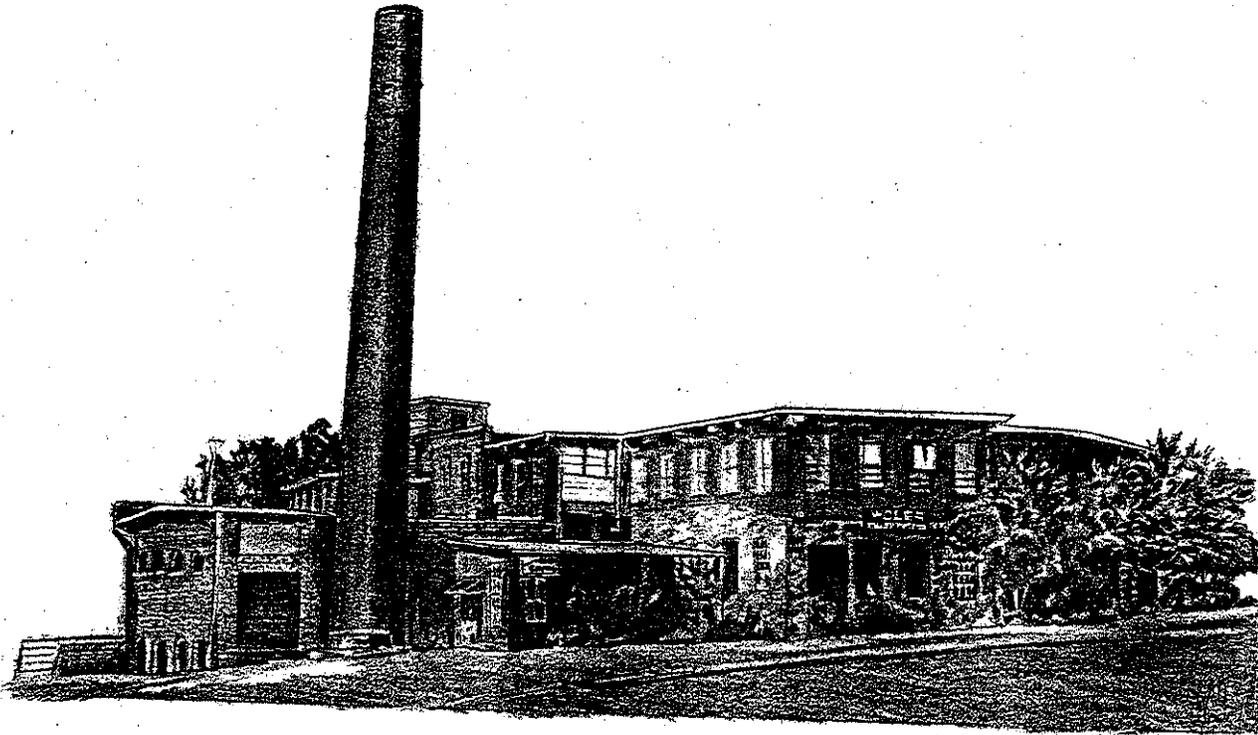
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, and Town Council and is not intended to be and should not be used by anyone other than these specified parties.

*Bullington Pritz Joffe*

December 17, 2002

TOWN OF LEXINGTON, SOUTH CAROLINA



**Lexington Manufacturing Company (1891)** operated the “Old Mill” on Highway #1 until the mid-twentieth century with 204 looms and 7,000 spindles. The mill’s power supply was from the adjacent dam and pond.

# Town of Lexington, South Carolina

## General Government Expenditures by Function Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Government	Public Safety	Parks Streets & Sanitation	Victim's Assistance	Housing Rehabilitation	Accommodations Tax	Capital Outlay	Debt Service	Total (1)
1993	565,586	752,395	365,703	-	-	-	2,172,590	268,098	4,124,372
1994	683,771	795,975	486,810	-	-	-	109,070	2,238,266	4,313,892
1995	606,858	925,316	658,742	-	-	-	49,559	294,682	2,535,157
1996	1,050,451	879,905	576,792	-	-	-	250,120	231,146	2,988,414
1997	1,242,858	985,996	655,178	-	-	-	200,557	307,333	3,391,922
1998	677,732	1,064,062	672,254	84	1,240	-	115,433	299,184	2,829,989
1999	990,345	1,125,591	772,834	618	235,588	10,839	45,253	375,959	3,937,027
2000	1,253,790	1,931,358	846,282	38,110	78,710	16,838	394,474	411,664	4,233,226
2001	1,387,621	1,391,450	957,204	35,236	-	30,042	437,340	540,427	4,779,320
2002	1,509,230	1,551,536	1,023,938	44,184	-	-	689,109	224,856	5,042,853

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

## Town of Lexington, South Carolina

General Government Revenues by Source  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Property Taxes	Franchises, Licenses & Permits		Other Governments	Fines and Forfeitures	Grants and Other Revenues		Total
1993	610,526	826,467	189,370	208,810	91,392		1,926,565	
1994	728,220	1,040,507	165,495	99,687	113,532		2,147,441	
1995	816,870	1,042,625	151,652	181,730	103,651		2,296,528	
1996	925,220	1,027,368	174,645	151,903	544,325		2,823,461	
1997	985,176	1,524,673	199,040	161,362	597,918		3,468,169	
1998	1,129,612	1,584,037	395,634	192,141	104,746		3,406,170	
1999	1,353,996	1,813,731	584,881	242,753	182,012		4,177,373	
2000	1,411,538	1,998,933	587,083	193,455	479,017		4,670,026	
2001	1,654,082	2,252,406	486,530	276,889	231,535		4,901,442	
2002	1,643,953	2,485,391	691,297	299,714	163,203		5,283,558	

## Town of Lexington, South Carolina

### Property Tax Levies and Collections Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Tax Levy	Total Tax Collections	Percentage of		Outstanding Delinquent Taxes	Percentage Delinquent Taxes to Total Tax Levy
			Total Tax Collections	Total Tax Levy		
1993	619,576	610,526	98.54%	9,050	1.46%	
1994	740,100	728,220	98.39%	11,880	1.61%	
1995	832,808	816,870	98.09%	15,938	1.91%	
1996	967,264	925,220	95.65%	42,044	4.35%	
1997	1,011,401	985,176	97.41%	26,225	2.59%	
1998	1,156,004	1,129,612	97.72%	26,392	2.28%	
1999	1,341,709	1,268,429	94.54%	73,280	5.46%	
2000	1,425,166	1,392,750	97.73%	32,416	2.22%	
2001	1,604,590	1,550,107	96.60%	54,483	3.40%	
2002	1,700,317	1,659,502	97.60%	40,815	2.40%	

Source: Lexington County Treasurer's Office

## Town of Lexington, South Carolina

Assessed and Estimated Actual Value of Property  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Tax Year	Real Property		Personal Property		Total		Ratio of Total	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value to Estimated Actual Value	Assessed Value to Estimated Actual Value
1993	1992	9,279,769	231,994,222	2,279,485	21,709,379	11,559,254	253,703,602		4.56%
1994	1993	10,999,322	274,983,050	2,808,514	26,747,751	13,807,836	301,730,801		4.58%
1995	1994	12,409,771	310,244,286	3,127,691	29,787,536	15,537,463	340,031,822		4.57%
1996	1995	14,371,811	359,295,266	3,674,160	34,991,995	18,045,970	394,287,261		4.58%
1997	1996	15,987,850	399,696,250	3,649,680	34,758,857	19,637,530	434,455,107		4.52%
1998	1997	17,495,395	437,384,871	4,472,705	42,597,192	21,968,100	479,982,063		4.58%
1999	1998	17,924,860	369,030,610	7,325,460	66,522,571	25,250,320	435,553,181		5.80%
2000	1999	18,224,150	369,016,350	9,191,670	90,404,761	27,415,820	459,421,111		5.90%
2001	2000	19,605,580	407,635,800	10,289,750	97,997,619	29,895,330	505,633,419		5.90%
2002	2001	27,339,580	557,161,700	10,847,520	105,481,062	38,187,100	662,642,762		5.76%

Source: Lexington County Auditor's Office

Note: Includes Fee In Lieu

## Town of Lexington, South Carolina

### Property Tax Rates-Direct and Overlapping Governments (Per \$1,000 of Assessed Value) Last Ten Fiscal Years (Unaudited)

Fiscal Year	Town of Lexington	Lexington County	Lexington School District 1	Midlands			Recreation Commission	Riverbanks Zoo	Mental Health	Total
				Technical College	Technical College	Technical College				
1993	53.60	61.80	178.20	3.30	3.30	3.30	13.00	2.30	0.80	313.00
1994	53.60	67.80	184.90	3.20	3.20	3.20	13.80	2.10	0.80	326.20
1995	53.60	67.30	184.90	3.50	3.50	3.50	13.60	2.20	0.90	326.00
1996	53.60	67.30	184.90	3.40	3.40	3.40	13.10	2.30	0.90	325.50
1997	53.60	68.80	194.90	3.40	3.40	3.40	13.20	2.10	0.90	336.90
1998	53.60	68.00	194.90	3.30	3.30	3.30	12.80	2.10	0.90	335.60
1999	53.60	67.90	214.60	3.30	3.30	3.30	12.80	2.60	0.90	355.70
2000	51.00	76.20	224.40	4.20	4.20	4.20	12.80	2.60	0.90	372.10
2001	51.00	80.20	239.40	4.20	4.20	4.20	13.20	2.50	0.90	391.40
2002	43.70	74.47	250.30	3.72	3.72	3.72	12.78	2.01	0.84	387.82

(1) = Reassessment of real property required the Town and other governments to comply with roll back millage provisions in state law.

# Town of Lexington, South Carolina

Principal Tax Payers  
Year Ended June 30, 2002  
(Unaudited)

Taxpayer	Type of Business	Assessed Value as of 12/31/01	Percentage of Total Assessed Valuation	Taxes Paid
South Carolina Electric & Gas	Manufacturing - Utility	\$ 925,620	2.42%	\$ 40,450
Lowes Home Centers	Retail	773,000	2.02%	33,780
Old Mill Apartments/Lexington	Apartment Complex	660,000	1.73%	28,842
W M Lexington Trust	Real Estate	501,520	1.31%	21,916
Shenandoah Apartments	Apartment Complex	464,260	1.22%	20,288
Edens & Avant Financing	Real Estate	431,590	1.13%	18,860
Thornhill LP	Apartment Complex	413,400	1.08%	18,066
Lexington Chapin Retirement	Retirement Home	394,530	1.03%	17,241
Chimney Ridge Apartments	Apartment Complex	336,020	0.88%	14,684
Rauch Tractor Development	Real Estate	334,190	0.88%	14,604
Advanced Newhouse Partners (Time Warner)	Cable Television	328,480	0.86%	14,355
Alltell	Manufacturing - Utility	286,290	0.75%	12,511
Lexington Place LLC	Real Estate	247,660	0.65%	10,823
Herdon Chevrolet	Manufacturing	221,830	0.58%	9,694
Triton PCS Holding Co LLC	Manufacturing - Utility	212,470	0.56%	9,285
Golden Hills Inc.	Real Estate	209,860	0.55%	9,171
Wal Mart Stores East Inc.	Retail	200,720	0.53%	8,771
Village Square Partners	Real Estate	196,590	0.51%	8,591
BB&T	Bank	168,970	0.44%	7,384
Lexington Storage Associates	Storage	164,000	0.43%	7,167
<b>Total Principal Taxpayers</b>		<b>\$ 7,471,000</b>	<b>19.56%</b>	<b>\$ 326,483</b>
<b>Town 2001 Assessed Valuation</b>		<b>\$ 38,187,100</b>	<b>100.00%</b>	

Source: Lexington County Assessor's Office

# Town of Lexington, South Carolina

## Computation of Legal Debt Margin Year Ended June 30, 2002 (Unaudited)

Total Assessed Value	<u>\$ 38,187,100</u>
Debt Limit-Eight (8%) percent of assessed value, without voter's approval	\$ 3,054,968
Amount of Debt Applicable to debt limit	<u>2,450,000</u>
<b>Legal debt margin without a referendum</b>	<u>\$ 604,968</u>

**Note: The Town's borrowing power is restricted by amended Article X, Section 14, of the State Constitution which became effective November 30, 1977. This Section provides that a local government unit cannot at any time have total general bonded debt outstanding (excluding certain lease and installment obligations) in any amount that exceeds eight percent (8%) of its total assessed property value. Also, excluded from the limitation are: bonded indebtedness approved by the voters and issued within five years of the date of such referendum; special bonded indebtedness levies assessed on properties located in an area receiving special benefits from the taxes collected; and other bonded indebtedness existing on or prior to 1995. Accordingly, the Town's outstanding Certificates of Participation in the amount of \$2,175,663 as of June 30, 2002 have not been included in the Town's computation of legal debt margin.**

Town of Lexington, South Carolina

Computation of Direct and Overlapping Bonded Debt  
 General Obligation Bonds  
 June 30, 2002  
 (Unaudited)

Political Subdivision	Assessed		Obligation Bonded Debt Outstanding		Percentage Applicable to the Town	Town's Share of Debt
	Total	Assessed Value Within the Town	General Gross Debt (1)	Gross General		
Direct:						
Town of Lexington	\$ 38,187,100	\$38,187,100	\$ 4,625,663	\$ 4,625,663	100.00%	\$ 4,625,663
Overlapping:						
Lexington County	712,194,370	38,187,100	50,867,029	50,867,029	5.36%	2,727,436
Lexington County School District One	270,837,430	38,187,100	72,540,000	72,540,000	14.10%	10,227,878
Lexington County Recreation Commission	514,759,710	38,187,100	15,810,000	15,810,000	7.42%	1,172,854
Riverbanks Zoo	1,745,386,679	38,187,100	17,975,000	17,975,000	2.19%	393,273
Total Overlapping			<u>157,192,029</u>	<u>157,192,029</u>		<u>14,521,441</u>
Total			<u>\$161,817,692</u>	<u>\$161,817,692</u>		<u>\$19,147,104</u>

(1) = General gross debt for the Town of Lexington includes \$2,175,633 of outstanding Certificates of Participation which are excluded from the calculation of the Town's legal debt margin (See "Computation of Legal Debt Margin").

## Town of Lexington, South Carolina

### Ratio of Net General Bonded Debt To Assessed Value and Net General Bonded Debt per Capita Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population (1)	Assessed Value (2)	General Bonded Debt (3)	Ratio of	
				Bonded Debt to Assessed Value	Bonded Debt Per Capita
1993	4,280	11,559,254	2,128,748	18.42%	497
1994	5,148	13,807,836	2,833,236	20.52%	550
1995	5,250	15,537,463	2,746,768	17.68%	523
1996	6,180	18,045,970	2,705,891	14.99%	438
1997	6,500	19,637,530	2,717,736	13.84%	418
1998	7,300	21,968,100	2,505,454	11.40%	343
1999	7,800	25,250,320	2,820,162	11.17%	362
2000	9,800	27,415,820	2,571,228	9.38%	262
2001	10,500	29,895,330	2,344,004	7.84%	223
2002	13,000	38,187,100	4,625,663	12.11%	356

(1) Source: Lexington Economic Development Association and Bureau of the Census

(2) From Assessed value property as furnished by Lexington County

(3) General bonded debt represents debt that is supported by taxes and excludes debt reported in proprietary funds

Note: Prior to 2002, the amount reported as "General Bonded Debt" represented indebtedness which was properly excluded from the calculation of the Town's constitutionally imposed legal debt limit of 8% of assessed value. During 2002, the Town issued general obligation bonds in the amount of \$2,450,000 which are subject to the 8% limit.

## Town of Lexington, South Carolina

Ratio of Annual Debt Service Expenditures  
General Bonded Debt (1)  
Total General Governmental Expenditures  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total General		Ratio of Debt Service to General Governmental Expenditures
				Governmental Expenditures (2)	Expenditures	
1993	146,996	121,102	268,098	4,124,372		6.50%
1994	62,844	5,079	67,923	4,313,892		1.57%
1995	120,446	86,468	206,914	2,535,157		8.16%
1996	173,017	20,428	193,445	2,988,414		6.47%
1997	224,279	96,880	321,159	3,391,922		9.47%
1998	203,350	95,834	299,184	2,829,989		10.57%
1999	346,648	29,311	375,959	3,937,027		9.55%
2000	325,810	85,854	411,664	4,233,226		9.72%
2001	310,076	66,920	376,996	4,779,320		7.89%
2002	184,815	21,815	206,630	5,042,853		4.09%

(1) General bonded debt represents debt that is supported by taxes and excludes debt reported in proprietary funds.

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

# Town of Lexington, South Carolina

## Revenue Bond Coverage Waterworks and Sewer System Bonds Last Ten Fiscal Years (Unaudited)

Fiscal Year	Gross Revenues(1)	Operating Expenses (2)	Net Revenue Available for				Coverage
			Debt Service	Principal	Interest	Total	
1993	1,926,740	955,477	971,263	155,000	202,413	357,413	2.72
1994	2,125,463	1,022,526	1,102,937	208,000	170,525	378,525	2.91
1995	2,389,781	1,280,539	1,109,242	260,000	120,532	380,532	2.91
1996	2,991,965	1,633,909	1,358,056	270,000	191,615	461,615	2.94
1997	4,214,144	1,798,322	2,415,822	280,000	411,464	691,464	3.49
1998	5,102,536	1,955,760	3,146,776	290,000	977,788	1,267,788	2.48
1999	5,108,532	2,630,425	2,630,425	420,000	1,288,962	1,688,962	1.56
2000	7,502,725	2,902,209	4,600,516	819,390	1,428,701	2,248,701	2.05
2001	6,618,244	2,972,509	3,645,735	895,816	1,618,510	2,514,326	1.45
2002	7,264,940	3,211,480	4,053,460	1,856,736	774,747	2,631,483	1.54

(1) Includes capital contribution fees (CCFs)

(2) Does not include depreciation and other non-cash related charges

CCFs	Revenue	% Increase (Decrease)
1995	\$ 471,639	-
1996	755,677	60.22
1997	1,141,028	50.99
1998	1,644,136	44.09
1999	1,021,407	-37.88
2000	2,830,716	177.14
2001	1,251,965	-55.77
2002	1,528,075	22.05

# Town of Lexington, South Carolina

## Miscellaneous Statistics Year Ended June 30, 2002

(Unaudited)

Date of Incorporation	January 28, 1861		
Form of Government	Council		
Area-Square Miles	6.5		
Building Permits:			
Permits Issued	556		
Zoning Permits	294		
Police Protection:			
Full-time sworn	28		
Civilian Staff	4		
Recreation:			
Parks and Playgrounds	2		
Number of meters billed:	Inside	Outside	Total
Water	4074	576	4650
Sewer	3811	2052	5863
Municipal Water Plants (decommissioned)	1		
Municipal Sewer Plants	1		
Election Data:			
Registered Voters	5,700		
Number of precincts	6		
Town of Lexington employees:			
Full Time	91		
Part Time	9		
Median age	33.3		
Male	49%		
Female	51%		
Median Family Income	\$65,694		

Source: Town of Lexington Departments and Census