

# TOWN OF LEXINGTON SOUTH CAROLINA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2004**

TOWN OF LEXINGTON, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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YEAR ENDED JUNE 30, 2004



Prepared by: Finance Department

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

TOWN OF LEXINGTON, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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YEAR ENDED JUNE 30, 2004

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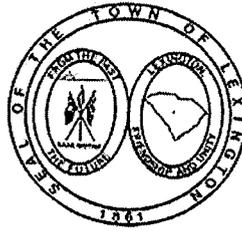
MAYOR  
T. Randall Halfacre

MAYOR PRO-TEM  
Hazel Leggett-Tyndall

COUNCIL  
Constance Caractor Flemming  
Kathy Maness  
Ted Stambolitis  
Richard D. Thompson

# TOWN OF LEXINGTON

111 Maiden Lane



TOWN ADMINISTRATOR  
L.C. GREENE

MAILING ADDRESS  
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## Letter of Transmittal

January 28, 2005

To the Honorable T. Randall Halfacre, Mayor, Members of Town Council, and the Citizens of the Town of Lexington, South Carolina:

Both local ordinances and polices and state statutes mandate that the Town of Lexington complete a set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the Town of Lexington for the year ended June 30, 2004, is hereby submitted. 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.
- The Financial Section includes the independent auditor's report, management's discussion and analysis, basic financial statements, notes to financial statements and other financial information.
- The Statistical Section, which is unaudited, includes selected general, financial and demographic information, presented on a multi-year comparative basis.

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, this financial report is complete and reliable in all material respects and all disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included. Management has established and maintains a system of internal controls to provide for this assurance.

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 of the United States and Canada.

The Town of Lexington's financial statements have been audited by the firm of Brittingham, Brown, Prince, & Hancock, LLC, CPA's. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The auditors' report in the Financial Section provides a discussion of the audit, procedures and their opinion. The independent auditors have rendered an unqualified opinion that the Town of Lexington's financial statements for the year ended June 30, 2004, are fairly presented in conformity with GAAP.

GAAP require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lexington's MD&A can be found immediately following the report of independent auditors.

## PROFILE OF THE GOVERNMENT

Town of Lexington was incorporated on January 28, 1861. The Town is the county seat for Lexington County which is named in honor of the American victory in 1785 over the British at Lexington, Massachusetts. In 1927, the municipal water system began operation, followed soon afterward by a sewer system, to serve residents of the one square mile town limits. Since the 1970s, the Town's area has grown to about 10 square miles, and its population, now estimated to be greater than 16,000, will likely exceed 20,000 by 2010. Lexington is easily accessible to I-20, I-26, and I-77 and is a suburb of the state capital of Columbia which is located 12 miles from town. Because of Lexington's location, award winning school system, and small-town flavor, the rapid growth of the past decade is expected to continue.

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.

Lexington provides a full range of services including police protection; construction and maintenance of streets and other infrastructure; sanitation services; water and sewer services; storm water services; economic and community development; parks, recreational and cultural services; building and zoning services; and victims' assistance.

## FACTORS AFFECTING FINANCIAL CONDITION

In July 2003, the U.S. Census Bureau again named the Town of Lexington the fastest growing municipality in South Carolina. The unprecedented growth and development that began in the early to mid-1990s continues in and around the Town. As of June 2004, the town estimates its population to be 16,300 which is approximately 66% higher than 2000 Census and nearly four fold the 1992 population of 4,100.

One of the main reasons people are attracted 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 over 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 drawn to the quality schools, but also to the small, hometown, community feel of Lexington that offers a quality of life that enhances family life.

The Town continues to invest in water and wastewater infrastructure to enable the development of commercial, industrial and residential properties both in town and regionally. The Town's 100 square mile combined water and sewer service areas serve a substantial portion of Lexington County. Although the town and region have experienced tremendous growth, the service areas have significant potential for future growth as rural and agricultural land, in relatively close proximity to Lake Murray, can be transformed into suburban residential and commercial development. The water and sewer system has approximately 146 miles of sewer lines and 174 miles of water lines and serves approximately 5,383 water accounts and 7,220 sewer accounts (nearly 8,200 individual residential and commercial customers).

During the past year, approximately 40 net new businesses opened in the Town of Lexington, including numerous restaurants, retail, service and suppliers and professional office developments completed during the year. Construction of new houses also continued at a rapid pace with the start of 270 in-town units. Commercial development also continued just outside the town limits along the major highways that serve the town. Several subdivisions also were under development both in town and out of town but on the water and sewer system.

In addition to these major commercial developments, the Town continued to make significant new public investments in capital projects during the year including the completion of the Main Street Streetscape project and the approximately 50,000 square foot expansion of Town Hall. The Town also continued to make significant roadway and sidewalk infrastructure investments.

The Town of Lexington has consistently demonstrated a commitment to provide adequate infrastructure, services and quality of life initiatives for the citizens and businesses in the greater Lexington region.

## 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, Hospitality Tax Fund, Debt Service 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 original wing of the Municipal Complex from the proceeds of the issuance of Certificates of Participation. In exchange for the use of the original wing 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 Government-wide Statement of Net Assets.

## 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 are funding capital improvement projects including the Main Street Streetscape and roadway improvements.

The Town's available legal debt margin was \$1,148,352 as of June 30, 2004. 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 and general obligation bonds issued to fund major capital improvements.

## **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, 2004, 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).

## **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, 2003. This was the sixth 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.

### ACKNOWLEDGEMENTS

This report represents countless hours of preparation and record keeping by the members of the Finance Department. The efficient and dedicated service of all members of our department's staff who assisted and contributed to the preparation of this report is sincerely appreciated.

Additional thanks to **Wendy Jeffcoat** of Design Concepts for providing the art work used on the cover featuring Town Hall, which has served the citizens of Lexington since 1993, and to Pine Press of Lexington for printing services. Also, special thanks to the firm of Brittingham, Brown, Prince & Hancock, LLC, CPA's, (particularly **Ken Prince, CPA**, and **Matthew Brandon, CPA**), for their technical assistance in helping to complete this – the Town's seventh-year Comprehensive Annual Financial Report.

Respectfully submitted,



Stuart W. Ford, CPA  
Finance Director

# 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, 2003

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.



*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director

# TOWN OF LEXINGTON

SOUTH CAROLINA

## LIST OF PRINCIPAL OFFICIALS

### MAYOR

T. Randall Halfacre

### MAYOR PRO-TEM

Hazel Leggett-Tyndall

### COUNCIL MEMBERS

Constance Caractor Flemming

Kathy Maness

Ted Stambolitis

Richard D. Thompson

### TOWN ADMINISTRATOR

L.C. Greene

### MUNICIPAL CLERK

Becky Hildebrand

### TOWN ATTORNEY

Brad Cunningham

### DEPARTMENT HEADS

Donna Smith, Economic Development

Joe Boles, Building/Zoning

Dan Walker, Parks, Streets, & Sanitation

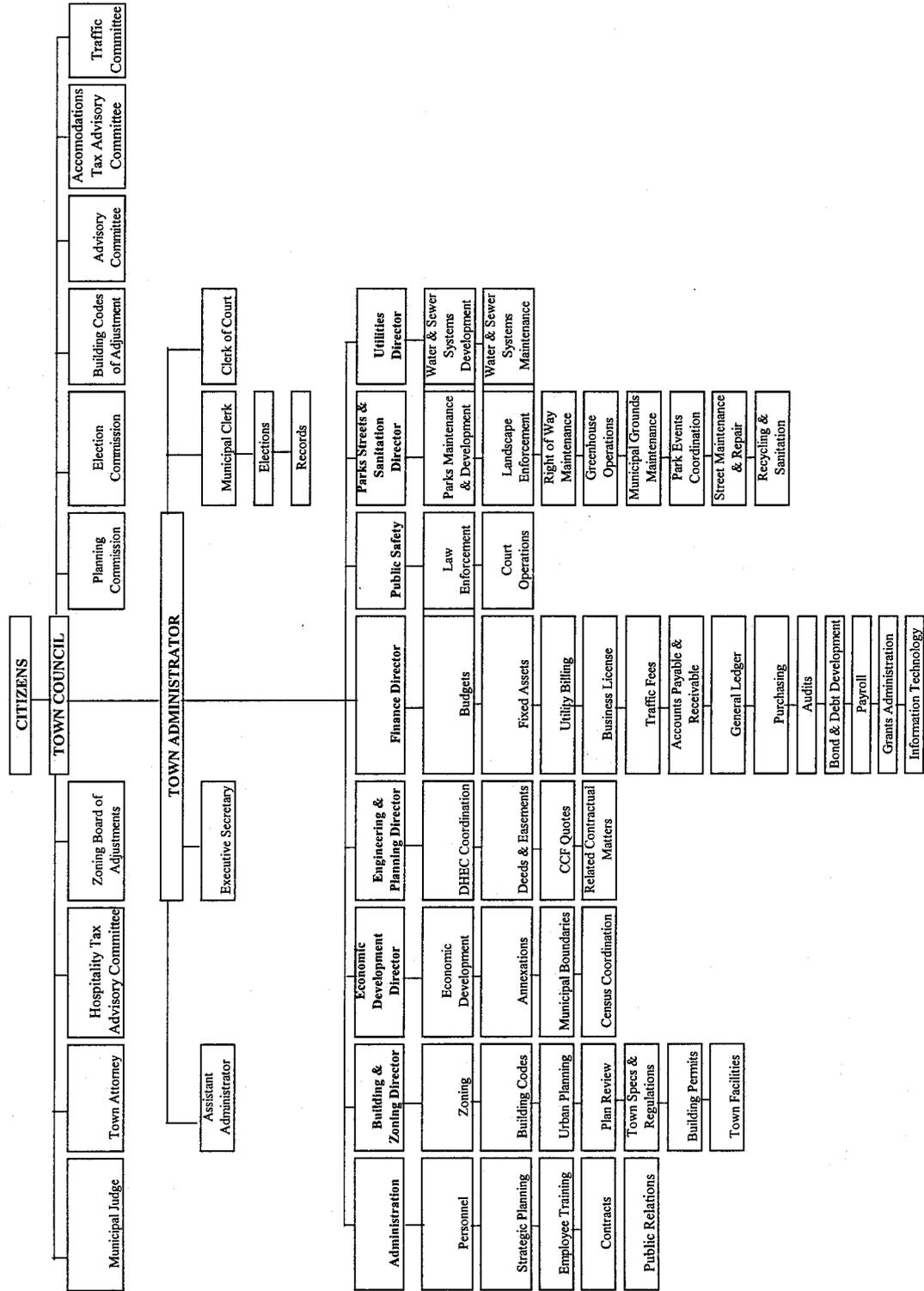
Chief Stace Day, Police Department

Gene Edwards, Engineering & Planning

Allen Lutz, Utilities

Stuart W. Ford, Finance

# TOWN OF LEXINGTON, SOUTH CAROLINA ORGANIZATIONAL CHART



TOWN OF LEXINGTON, SOUTH CAROLINA

James T. Brittingham, CPA (1924-1995)  
Kerry R. Brown, CPA  
Kenneth E. Prince, CPA  
James T. Brittingham, Jr., CPA  
William H. Hancock, CPA/PFS

Members:  
American Institute of  
Certified Public Accountants

South Carolina Association of  
Certified Public Accountants

Matthew A. Brandon, CPA  
A. Scott Hendrix, CPA, MBA

IN ASSOCIATION WITH  
Kenneth S. Sexton, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
And Members of Town Council  
Town of Lexington, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lexington (hereafter referred to as the Town) as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund and the Hospitality Tax Special Revenue Fund of the Town, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2005 on our consideration of the Town, internal control over financial reporting and on 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Brittingham, Brown, Pince & Hancock*

January 25, 2005

## **Town of Lexington, South Carolina Management's Discussion and Analysis Year Ended June 30, 2004**

As management of the Town of Lexington, we offer our overview and analysis of the financial activities and performance of the Town for the year ended June 30, 2004. Please read it in conjunction with the Town's financial statements which follow this discussion and the letter of transmittal in the Introductory Section of this report.

### **Financial Highlights**

- The assets of the Town of Lexington exceeded its liabilities at year end June 30, 2004 by \$45,469,301 (*net assets*). Of the total net assets at June 30, 2004, \$15,236,870 was unrestricted and available to meet the ongoing obligations and operations of the Town.
- The Town's total net assets increased by \$3,812,279, as revenues of \$17,202,478 exceeded expenses of \$13,390,199. Governmental Activities contributed \$1,647,895 and Business-type activities contributed \$2,164,384 of the overall increase in net assets.
- Governmental funds reported combined ending fund balances at June 30, 2004, of \$4,233,413, a decrease of \$1,096,580 compared to the prior year. Approximately \$3,035,897, or 72% percent of the ending fund balance, is available for spending at the government's discretion (*unrestricted fund balance*).
- General Fund unreserved fund balance at June 30, 2004, was \$1,536,765, or 23% percent of total fund expenditures.
- The Town had \$45,191,845 in bonds, notes, contracts and capital leases payable at year end, a decrease of \$215,511 from the prior year. Bond anticipation notes increase \$500,000 during the year.

### **Overview of the Financial Statements**

Management's Discussion and Analysis (MD&A) serves as an introduction the Town's basic financial statements. Those financial statements have three components: 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town.

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

The *Statement of Net Assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis (as soon as the underlying event giving rise to the change occurs), *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., revenues receivable and earned but unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government; public safety; parks, streets and sanitation; victim's assistance; and tourism related. The business-type activities of the Town include a Combined Waterworks and Sewer Enterprise Fund.

The Government-Wide financial statements can be found immediately following MD&A.

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: Governmental funds, and Proprietary funds.

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Budgetary comparison statements have been provided to demonstrate compliance with the adopted annually appropriated budgets for the Town's two major governmental funds, the General Fund and Hospitality Tax Fund.

The basic Governmental Fund financial statements can be found immediately following the Government-Wide financial statements.

**Proprietary Funds** – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the Government-Wide financial statements. The Town uses an Enterprise Fund to account for its combined waterworks and sewer utility. Proprietary funds provide the same type of information as the Government-Wide financial statements, only in more detail.

The basic Proprietary Fund financial statements can be found immediately following the Governmental Fund financial statements.

**Notes to Financial Statements** – The notes to the financial statements provide additional information that is essential to full understanding of the data provided in both the Government-Wide and Fund financial statements.

**Other Financial Information** – Following the basic financial statements and the accompanying notes, this annual report also presents combining statements for non-major governmental funds. Additionally, certain individual fund statements and other schedules can be found immediately following the combining statements for non-major governmental funds.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town, total assets exceeded total liabilities by \$45,469,301 at year end June 30, 2004.

Government-Wide financial statements have not been required to be issued by the Town in prior years. Therefore, government-wide comparative analysis of prior year and current year balances is limited in this discussion.

Below is a ‘condensed’ Statement of Net Assets at June 30, 2004, which depicts the major components of the Town’s assets, liabilities, and net assets.

<u>Assets:</u>	<u>June 30, 2004</u>
Cash and cash equivalents:	
Unrestricted	\$11,563,379
Restricted	9,687,022
Other current assets	1,788,812
Deferred charges, net of accumulated amortization	14,585,309
Capital assets, net of accumulated depreciation	55,022,886
<b>Total assets</b>	<u>\$92,647,408</u>
<u>Liabilities and Net Assets:</u>	
Current liabilities	\$ 864,856
Current liabilities payable from restricted assets	1,121,406
Non-current liabilities	45,191,845
<b>Total liabilities</b>	<u>47,178,107</u>
Net invested in capital assets	28,135,603
Restricted	2,096,828
Unrestricted	15,236,870
<b>Total net assets</b>	<u>45,469,301</u>
<b>Total liabilities and net assets</b>	<u>\$92,647,408</u>

By far the largest portion of the Town’s net assets (\$28,135,603 or 61.9 percent) reflects investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related remaining outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets

are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (\$2,096,828, or 4.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (15,236,870, or 33.5 percent) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report 'positive' balances in each category of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Town's components of changes in net assets for Fiscal Year 2004 are illustrated in the following table:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue:			
Program Revenue:			
Charges for services	\$1,200,590	\$6,942,895	\$8,143,485
Operating grants and contributions	209,753	-	209,753
Capital grants and contributions	176,096	3,248,045	3,424,141
General Revenue:			
Property taxes	1,956,731	-	1,956,731
Business license taxes	2,092,340	-	2,092,340
Hospitality taxes	777,968	-	777,968
State aid not restricted	341,246	-	341,246
Unrestricted investment earnings	53,381	199,511	252,892
Miscellaneous	3,922	-	3,922
Total revenue	<u>6,812,027</u>	<u>10,390,451</u>	<u>17,202,478</u>
Expenses:			
General government	1,231,253	-	1,231,253
Public safety	2,351,798	-	2,351,798
Parks, streets, and sanitation	1,706,399	-	1,706,399
Victim's assistance	48,897	-	48,897
Tourism related	184,862	-	184,862
Interest on long-term debt	250,309	-	250,309
Water and sewer utility	-	7,616,681	7,616,681
Total expenses	<u>5,773,518</u>	<u>7,616,681</u>	<u>13,390,199</u>
Transfers	<u>609,386</u>	<u>(609,386)</u>	<u>-</u>
Change in net assets	1,647,895	2,164,384	3,812,279
Beginning net assets	<u>15,016,004</u>	<u>26,641,021</u>	<u>41,657,025</u>
Ending net assets	<u>\$16,663,899</u>	<u>\$28,805,405</u>	<u>\$45,469,304</u>

**Expenses and Program Revenues – Governmental Activities –** Governmental expenses are funded by fees for services, grants and contributions, and general revenues. The Statement of Activities details this activity for the Town.

The following table illustrates the ratio of governmental activities program revenue funding to general revenue funding. The percent funded by program revenues indicates the degree to which governmental activities are self-sustaining thereby reducing the overall cost of governmental activities that must be funded by the general taxpayer's of the Town through general revenues.

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net Expense</u>	<u>% Funded by Program Revenues</u>	<u>% Required to be Funded by General Revenues</u>
General government	\$1,231,253	\$187,522	\$1,043,731	15%	85%
Public safety	2,351,798	497,887	1,853,911	21%	79%
Parks, streets, and sanitation	1,706,399	781,794	924,605	46%	54%
Victim's assistance	48,897	57,405	(8,508)	117%	N/A
Tourism related	184,862	61,831	123,031	33%	67%
Interest on long-term debt	250,309	-	250,309	-	100%
<b>Totals</b>	<b>\$5,773,518</b>	<b>\$1,586,439</b>	<b>\$4,187,079</b>	<b>27%</b>	<b>73%</b>

**General Revenues by Source – Governmental Activities**

	<u>2004</u>
Property taxes	\$1,956,731
Business license taxes	2,092,340
Hospitality taxes	777,968
Unrestricted state aid	341,246
Unrestricted investment earnings	53,381
Miscellaneous	3,922
<b>Total</b>	<b>\$5,225,588</b>

**Expenses and Program Revenues – Business-type Activities –** The Town operates the Combined Waterworks and Sewer System Enterprise Fund that comprise its business-type activities. The Enterprise Fund is used for all resources associated with supplying water and providing sewer services to domestic, business, and industrial customers within the town limits and in the Town's service area in some surrounding unincorporated areas of Lexington County.

Business-type activities increased the Town's net assets by \$2,164,384, accounting for 57% of the total growth in net assets. The significant factors related to the increase are as follows:

- Operating revenues increased \$868,221, or 14.3%, due to a 5% rate increase and continued growth in total customers on the system.
- Operating expenses increased at a slower rate than revenues. Operating expenses increased \$464,225, or 8.6%, due to two main factors, 1) a rise in overall personnel cost driven in part to rising health care costs and cost of living and

merit increases, 2) a rise in the cost of wholesale water and sewer treatment under contacts with the cities of Cayce and West Columbia. The wholesale treatment costs are increasing as a result of 1) higher production costs at the facilities, and 2) the Town's utilization of a higher share of the production of the facilities.

- Capital contributions remained strong totaling \$3,248,045, of which \$578,590 were developer contribution of system capital assets. Capital contribution fees increased \$728,107, or 37.5%, due primarily to continued development of residential subdivisions. Contributions from developers declined \$448,753, or 43.7%. Overall capital contributions increase approximately \$280,000, or 9.4%, indicating continued strong growth in the system.

### **Financial Analysis of Government's Funds**

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,233,413, a decrease of \$1,096,580, due primarily to approximately \$3,200,000 in capital outlays related to the expansion of the Municipal Complex and roadway construction. The Town implemented a Hospitality Tax on prepared meals and beverages served in the Town which resulted in an increase in governmental fund balance of \$582,215. Transfers in from the enterprise fund related to the Municipal Complex construction project increased fund balance approximately \$740,000. General Fund expenditures net of capital outlay were less than revenues by approximately \$1,038,000, due to continued growth in property and business license taxes and franchise fees.

Of the \$4,233,413 governmental fund balances, approximately \$3,921,000 constitutes *unreserved fund balance*, which is available for spending. A portion of the unreserved balance has been designated by the Town for streets and infrastructure (\$810,000) and vehicle replacement (\$75,000). Designations of fund balance indicate the Town's intended or planned future use of that portion of its unreserved balance.

The remainder of fund balance is *reserved* to indicate it is not available for new spending because it has been committed primarily for debt service.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance was \$2,421,765, or 35.7% of total fund expenditures. Although this is may be a useful measure of the fund's liquidity, the Town's General Fund total liabilities reflect an amount advanced from the Enterprise Fund of \$1,290,004.

The advance from to the Enterprise Fund relates to construction of the Municipal Complex and will decline through planned budgeted annual repayments in future years.

**Proprietary Fund** – The Town’s proprietary fund statement provides the same type of information found in the government-wide financial statements, but in more detail. Substantially all factors related to the proprietary fund were discussed in relation to business-type activities in the government-wide discussion and analysis. The total growth in net assets was \$2,164,381 resulting in ending net assets of \$28,805,405.

**General Fund and Hospitality Tax Fund Budgetary Highlights** – General Fund revenues exceeded budgeted amounts by \$18,904. General Fund Total expenditures exceeded the final budget by \$2,196,670 primarily due to the unbudgeted capital outlay associated with the expansion of the Municipal Complex. The expenditures for the expansion were part of an overall long term financing plan for the project and were therefore not included in the adopted operating budget.

The department budget for Administration was slightly over budget due to the net effect of retirements and hiring of new personnel being offset in part by net savings in other operating expenditures. Public Safety actual expenditures exceeded final budgeted amounts due primarily to higher than expected costs for repairs and maintenance, legal and telecommunications. Parks, Streets, and Sanitation exceed budget by nearly \$30,000 due primarily to substantial increases in the cost of street lights. The increase resulted from continued growth in the number of new residential street lights and the increased cost of street lights associated with the Main Street Streetscape. All other departments were under budget and total expenditures exclusive of the non-budgeted capital outlay were less than the final budget.

The Town’s original budget shows an excess of revenue over expenditures of \$235,706 which equals the amount of budgeted reserve for contingencies and grant matches. The final budget’s excess of revenues over expenditures reflects additional appropriations for public safety and allocations of grant matches.

The Town adopted a 2% Hospitality Tax on prepared meals and beverages which went into effect November 1, 2003. Revenues exceeded the budget by approximately \$373,000 while expenditures were under budget by slightly more than \$209,000. Proceeds from the tax must be used for tourism related projects and promotion as defined in state law.

### **Capital Assets and Debt Administration**

**Capital Assets** – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$55.02 Million (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sewer transportation and treatment system, roadways, sidewalks, storm water drainage system, parks, machinery and equipment.

The major capital asset events during the current year include:

- An increase in construction in progress related to the Municipal Complex,
- The completion of the Main Streetscape Project, with current year additions of approximately \$246,000 and a total project cost of \$1,467,000,
- Major reconstruction of Corley Street totaling \$373,000,
- Developer contributions of water and sewer capital assets of \$580,000, and
- Purchase of vehicles and machinery of approximately \$527,000, of which a Combination Truck for use in water and sewer operations was the largest single addition at approximately \$214,000.

Additional information on the Town's capital assets can be found in *Note 7* and in supplemental information on pages following the notes to the financial statements.

**Long-Term Debt** – At the end of the current fiscal year, the Town had total indebtedness outstanding of \$45,191,845. Debt secured by the full faith and credit of the Town represented \$4,416,808 of the total and bonded debt secured by the pledge of net revenues of the Enterprise Fund totaled \$37,727,244. The Town also recognizes contracts and a capital lease payable to the City of West Columbia totaling \$3,047,793 for water treatment capacity reserve, retail distribution rights, and water lines. During the year ended June 30, 2004, the Town had a net increase in Bond Anticipation Notes outstanding of \$500,000. The total of \$8,000,000 in bond anticipation notes provided interim financing for several system projects. Subsequent to year end the Town issued revenue bonds to refund the outstanding bond anticipation notes (*See Note 17*).

**Economic Factors and Next Year's Budgets and Rates** – As previously discussed, the Town of Lexington continues to experience high rates of growth. The general increase in economic activity in the Town's corporate limits and service area continues to drive higher revenues for the general government and water and sewer enterprise. The growth naturally places demands on the Town for additional services and creates quality of life challenges including heavy traffic. The Town's approved budget for fiscal year 2005 did not include any tax or fee increase to support general government activities. The Town did increase water and sewer rates by 5% in order to ensure long-term compliance with covenants, and provide for the operation of the system. The rate increase is the latest in a series of increases made over the past decade in order to invest in the system infrastructure require for its regional service area.

### **Request for Information**

This report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Lexington, Post Office Box 397, Lexington, South Carolina 29071.

**BASIC FINANCIAL STATEMENTS**

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and temporary investments	\$ 4,113,200	\$ 7,450,179	\$ 11,563,379
Receivables, net	316,990	1,194,478	1,511,468
Due from other governments	154,200	-	154,200
Internal balances	(1,546,074)	1,546,074	-
Inventories-supplies	-	122,185	122,185
Prepays	959	-	959
Deferred charges	-	14,585,309	14,585,309
Restricted assets:			
Temporarily restricted:			
Cash and temporary investments	1,628,198	8,058,824	9,687,022
Capital assets, net	17,081,566	37,941,320	55,022,886
<b>Total assets</b>	<u>21,749,039</u>	<u>70,898,369</u>	<u>92,647,408</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	329,328	227,237	556,565
Liabilities payable from restricted assets	98,668	1,022,738	1,121,406
Accrued compensated absences	240,336	67,952	308,288
Noncurrent liabilities:			
Due within one year	315,084	885,000	1,200,084
Due in more than one year	4,101,724	39,890,037	43,991,761
<b>Total liabilities</b>	<u>5,085,140</u>	<u>42,092,964</u>	<u>47,178,104</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	13,128,724	15,006,879	28,135,603
Restricted for capital projects	142,629	905,457	1,048,086
Restricted for debt service	212,889	125,807	338,696
Restricted for other purposes	710,046	-	710,046
Unrestricted	2,469,611	12,767,262	15,236,873
<b>Total net assets</b>	<u>\$ 16,663,899</u>	<u>\$ 28,805,405</u>	<u>\$ 45,469,304</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 1,231,253	\$ 181,021	\$ 6,501	\$ -	\$ (1,043,731)	\$ -	\$ (1,043,731)
Public safety	2,351,798	258,233	157,798	81,856	(1,853,911)	-	(1,853,911)
Parks, streets and sanitation	1,706,399	652,834	36,326	92,634	(924,605)	-	(924,605)
Victim's assistance	48,897	46,671	9,128	1,606	8,508	-	8,508
Tourism related	184,862	61,831	-	-	(123,031)	-	(123,031)
Interest on long-term debt	250,309	-	-	-	(250,309)	-	(250,309)
<b>Total governmental activities</b>	<b>5,773,518</b>	<b>1,200,590</b>	<b>209,753</b>	<b>176,096</b>	<b>(4,187,079)</b>	<b>-</b>	<b>(4,187,079)</b>
<b>Business-Type Activities:</b>							
Enterprise fund	7,616,681	6,942,895	-	3,248,045	-	2,574,259	2,574,259
<b>Total business-type activities</b>	<b>7,616,681</b>	<b>6,942,895</b>	<b>-</b>	<b>3,248,045</b>	<b>-</b>	<b>2,574,259</b>	<b>2,574,259</b>
<b>Total</b>	<b>\$ 13,390,199</b>	<b>\$ 8,143,485</b>	<b>\$ 209,753</b>	<b>\$ 3,424,141</b>	<b>(4,187,079)</b>	<b>2,574,259</b>	<b>(1,612,820)</b>
<b>General Revenues:</b>							
Property taxes					1,956,731	-	1,956,731
Business license taxes					2,092,340	-	2,092,340
Hospitality taxes					777,968	-	777,968
State aid not restricted for specific purpose					341,246	-	341,246
Unrestricted investment earnings					53,381	199,511	252,892
Miscellaneous					3,922	-	3,922
Transfers					609,386	(609,386)	-
<b>Total general revenues and transfers</b>					<b>5,834,974</b>	<b>(409,875)</b>	<b>5,425,099</b>
Change in net assets					1,647,895	2,164,384	3,812,279
Total net assets, beginning of year					15,016,004	26,641,021	41,657,025
Total net assets, end of year					\$ 16,663,899	\$ 28,805,405	\$ 45,469,304

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Hospitality Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 3,935,053	\$ -	\$ 178,147	\$ 4,113,200
Receivables, net	199,231	97,856	19,903	316,990
Due from other fund	49,317	-	2,341	51,658
Due from other governments	104,773	-	49,427	154,200
Prepaid items	959	-	-	959
Restricted assets:				
Cash and temporary investments	-	500,434	1,127,764	1,628,198
<b>Total assets</b>	<b>\$ 4,289,333</b>	<b>\$ 598,290</b>	<b>\$ 1,377,582</b>	<b>\$ 6,265,205</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 94,861	\$ -	\$ 96,155	\$ 191,016
Construction payable	-	15,595	-	15,595
Accrued liabilities	99,757	480	1,295	101,532
Due to other funds	256,070	-	51,658	307,728
Other liabilities	21,185	-	-	21,185
Deferred revenue	104,732	-	-	104,732
Advance from other fund	1,290,004	-	-	1,290,004
<b>Total liabilities</b>	<b>1,866,609</b>	<b>16,075</b>	<b>149,108</b>	<b>2,031,792</b>
Fund balances:				
Reserved for:				
Prepaid items	959	-	-	959
Debt service	-	-	311,557	311,557
Unreserved, designated for:				
Vehicle replacement	75,000	-	-	75,000
Streets and infrastructure	810,000	-	-	810,000
Unreserved, reported in:				
General Fund	1,536,765	-	-	1,536,765
Special Revenue Funds	-	582,215	392,715	974,930
Capital Projects Funds	-	-	524,202	524,202
<b>Total fund balances</b>	<b>2,422,724</b>	<b>582,215</b>	<b>1,228,474</b>	<b>4,233,413</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,289,333</b>	<b>\$ 598,290</b>	<b>\$ 1,377,582</b>	<b>\$ 6,265,205</b>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

<b>Total fund balances - governmental funds</b>		\$ 4,233,413
Amounts reported for governmental activities in the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$ 20,544,389 and the accumulated depreciation is \$ 3,462,823.		17,081,566
Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the governmental funds.		104,732
Accrued interest on bonds in governmental funds is not due and payable in the current period and therefore is not reported as a liability in the funds.		(98,668)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bonds payable	\$ 2,280,000	
Certificates of participation	2,020,230	
Notes payable	116,578	
Compensated absences	240,336	
	<u>                    </u>	<u>(4,657,144)</u>
<b>Total net assets - governmental funds</b>		<u><u>\$ 16,663,899</u></u>

- The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>Hospitality Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>				
Property taxes	\$ 1,942,182	\$ -	\$ -	\$ 1,942,182
Hospitality taxes	-	771,779	-	771,779
Franchises, licenses, permits and fees	2,866,907	-	16,147	2,883,054
Other governments	314,860	-	273,766	588,626
Fines and forfeitures	251,414	-	47,905	299,319
Interest income	37,489	1,418	14,474	53,381
Charges for services	23,958	-	-	23,958
Miscellaneous	17,494	-	125,051	142,545
<b>Total Revenue</b>	<u>5,454,304</u>	<u>773,197</u>	<u>477,343</u>	<u>6,704,844</u>
<b>Expenditures</b>				
Current:				
General government	1,105,468	-	-	1,105,468
Public safety	1,985,672	-	147,406	2,133,078
Parks, streets and sanitation	1,285,211	-	28,249	1,313,460
Victim's assistance	-	-	48,864	48,864
Housing rehabilitation	-	-	662	662
Tourism related	-	137,466	43,834	181,300
Debt Service:				
Principal	28,003	-	270,000	298,003
Interest	11,973	-	138,320	150,293
Fees	-	-	4,632	4,632
Capital Outlay	2,365,651	53,516	755,883	3,175,050
<b>Total expenditures</b>	<u>6,781,978</u>	<u>190,982</u>	<u>1,437,850</u>	<u>8,410,810</u>
Excess (deficiency) of revenue over (under) expenditures	(1,327,674)	582,215	(960,507)	(1,705,966)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	741,907	-	414,234	1,156,141
Operating transfers out	(520,363)	-	(26,392)	(546,755)
<b>Total other financing sources (uses)</b>	<u>221,544</u>	<u>-</u>	<u>387,842</u>	<u>609,386</u>
Excess of revenue over (under) expenditures and other financing sources (uses)	(1,106,130)	582,215	(572,665)	(1,096,580)
Fund balance, beginning of year	3,528,854	-	1,801,139	5,329,993
<b>Fund balance, end of year</b>	<u>\$ 2,422,724</u>	<u>\$ 582,215</u>	<u>\$ 1,228,474</u>	<u>\$ 4,233,413</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2004

<b>Total net change in fund balance - governmental funds</b>	<b>\$ (1,096,580)</b>
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Property tax revenues not considered current financial resources are deferred in the governmental funds but are not in the statement of activities. Deferred revenues increased by \$ 14,549 this year.	14,549
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlays of \$ 3,107,210 exceeded depreciation expense of \$ 554,373.	2,552,837
Repayment of long-term liabilities, such as bonds payable and capital leases is an expenditure in the governmental funds, but reduces liabilities in the statement of net assets.	203,783
Interest on long-term debt in the statement of activities differs from the governmental funds because governmental funds record interest in the period it is paid. Interest is recorded as it accrues in the statement of net assets, regardless of when due.	(1,164)
Compensated absences are accrued and accounted for when the Town becomes liable to its employees in the statement of activities. However, these expenses are only recorded when paid in the governmental funds statements. The accrual increased by \$ 25,530 for this fiscal year.	<u>(25,530)</u>
Change in net assets of governmental activities	<u><u>\$ 1,647,895</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>Revenue</b>				
Property taxes	\$ 1,846,000	\$ 1,846,000	\$ 1,942,182	\$ 96,182
Franchises, licenses and permits	2,925,500	2,925,500	2,866,907	(58,593)
Other governments	310,000	310,000	314,860	4,860
Fines and forfeitures	289,000	289,000	251,414	(37,586)
Interest income	26,000	26,000	37,489	11,489
Charges for services	28,900	28,900	23,958	(4,942)
Miscellaneous	10,000	10,000	17,494	7,494
Total revenue	<u>5,435,400</u>	<u>5,435,400</u>	<u>5,454,304</u>	<u>18,904</u>
<b>Expenditures</b>				
Current:				
General government:				
Building department	364,418	364,418	349,236	15,182
Administration department	290,288	290,288	293,706	(3,418)
Finance	252,508	252,508	239,484	13,024
Council	233,345	233,345	223,042	10,303
Total general government	<u>1,140,559</u>	<u>1,140,559</u>	<u>1,105,468</u>	<u>35,091</u>
Public safety	1,911,615	1,974,071	1,985,672	(11,601)
Parks, streets and sanitation	1,249,530	1,255,964	1,285,211	(29,247)
Capital Outlay	93,070	170,314	2,365,651	(2,195,337)
Debt Service	44,400	44,400	39,976	4,424
Total expenditures	<u>4,439,174</u>	<u>4,585,308</u>	<u>6,781,978</u>	<u>(2,196,670)</u>
Excess of revenue over (under) expenditures	996,226	850,092	(1,327,674)	(2,177,766)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	741,907	741,907
Operating transfers out	<u>(760,520)</u>	<u>(763,520)</u>	<u>(520,363)</u>	<u>243,157</u>
Total other financing sources (uses)	<u>(760,520)</u>	<u>(763,520)</u>	<u>221,544</u>	<u>985,064</u>
Excess of revenue over (under) expenditures and other financing sources (uses)	235,706	86,572	(1,106,130)	(1,192,702)
Fund balance, beginning of year	<u>3,528,854</u>	<u>3,528,854</u>	<u>3,528,854</u>	-
Fund balance, end of year	<u>\$ 3,764,560</u>	<u>\$ 3,615,426</u>	<u>\$ 2,422,724</u>	<u>\$ (1,192,702)</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA  
HOSPITALITY TAX FUND  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Hospitality tax	\$ 400,000	\$ 400,000	\$ 771,779	\$ 371,779
Interest income	-	-	1,418	1,418
Total revenue	<u>400,000</u>	<u>400,000</u>	<u>773,197</u>	<u>373,197</u>
<b>Expenditures</b>				
Tourism related expenses	265,325	265,325	137,466	127,859
Capital Outlay	134,675	134,675	53,516	81,159
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>190,982</u>	<u>209,018</u>
Excess of revenue over (under) expenditures	-	-	582,215	582,215
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,215</u>	<u>\$ 582,215</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND

JUNE 30, 2004

	<u>Business-Type Activities Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and temporary investments	\$ 7,450,179
Receivables, net	1,194,478
Due from other fund	256,070
Inventories-supplies	122,185
Restricted cash and temporary investments	<u>8,058,824</u>
Total current assets	<u>17,081,736</u>
Noncurrent assets:	
Deferred charges	14,585,309
Advance to other fund	1,290,004
Capital assets, net	<u>37,941,320</u>
Total noncurrent assets	<u>53,816,633</u>
Total assets	<u>70,898,369</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	180,086
Accrued liabilities	43,151
Customer deposits	4,000
Total current liabilities	<u>227,237</u>
Current liabilities payable from restricted assets:	
Construction payables	626,141
Accrued interest	396,597
Revenue bonds-current	<u>885,000</u>
Total current liabilities payable from restricted assets	<u>1,907,738</u>
Noncurrent liabilities:	
Bond anticipation note	8,000,000
Revenue bonds payable	28,842,244
Contracts payable	2,559,018
Accrued compensated absences	67,952
Capital lease obligation	488,775
Total noncurrent liabilities	<u>39,957,989</u>
Total liabilities	<u>42,092,964</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,006,879
Restricted for capital projects	905,457
Restricted for debt service	125,807
Unrestricted	<u>12,767,262</u>
Total net assets	<u>\$ 28,805,405</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND

YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activites Enterprise Fund</b>
<b>Operating Revenue</b>	
Charges for services:	
Water service	\$ 2,798,195
Sewer service	3,790,819
Tap and meter fees	92,627
Other income	261,254
Total operating revenue	6,942,895
<b>Operating Expenses</b>	
Salaries and benefits	2,072,056
Water and sewer treatment services	1,280,901
Other contractual services	284,322
Depreciation and amortization	1,356,553
Other operating expenses	854,537
Total operating expenses	5,848,369
Operating income	1,094,526
<b>Non-Operating Revenue (Expenses)</b>	
Interest income	199,511
Interest expense	(1,724,153)
Amortization of bond issuance costs	(44,159)
Total non-operating revenue (expenses)	(1,568,801)
Net income before contributions and transfers	(474,275)
<b>Capital Contribution Fees and Other Contributed Capital</b>	3,248,045
<b>Operating Transfer In</b>	106,128
<b>Operating Transfer Out</b>	(715,514)
Change in net assets	2,164,384
Net assets, beginning of year	26,641,021
Net assets, end of year	\$ 28,805,405

*The accompanying notes to the financial statements are an integral part of this statement.*

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<b>Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 6,536,892
Cash paid to suppliers for goods or services	(2,328,024)
Cash paid to employees for services	(2,051,138)
Net cash provided by operating activities	<u>2,157,730</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Advances to other fund	(1,159,400)
Transfer from other fund	106,128
Transfer to other fund	(715,514)
Net Cash used in non-capital financing activities	<u>(1,768,786)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases and construction of capital assets	(1,834,930)
Purchase of capacity reserve	(8,767)
Proceeds from capital debt	8,000,000
Bond issuance costs paid	(65,716)
Principal paid on capital debt	(8,355,000)
Interest and fees paid on capital debt	(1,339,218)
Proceeds from capital contribution fees	2,669,455
Net cash provided by (used in) capital and related financing activities	<u>(934,176)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received	199,511
Net cash provided by investing activities	<u>199,511</u>
Net decrease in cash and cash equivalents	(345,721)
Cash and cash equivalents, beginning of year	15,854,724
Cash and cash equivalents, end of year	<u>\$ 15,509,003</u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

- CONTINUED -

	<u>Business-Type Activities Enterprise Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 1,094,526
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,356,553
Increase in accounts receivable	(407,003)
Decrease in inventory	11,163
Decrease in prepaid items	19,762
Increase in accounts payable	60,811
Increase in customer deposits	1,000
Increase in accrued expenses	20,918
Net cash provided by operating activities	<u>\$ 2,157,730</u>
<b>Non-cash Capital Supplementary Information:</b>	
Revenue bond principal accretion and discount amortization	\$ 131,254
Revenue bond premium and deferred amount on refunding amortization	238,659
Contributed capital assets from developers	578,590

*The accompanying notes to the financial statements are an integral part of this statement.*

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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 accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

These financial statements include the implementation of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments. GASB Statement No. 34 established new financial reporting requirements for governments and caused to restructure much of the information that the Town presented in the past. The more significant of the government's accounting policies are described below.

Using the criteria of GASB Statement No. 14, "The Financial Reporting Entity," the accompanying 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 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 government-wide 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

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

**A. Reporting Entity (Continued)**

Blended Component Unit (Continued)

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 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 reflected as governmental activities non-current liabilities in the Town's statement of net assets.

**B. Basis of Presentation**

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements - The Government-wide financial statements consists of a Statement of Net Assets and the Statement of Activities and reports information of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally those activities financed by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets reports all financial and capital resources of the Town and reports the difference between assets and liabilities as "net assets", not fund balance or equity. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues and reflects the "net (expenses) revenues" of the Town's individual functions before applying 'general' revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole, and thus reduce the net cost of the function to be financed from the government's general revenues. Program revenues include (1) charges to customers who purchase, use or directly benefit from goods and services provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources are reported as general revenues

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

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

**Government-Wide and Fund Financial Statements (Continued)**

rather than as program revenues. All revenues are 'general' revenues unless they are required to be reported as program revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, and proprietary funds. The focus of governmental and proprietary fund financial statements is on 'major' funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with 'non-major' funds being aggregated and displayed in a single column.

The Town reports the General Fund and the Hospitality Tax Special Revenue Fund as "major" governmental funds and the Waterworks and Sewer Utility Enterprise Fund as the "major" proprietary fund.

*Governmental Funds*

**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**-The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally (or donor) restricted to expenditures for specific purposes.

**Capital Projects Funds**-The Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by the proprietary fund.

**Debt Service Fund**-The Debt Service Fund is used to account 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 the proprietary fund. 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.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

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

**Government-Wide and Fund Financial Statements (Continued)**

*Proprietary Funds*

Enterprise Fund-The Enterprise Fund is 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town operates a Waterworks and Sewer Utility enterprise fund.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

Government-wide financial statements and the proprietary fund use the economic resources measurement focus and the accrual basis of accounting, in accordance with GASB Statement Number 34. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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. 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. Expenditures for compensated absences and claims and judgments, are recorded only when payment is due.

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.

Proprietary Fund statements reflect net assets and revenues, expenses and changes in net assets using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the Government-Wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The Town has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for its proprietary fund operations.

**D. Assets, Liabilities and Net Assets or Equity**

Deposits and 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.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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, 2004, consists of various supplies and other inventoriable items which are expensed at the time they are consumed.

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.

Restricted Assets

Certain proceeds of the Town's long-term debt as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is restricted by legal or contractual requirements, including bond covenants. These accounts are set up to report resources set aside to fund certain capital projects, accumulate funds for the repayment of debt requirements, and to accumulate funds for unexpected contingencies or asset renewals and replacements.

Capital Assets and Depreciation

All property, plant, equipment and infrastructure 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) are valued at historical cost or estimated historical cost if actual historical cost is not available in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets and Depreciation (Continued)

property, plant and equipment are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are defined by the Town as those assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the enterprise fund during the year was \$1,811,512. Of this amount, \$87,359 was included as part of the cost of capital assets under construction during the year.

Depreciation is provided 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
Infrastructure	15-40 Years
Distribution Systems	15-75 Years
Machinery and Equipment	5-10 Years

Compensated Absences

All permanent, full-time employees of the Town accrue 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

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

Compensated Absences (Continued)

no compensation is provided for sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-Term Liabilities

In the government-wide financial statements, and the proprietary fund financial statements, long-term liabilities are recorded in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, issuance costs and deferred amounts on refunding are amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premiums, discounts and deferred amounts.

Fund Equity Reservations and Designations

In the fund financial statements, reserves represent those portions of fund equity not appropriable 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 capital 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.

**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, Hospitality Tax Special Revenue, Debt Service and Waterworks and Sewer System Funds. When

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

**A. Budgets and Budgetary Accounting (Continued)**

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, Assistant 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 budgets may be adjusted to transfer budgeted amounts among line items with the approval of the Department Director, Mayor and the Finance Director. The authority to adjust department budgets does not extend to personnel or capital budgets.
- 5) Formal budgetary integration is employed as a management control device during the year for the General, Hospitality Tax Special Revenue, Debt Service and Waterworks and Sewer System Enterprise Funds.

**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, 2004.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**3. Deposits and Investments**

At June 30, 2004, the reported carrying amount of the Town's cash deposits with financial institutions was \$3,831,578 and the financial institution's balances totaled \$4,017,251. 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, 2004, 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 counterparty, or by its trust department or agent but not in the Town's name. At June 30, 2004, the Town had no investments subject to categorization. The Town's investments at June 30, 2004, are reported at fair value and are summarized as follows:

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

3. Deposits and Investments (Continued)

Investments not subject to categorization:	
Investment in State	
Treasurer's Investment Pool	17,417,723
Total investments	<u>\$ 17,417,723</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets follows:

Cash on hand	\$ 1,100
Carrying amount of cash deposits	3,831,578
Carrying amount of investments	17,417,723
Total	<u>\$ 21,250,401</u>
Cash and temporary investments	\$ 11,563,379
Cash and temporary investments-restricted	9,687,022
Total	<u>\$ 21,250,401</u>

4. Receivables

Receivables at June 30, 2004, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Fees and services	\$ 88,999	\$ -	\$ 1,208,846	\$1,297,845
Property and other taxes	150,780	111,979	-	262,759
Due from other governments	104,773	49,427	-	154,200
Other	665	5,780	13,413	19,858
Less, allowance for doubtful accounts	(41,213)	-	(27,781)	(68,994)
	<u>\$ 304,004</u>	<u>\$ 167,186</u>	<u>\$ 1,194,478</u>	<u>\$1,665,668</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.

5. **Interfund Receivables and Payable**

Individual fund interfund receivable and payable balances at June 30, 2004, were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 49,317	\$ 256,070
Special Revenue Funds:		
Police Grants and Programs	-	50,290
Accommodations tax	-	706
Victim's Assistance	2,341	-
Community Development Block Grant	-	662
Enterprise Fund	<u>256,070</u>	<u>-</u>
	<u>\$ 307,728</u>	<u>\$ 307,728</u>

In addition to the above current interfund receivables and payables, a non-current advance is due from the General Fund to the Enterprise Fund in the amount of \$1,290,004.

6. **Components of Restricted Cash and Temporary Investments**

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 cash and temporary investments on the statement of net assets 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 renewal and replacement account is used for resources set aside to meet unexpected contingencies or to fund asset renewals or replacements.

Carrying balances of restricted cash and temporary investments in the Waterworks and Sewer System Enterprise Fund at June 30, 2004, are as follows:

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Components of Restricted Cash and Temporary Investments (Continued)

	<b>Cash and Temporary Investments</b>
Renewal and Replacement Fund	\$ 105,037
Debt Service Fund 2001A	437,730
Debt Service Fund 2001B	84,674
Bond Anticipation Note 2003	7,431,383
	<hr/>
	\$ 8,058,824
	<hr/>

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 cash and temporary investments on the statement of net assets 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, 2004, is as follows:

	<b>Cash and Temporary Investments</b>
Reserve Account	\$ 311,557
	<hr/>

Capital Projects Fund:

Certain proceeds of the Series 2002 General Obligation Bonds, are classified as restricted cash and temporary investments because their use is limited to specific projects by authorizing ordinances and bond documents. Carrying balance at the year ended June 30, 2004, is as follows:

	<b>Cash and Temporary Investments</b>
Capital Projects Accounts	\$ 606,595
	<hr/>

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Components of Restricted Cash and Temporary Investments (Continued)

Special Revenue Funds:

Certain proceeds received in the Special Revenue Funds are classified as restricted cash and temporary investments because, their use is limited to specific programs by the grantor, donor, other governments legal restrictions, or authorizing ordinances.

Carrying balances of restricted cash and temporary investments in the Special Revenue Funds at June 30, 2004, are as follows:

	<b>Cash and Temporary Investments</b>
Police Grants and Programs	\$ 10,095
Golden Hills Tax District	57,021
Downtown Restoration	22,132
Disaster Fund	18,339
Alcohol Permits	39,910
Drug Fund	6,617
Victim's Assistance	42,467
Hospitality Tax	500,434
Accommodations Tax	13,031
	<hr/>
	\$ 710,046

7. Capital Assets

The following is a summary of capital asset activity in governmental activities for the year ended June 30, 2004:

	<b>Balances June 30, 2003</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balances June 30, 2004</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,247,947	\$ 52,237	\$ -	\$ 3,300,184
Construction in progress	1,964,125	2,770,218	(1,840,021)	2,894,322
Total capital assets, not being depreciated	<hr/> 5,212,072	<hr/> 2,822,455	<hr/> (1,840,021)	<hr/> 6,194,506

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

7. Capital Assets (Continued)

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004
<b>Governmental activities (Continued):</b>				
Capital assets, being depreciated:				
Buildings	5,065,974	-	-	5,065,974
Vehicles and equipment	1,160,417	192,121	(15,000)	1,337,538
Streets and roadways	4,253,827	1,897,601	-	6,151,428
Sidewalks	685,633	3,696	-	689,329
Storm drainage	1,074,256	31,358	-	1,105,614
Total capital assets, being depreciated	<u>12,240,107</u>	<u>2,124,776</u>	<u>(15,000)</u>	<u>14,349,883</u>
Less accumulated depreciation for:				
Buildings	532,843	101,319	-	634,162
Vehicles and equipment	851,584	133,472	(15,000)	970,056
Streets and roadways	1,064,895	229,732	-	1,294,627
Sidewalks	82,572	17,187	-	99,759
Storm drainage	391,556	72,663	-	464,219
Total accumulated depreciation	<u>2,923,450</u>	<u>554,373</u>	<u>(15,000)</u>	<u>3,462,823</u>
Total capital assets, being depreciated, net	<u>9,316,657</u>	<u>1,570,403</u>	<u>-</u>	<u>10,887,060</u>
Governmental activities capital assets, net	<u>\$ 14,528,729</u>	<u>\$ 4,392,858</u>	<u>\$ (1,840,021)</u>	<u>\$ 17,081,566</u>

The following is a summary of capital asset activity in business-type activities for the year ended June 30, 2004:

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 137,434	\$ -	\$ -	\$ 137,434
Construction in progress	366,673	1,444,454	-	1,811,127
Total capital assets, not being depreciated	<u>504,107</u>	<u>1,444,454</u>	<u>-</u>	<u>1,948,561</u>
Capital assets, being depreciated:				
Buildings and system	42,061,924	694,841	-	42,756,765
Vehicles, machinery and equipment	1,667,088	353,512	-	2,020,600
Total capital assets, being depreciated	<u>43,729,012</u>	<u>1,048,353</u>	<u>-</u>	<u>44,777,365</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Capital Assets (Continued)

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004
<b>Business-type activities (Continued):</b>				
Less accumulated depreciation for:				
Buildings and system	6,491,337	911,556	-	7,402,893
Vehicles, machinery and equipment	1,230,444	151,269	-	1,381,713
Total accumulated depreciation	<u>7,721,781</u>	<u>1,062,825</u>	<u>-</u>	<u>8,784,606</u>
Total capital assets, being depreciated, net	<u>36,007,231</u>	<u>(14,472)</u>	<u>-</u>	<u>35,992,759</u>
Business-type activities capital assets, net	<u>\$ 36,511,338</u>	<u>\$ 1,429,982</u>	<u>\$ -</u>	<u>\$ 37,941,320</u>

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. During the year ended June 30, 2004, the Town amended its agreement with the City of Cayce as described in *Note 13*. 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 \$782,646 are being amortized to the Town's Waterworks and Sewer System Enterprise Fund operations, with amortization expense totaling \$158,282 recognized during the year ended June 30, 2004.

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 capacity 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 \$85,390 recognized during the year ended June 30, 2004.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. **Deferred Charges (Continued)**

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, 2004, net of accumulated amortization (\$2,252,510, taking into account the imputed cost of capital 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, 2004.

9. **Long-Term Debt**

The following is a summary of long-term debt of the Town for the year ended June 30, 2004:

	<u>Balances</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2004</u>
<b>Governmental activities:</b>				
Certificates of participation:				
Current interest certificates	\$ 570,000	\$ -	\$ (180,000)	\$ 390,000
Capital appreciation certificates	2,730,000	-	-	2,730,000
Less deferred amount:				
For issuance discount	(1,193,990)	-	94,220	(1,099,770)
Total certificates of participation	2,106,010	-	(85,780)	2,020,230
Notes payable	144,581	-	(28,003)	116,578
General obligation bonds	2,370,000	-	(90,000)	2,280,000
Compensated absences	214,806	25,530	-	240,336
Governmental activities				
Long-term liabilities	<u>\$ 4,835,397</u>	<u>\$ 25,530</u>	<u>\$ (203,783)</u>	<u>\$ 4,657,144</u>
<b>Business-type activities:</b>				
Revenue bonds payable:				
Revenue bonds	34,055,000	-	(855,000)	33,200,000
Less deferred amounts:				
For issuance discount	(808,168)	-	131,254	(676,914)
For issuance premium	88,615	-	(3,083)	85,532
On refunding	(3,123,115)	-	241,741	(2,881,374)
Total revenue bonds payable	30,212,332	-	(485,088)	29,727,244

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

	Balances June 30, 2003	Additions	Reductions	Balances June 30, 2004
<b>Business-type activities (Continued):</b>				
Bond anticipation notes	7,500,000	8,000,000	(7,500,000)	8,000,000
Contract payable	2,559,018	-	-	2,559,018
Capital lease	515,415	-	(26,640)	488,775
Compensated absences	57,509	10,443	-	67,952
Business-type activities				
Long-term liabilities	\$ 40,844,274	\$ 8,010,443	\$ (8,011,728)	\$ 40,842,989

**Certificates of Participation**

Pursuant to *Note 1*, 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:

<u>Redemption Dates (Both Dates Inclusive)</u>	<u>Redemption Price</u>
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, 2004, including interest components are as follows:

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

Certificates of Participation (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 190,000	\$ 16,868	\$ 206,868
2006	200,000	5,750	205,750
2007	210,000	-	210,000
2008	210,000	-	210,000
2009	210,000	-	210,000
2010-2014	1,050,000	-	1,050,000
2015-2019	1,050,000	-	1,050,000
Subtotal	3,120,000	22,618	3,142,618
Less: Deferred amount	(1,099,770)	-	(1,099,770)
Total	\$ 2,020,230	\$ 22,618	\$ 2,042,848

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 have been valued based on an imputed rate of interest of 6%. Annual payments of \$21,750 are due through April 11, 2007.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

Notes Payable (Continued)

The annual debt service requirements to amortize notes payable as of June 30, 2004, including interest component are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,084	\$ 9,892	\$ 39,976
2006	31,360	8,616	39,976
2007	33,663	6,313	39,976
2008	16,983	1,243	18,226
2009	4,488	68	4,556
Total	<u>\$ 116,578</u>	<u>\$ 26,132</u>	<u>\$ 142,710</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.

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, 2004, including interest components are as follows:

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**General Obligation Bonds (Continued)**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 95,000	\$ 107,535	\$ 202,535
2006	95,000	103,735	198,735
2007	100,000	99,935	199,935
2008	105,000	93,935	198,935
2009	110,000	87,635	197,635
2010-2014	625,000	354,013	979,013
2015-2019	780,000	201,555	981,555
2020-2024	370,000	26,600	396,600
Total	<u>\$ 2,280,000</u>	<u>\$ 1,074,943</u>	<u>\$ 3,354,943</u>

**Revenue Bonds and Bond Anticipation 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 are not included on the statement of net assets.

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.

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

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. **Long-Term Debt (Continued)**

**Revenue Bonds and Bond Anticipation Notes (Continued)**

the old debt's life, which is shorter than the life of the new debt. The transaction resulted in an economic cost of \$83,500 and a \$3,580,000 increase in 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, 2003 equaled \$2,466,832 (net of discount of \$676,914 with principal accretion recognized during the year of \$131,254).

**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, 2004 of \$22,240,964 (net unamortized premium and deferred amount on refunding equaled \$58,532 and (\$2,879,568), respectively). Amortization of the premium and deferred amount equaled (\$3,083) and \$241,741, respectively.

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

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Revenue Bonds and Bond Anticipation Notes (Continued)**

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 \$4,890,000 outstanding at June 30, 2004.

**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

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Revenue Bonds and Bond Anticipation Notes (Continued)**

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

The annual debt service requirements to amortize revenue bonds outstanding as of June 30, 2004 including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 885,000	\$ 1,442,468	\$ 2,327,468
2006	905,000	1,434,748	2,339,748
2007	925,000	1,396,988	2,321,988
2008	945,000	1,354,897	2,299,897
2009	615,000	1,306,843	1,921,843
2010-2014	3,060,000	6,616,765	9,676,765
2015-2019	3,815,000	5,805,309	9,620,309
2020-2024	7,000,000	4,490,376	11,490,376
2025-2029	8,760,000	2,727,334	11,487,334
2030-2034	6,290,000	602,789	6,892,789
Subtotal	33,200,000	27,178,517	60,378,517
Less: Deferred amounts	(3,472,756)	-	(3,472,756)
Total	<u>\$ 29,727,244</u>	<u>\$ 27,178,517</u>	<u>\$ 56,905,761</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Revenue Bonds and Bond Anticipation Notes (Continued)**

**Bond Anticipation Note, Series 2003:**

The Town issued Bond Anticipation Note, Series 2003 for \$8,000,000 during the year ended June 30, 2004. Principal and interest of 1.28% per annum are due at maturity on September 17, 2004.

**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 statement of net assets. 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, 2004 including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ -	\$ -
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	55,562	55,562

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

9. Long-Term Debt (Continued)

**Contract Payable (Continued)**

<u>Year Ending June 30,</u> (Continued)	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-2014	1,138,830	440,828	1,579,658
2015-2019	1,420,188	164,935	1,585,123
Total	<u>\$ 2,559,018</u>	<u>\$ 661,325</u>	<u>\$ 3,220,343</u>

**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 statement of net assets. 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, 2004 including interest component are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ -	\$ -
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	18,757	11,498	30,255

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 “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 in 2001 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. During the year ended June 30, 2003, 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. DHEC staff appealed the decision of the Administrative Law Judge to the DHEC board. The DHEC board overturned the decision of the Administrative Law Judge and held that DHEC had final authority to

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**12. Contingencies (Continued)**

Litigation: (Continued)

approve amendments to the 208 Plan. The related jurisdictional case is now pending in the Richland County Court of Common Pleas. The Town expects that final resolution of the issues in this case will take several years, extending well beyond the five-year extension period granted by COG. Such circumstances will give the Town sufficient time to coordinate with the City of Cayce on expansions and upgrades, which will replace Coventry Woods WWTP capacity. The City of Cayce currently plans to commence the expansion and upgrade in the first half of 2005. Furthermore, the Town believes that ultimately the decision of the Administrative Law Judge will be upheld. Accordingly, it is improbable that the any fine will be imposed or upheld.

**I-20 Waste System Treatment plant:**

In addition to the litigation relating to closure of Coventry Woods WWTP, the Town has supported Carolina Water System ("CWS") in litigation with the Lexington County Joint Municipal Water and Sewer Commission ("JMWSC") regarding attempts by the JMWSC to condemn the I-20 Wastewater Treatment Plant owned by CWS. The Town has taken the position that such action would contravene amendments to the Section 208 Plan. The Town is involved in various ways in seven related cases filed in the Lexington County Court of Common Pleas, regarding this matter, either as an intervenor, a defendant, or a plaintiff.

The Town has involved itself in this litigation, primarily to preserve the integrity of the Section 208 Plan and does not expect that the outcome of such litigation, even if adverse to the Town, will materially impact the finances of the System or the potential growth of the System.

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.

**13. Commitments**

Developers and Contractors

The Town has outstanding contracts to provide certain developers future sewer and water taps at June 30, 2004. The Town reserves sewer treatment capacity to provide the future service at the inception of the installment contracts.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**13. Commitments (Continued)**

Developers and Contractors (Continued)

Additionally, the Town has outstanding commitments to contractors and others for approximately \$3,300,000.

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. During the year ended June 30, 2004, the Town and City of Cayce agreed to amend the agreement. Under the amended 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 the price shall be 88% of the then applicable inside-city 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.

During the year ended June 30, 2004, the Town and the City of Cayce also entered an additional amendment that provided for the City of Cayce to sell the Town 2 MGD of capacity, the remaining available under the agreement, at the price of \$1.95 per gallon subject to the following conditions:

- 1) The Lexington County Joint Municipal Water and Sewer Commission (the "Commission") commits by formal action to build a wastewater line to Cayce's wastewater treatment plant (The line will be up sized to accommodate the transport needs of the Town of Lexington).
- 2) The Town agreed to transfer all ownership and capacity rights in the Highway 321 Regional Sewer Line ("The Swansea Force Main") upon Cayce's request following the completion of the sewer line referred to in condition (1) above.
- 3) The Town must pay for the 2 MGD of capacity in full by December 31, 2004 at a total cost of \$3,900,000 (*See Note 17*).

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**13. Commitments (Continued)**

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.

**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, 2004, for employees enrolled in the SCRS and PORS, was approximately \$3,955,924, of which \$2,729,806 was for substantially all employees covered by the SCRS and \$1,226,118 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,

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**14. Employee Retirement (Continued)**

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, 2004, 2003, and 2002 were \$186,992, \$162,387, and \$144,486, 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, 2004, 2003, and 2002 were \$131,195, \$111,128, and \$98,304, respectively, which equal 100% of required contributions.

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

**15. Post Employment Benefits Other than Pension**

During the year ended June 30, 2004, the Town adopted a policy to pay health insurance benefits until age 65 for retirees who retire with 20 years of service and retire between the ages of 62 and 65. The Town's contributions are financed on a pay-as-you go basis.

On June 30, 2004, the Town had two retirees receiving benefits under the policy. The average age of the participants was approximately 64 with monthly premium costs averaging approximately \$276 per participant. The total expenses incurred by the Town for the year ended June 30, 2004, were \$2,760.

**16. 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.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**16. Risk Management**

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 \$137,493 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 \$433,098 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 \$68,756 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.

**17. Subsequent Events**

The Town issued Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2004 for \$7,865,000 dated September 1, 2004.

The Town issued \$3,615,000 of Hospitality Tax Special Sources Bonds, Series 2004, dated July 26, 2004. Under the terms of the bond ordinances and applicable escrow agreements, the bonds were repaid on December 31, 2004.

The Town entered into an agreement with the Commission for the Town to participate in the cost of a wastewater line to be constructed to the city of Cayce's treatment facility. The Town's share of the cost approximates \$1.1 million (*See Note 13*).

The Town purchased 2 MGD of sewer capacity for \$3,900,000, under the terms of an agreement with the City of Cayce (*See Note 13*).

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**17. Subsequent Events (Continued)**

The Town approved construction contracts for the construction of a 1 MG above ground water storage facility and related interconnection line totaling approximately \$1,900,000.

**18. Changes in Accounting Principles**

For fiscal year 2004, the Town implemented *GASB Statement Number 34 (GASB 34), Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, issued in June 1999, *GASB Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Omnibus, an amendment to GASB Statement Numbers 27 and 34*, issued in June 2001. GASB 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds, if applicable, are presented in total in one column.

The government-wide financial statements account for the Town's programs as either governmental activities or business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise fund from last year. Previously reported contributed capital is no longer required with the implementation of GASB 34, and has been reclassified as net assets. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Implementation of GASB 34 resulted in certain retroactive adjustments to beginning net assets. The transition from governmental fund balances to net assets of the governmental activities is presented on the following page.

TOWN OF LEXINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

18. Changes in Accounting Principles (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Total fund balances and fund equity, June 30, 2003 previously reported	\$ 5,329,993	\$ 26,641,021
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets	9,474,338	
Construction in progress	1,964,125	
Infrastructure	6,013,716	
Accumulated depreciation	<u>(2,923,450)</u>	
	<u>14,528,729</u>	
Property taxes receivable not collected within sixty days are deferred in the funds	<u>90,183</u>	
Interest accrued on long-term debt is not accounted for in the funds	<u>(97,504)</u>	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(2,370,000)	
Certificates of participation	(2,106,010)	
Notes payable	(144,581)	
Compensated absences	<u>(214,806)</u>	
	<u>(4,835,397)</u>	
Total retroactive adjustments	<u>9,686,011</u>	
Net assets June 30, 2003, restated	<u>\$ 15,016,004</u>	<u>\$ 26,641,021</u>

**OTHER FINANCIAL INFORMATION**

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINING 'NON-MAJOR' GOVERNMENTAL FINANCIAL  
STATEMENTS

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	Special Revenue								
	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund	Cans to Trees	Victims Assistance
<b>Assets</b>									
Cash and temporary investments	\$ 4,713	\$ -	\$ -	\$ -	\$ -	\$ 149,428	\$ -	\$ 8,629	\$ -
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Other	1,500	630	-	-	3,650	-	-	-	-
Due from grantor	48,765	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	2,341
Restricted cash and temporary investments	10,095	57,021	22,132	18,339	39,910	-	6,617	-	42,467
<b>Total assets</b>	<b>\$ 65,073</b>	<b>\$ 57,651</b>	<b>\$ 22,132</b>	<b>\$ 18,339</b>	<b>\$ 43,560</b>	<b>\$ 149,428</b>	<b>\$ 6,617</b>	<b>\$ 8,629</b>	<b>\$ 44,808</b>
<b>Liabilities and Fund Balances</b>									
Accounts payable	\$ 120	\$ -	\$ -	\$ 5,839	\$ 7,205	\$ -	\$ 11	\$ -	\$ 395
Accrued Liabilities	-	-	-	-	-	-	-	-	1,295
Due to other funds	50,290	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>50,410</b>	<b>-</b>	<b>-</b>	<b>5,839</b>	<b>7,205</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>1,690</b>
Fund balances:									
Reserved for debt service	-	-	-	-	-	-	-	-	-
Unreserved/undesignated	14,663	57,651	22,132	12,500	36,355	149,428	6,606	8,629	43,118
<b>Total fund equity</b>	<b>14,663</b>	<b>57,651</b>	<b>22,132</b>	<b>12,500</b>	<b>36,355</b>	<b>149,428</b>	<b>6,606</b>	<b>8,629</b>	<b>43,118</b>
<b>Total liabilities and fund balances</b>	<b>\$ 65,073</b>	<b>\$ 57,651</b>	<b>\$ 22,132</b>	<b>\$ 18,339</b>	<b>\$ 43,560</b>	<b>\$ 149,428</b>	<b>\$ 6,617</b>	<b>\$ 8,629</b>	<b>\$ 44,808</b>

				Capital Projects			Debt Service	Total Nonmajor Governmental Funds
CDBG	Concerts in the Park	Accommodations Tax	Totals	Streetscape	Streets and Infrastructure	Totals	Debt Service	
\$ -	\$ 15,377	\$ -	\$ 178,147	\$ -	\$ -	\$ -	\$ -	\$ 178,147
-	-	14,123	14,123	-	-	-	-	14,123
-	-	-	5,780	-	-	-	-	5,780
662	-	-	49,427	-	-	-	-	49,427
-	-	-	2,341	-	-	-	-	2,341
-	-	13,031	209,612	528,182	78,413	606,595	311,557	1,127,764
<u>\$ 662</u>	<u>\$ 15,377</u>	<u>\$ 27,154</u>	<u>\$ 459,430</u>	<u>\$ 528,182</u>	<u>\$ 78,413</u>	<u>\$ 606,595</u>	<u>\$ 311,557</u>	<u>\$ 1,377,582</u>
\$ -	\$ 192	\$ -	\$ 13,762	\$ 49,163	\$ 33,230	\$ 82,393	\$ -	\$ 96,155
-	-	-	1,295	-	-	-	-	1,295
662	-	706	51,658	-	-	-	-	51,658
<u>662</u>	<u>192</u>	<u>706</u>	<u>66,715</u>	<u>49,163</u>	<u>33,230</u>	<u>82,393</u>	<u>-</u>	<u>149,108</u>
-	-	-	-	-	-	-	311,557	311,557
-	15,185	26,448	392,715	479,019	45,183	524,202	-	916,917
-	15,185	26,448	392,715	479,019	45,183	524,202	311,557	1,228,474
<u>\$ 662</u>	<u>\$ 15,377</u>	<u>\$ 27,154</u>	<u>\$ 459,430</u>	<u>\$ 528,182</u>	<u>\$ 78,413</u>	<u>\$ 606,595</u>	<u>\$ 311,557</u>	<u>\$ 1,377,582</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUE, EXPENTITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	Special Revenue								
	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund	Cans to Trees Fund	Victim's Assistance
<b>Revenue</b>									
Grant revenue	\$ 195,940	\$ -	\$ -	\$ 5,839	\$ -	\$ -	\$ -	\$ -	\$ -
Road assessment	-	18,270	-	-	-	-	-	-	-
Sidewalk proceeds	-	-	-	-	-	16,147	-	-	-
Alcohol permits	-	-	-	-	35,500	-	-	-	-
Recycling proceeds	-	-	-	-	-	-	-	702	-
Fines and forfeitures	-	-	-	-	-	-	1,248	-	46,657
Accommodations tax	-	-	-	-	-	-	-	-	-
Interest income	-	367	164	176	-	2,079	65	-	-
Other income	54,448	-	-	-	-	-	-	-	14
<b>Total revenue</b>	<b>250,388</b>	<b>18,637</b>	<b>164</b>	<b>6,015</b>	<b>35,500</b>	<b>18,226</b>	<b>1,313</b>	<b>702</b>	<b>46,671</b>
<b>Expenditures</b>									
Current:									
Public safety	144,484	-	-	-	-	-	2,922	-	-
Victim's assistance	9,128	-	-	-	-	-	-	-	39,736
Street maintenance	-	1,364	-	-	-	-	-	-	-
Parks and appearance	-	-	-	5,839	-	-	-	494	-
Housing	-	-	-	-	-	-	-	-	-
Tourism related	-	-	-	-	16,645	-	-	-	-
Capital outlay	87,961	-	-	-	-	-	2,051	-	2,169
Debt service	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>241,573</b>	<b>1,364</b>	<b>-</b>	<b>5,839</b>	<b>16,645</b>	<b>-</b>	<b>4,973</b>	<b>494</b>	<b>41,905</b>
<b>Other Financing Sources</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
<b>Total other financing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of over (under)	8,815	17,273	164	176	18,855	18,226	(3,660)	208	4,766
Fund balances, beginning of year	5,848	40,378	21,968	12,324	17,500	131,202	10,266	8,421	38,352
<b>Fund balances, end of year</b>	<b>\$ 14,663</b>	<b>\$ 57,651</b>	<b>\$ 22,132</b>	<b>\$ 12,500</b>	<b>\$ 36,355</b>	<b>\$ 149,428</b>	<b>\$ 6,606</b>	<b>\$ 8,629</b>	<b>\$ 43,118</b>

CDBG	Concerts in the Park	Accommodations Tax	Totals	Capital Projects			Debt Service	Total Nonmajor Governmental Funds
				Streetscape	Streets and Infrastructure	Totals	Debt Service	
\$ -	\$ -	\$ -	\$ 201,779	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 202,779
-	-	-	18,270	-	-	-	-	18,270
-	-	-	16,147	-	-	-	-	16,147
-	-	-	35,500	-	-	-	-	35,500
-	-	-	702	-	-	-	-	702
-	-	-	47,905	-	-	-	-	47,905
-	-	52,717	52,717	-	-	-	-	52,717
-	-	123	2,974	8,167	2,011	10,178	1,322	14,474
662	33,725	-	88,849	-	-	-	-	88,849
662	33,725	52,840	464,843	9,167	2,011	11,178	1,322	477,343
-	-	-	147,406	-	-	-	-	147,406
-	-	-	48,864	-	-	-	-	48,864
-	-	-	1,364	-	-	-	-	1,364
-	20,552	-	26,885	-	-	-	-	26,885
662	-	-	662	-	-	-	-	662
-	-	27,189	43,834	-	-	-	-	43,834
-	-	-	92,181	281,696	382,006	663,702	-	755,883
-	-	-	-	-	-	-	412,952	412,952
662	20,552	27,189	361,196	281,696	382,006	663,702	412,952	1,437,850
-	1,300	(26,392)	(25,092)	-	-	-	412,934	387,842
-	1,300	(26,392)	(25,092)	-	-	-	412,934	387,842
-	14,473	(741)	78,555	(272,529)	(379,995)	(652,524)	1,304	(572,665)
-	712	27,189	314,160	751,548	425,178	1,176,726	310,253	1,801,139
\$ -	\$ 15,185	\$ 26,448	\$ 392,715	\$ 479,019	\$ 45,183	\$ 524,202	\$ 311,557	\$ 1,228,474

TOWN OF LEXINGTON, SOUTH CAROLINA

**INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND  
BALANCE SHEET

JUNE 30, 2004

(With comparative amounts at June 30, 2003)

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash and temporary investments	\$ 3,935,053	\$ 4,056,225
Receivables, net:		
Fees and services	88,999	24,172
Property taxes, net	109,567	108,497
Other governments	104,773	100,836
Other	665	1,068
Due from other funds	49,317	46,334
Prepaid items	959	1,102
Total assets	<u>\$ 4,289,333</u>	<u>\$ 4,338,234</u>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Accounts payable	\$ 94,861	\$ 240,975
Accrued liabilities	99,757	72,878
Due to other funds	256,070	243,877
Other liabilities	21,185	18,670
Deferred revenue	104,732	90,183
Advance from other fund	1,290,004	142,797
Total liabilities	<u>1,866,609</u>	<u>809,380</u>
Fund balance:		
Reserved for prepaid items	959	1,102
Unreserved:		
Designated for:		
Vehicle replacement	75,000	-
Streets and infrastructure	810,000	500,000
Undesignated	1,536,765	3,027,752
Total fund balance	<u>2,422,724</u>	<u>3,528,854</u>
Total liabilities and fund balance	<u>\$ 4,289,333</u>	<u>\$ 4,338,234</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2004

(With comparative amounts for the year ended June 30, 2003)

	2004		Variance Favorable (Unfavorable)	2003
	Budget	Actual		Actual
<b>Revenue</b>				
Property taxes	\$ 1,846,000	\$ 1,942,182	\$ 96,182	\$ 1,823,451
Franchises, licenses and permits	2,925,500	2,866,907	(58,593)	2,636,418
Other governments	310,000	314,860	4,860	325,178
Fines and forfeitures	289,000	251,414	(37,586)	251,469
Interest income	26,000	37,489	11,489	37,471
Charges for services	28,900	23,958	(4,942)	27,587
Miscellaneous	10,000	17,494	7,494	13,789
Total revenue	<u>5,435,400</u>	<u>5,454,304</u>	<u>18,904</u>	<u>5,115,363</u>
<b>Expenditures</b>				
<b>General Government</b>				
Building Department:				
Personnel	323,758	323,026	732	297,329
Contractual services	3,100	2,904	196	2,596
Repairs and maintenance	3,500	5,097	(1,597)	2,464
Supplies	17,510	7,757	9,753	11,363
Other operating	16,550	10,452	6,098	10,890
Total building department	<u>364,418</u>	<u>349,236</u>	<u>15,182</u>	<u>324,642</u>
Administration Department:				
Personnel	515,306	535,926	(20,620)	445,633
Contractual services	6,630	3,171	3,459	14,890
Repairs and maintenance	1,700	839	861	5,982
Supplies	11,090	6,698	4,392	21,032
Other operating	45,850	40,780	5,070	43,040
Allocation of personnel expenditures	(257,653)	(267,963)	10,310	(222,817)
Allocation of other expenditures	(32,635)	(25,745)	(6,890)	(42,471)
Total administration department	<u>290,288</u>	<u>293,706</u>	<u>(3,418)</u>	<u>265,289</u>
Finance:				
Personnel	400,877	392,766	8,111	350,090
Contractual services	6,170	8,129	(1,959)	2,617
Repairs and maintenance	7,150	1,421	5,729	-
Supplies	18,910	16,708	2,202	6,392
Other operating	71,910	59,943	11,967	43,268
Allocation of personnel expenditures	(200,439)	(196,383)	(4,056)	(175,046)
Allocation of other expenditures	(52,070)	(43,100)	(8,970)	(26,140)
Total finance	<u>252,508</u>	<u>239,484</u>	<u>13,024</u>	<u>201,181</u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND

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

- CONTINUED -

	2004		Variance Favorable (Unfavorable)	2003
	Budget	Actual		Actual
<b>Expenditures (Continued)</b>				
<b>General Government (Continued)</b>				
Council:				
Personnel	98,950	96,194	2,756	97,429
Contractual services	30,980	6,749	24,231	20,859
Repairs and maintenance	53,100	37,069	16,031	32,368
Supplies	5,810	5,261	549	5,270
Other operating	275,350	291,684	(16,334)	270,354
Contributions	2,500	9,128	(6,628)	3,000
Allocation of personnel expenditures	(49,475)	(48,097)	(1,378)	(48,716)
Allocation of other expenditures	(183,870)	(174,946)	(8,924)	(165,926)
Total council	<u>233,345</u>	<u>223,042</u>	<u>10,303</u>	<u>214,638</u>
Total general government	<u>1,140,559</u>	<u>1,105,468</u>	<u>35,091</u>	<u>1,005,750</u>
<b>Public Safety</b>				
Personnel	1,697,661	1,697,543	118	1,406,667
Contractual services	72,700	56,896	15,804	47,322
Repairs and maintenance	40,000	45,888	(5,888)	41,329
Supplies	34,410	33,606	804	71,432
Other operating	129,300	151,739	(22,439)	123,798
Total public safety	<u>1,974,071</u>	<u>1,985,672</u>	<u>(11,601)</u>	<u>1,690,548</u>
<b>Parks, Streets and Sanitation</b>				
Personnel	501,990	502,368	(378)	438,450
Contractual services	518,940	521,514	(2,574)	530,767
Repairs and maintenance	21,590	29,171	(7,581)	56,050
Supplies	63,850	42,541	21,309	10,584
Other operating	149,594	189,617	(40,023)	131,766
Total parks and appearances	<u>1,255,964</u>	<u>1,285,211</u>	<u>(29,247)</u>	<u>1,167,617</u>
<b>Capital Outlay</b>	170,314	2,365,651	(2,195,337)	3,431,215
<b>Debt Service</b>	44,400	39,976	4,424	42,356
Total expenditures	<u>4,585,308</u>	<u>6,781,978</u>	<u>(2,196,670)</u>	<u>7,337,486</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	741,907	741,907	2,885,573
Operating transfers out	(763,520)	(520,363)	243,157	(437,258)
Total other financing sources (uses)	<u>(763,520)</u>	<u>221,544</u>	<u>985,064</u>	<u>2,448,315</u>
Excess of revenue over (under) expenditures and other financing sources (uses)	86,572	(1,106,130)	(1,192,702)	226,192
Fund balance, beginning of year	<u>3,528,854</u>	<u>3,528,854</u>	-	<u>3,302,662</u>
Fund balance, end of year	<u>\$ 3,615,426</u>	<u>\$ 2,422,724</u>	<u>\$ (1,192,702)</u>	<u>\$ 3,528,854</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2004

(With comparative total amounts at June 30, 2003)

	<b>Police Grants and Programs</b>	<b>Golden Hills Tax District</b>	<b>Downtown Restoration</b>	<b>Disaster Fund</b>	<b>Alcohol Permits</b>	<b>Sidewalk Fund</b>	<b>Drug Fund</b>
<b>Assets</b>							
Cash and temporary investments	\$ 4,713	\$ -	\$ -	\$ -	\$ -	\$ 149,428	\$ -
Receivables, net:							
Taxes	-	-	-	-	-	-	-
Other	1,500	630	-	-	3,650	-	-
Due from grantor	48,765	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Restricted cash and temporary investments	10,095	57,021	22,132	18,339	39,910	-	6,617
<b>Total assets</b>	<b>\$ 65,073</b>	<b>\$ 57,651</b>	<b>\$ 22,132</b>	<b>\$ 18,339</b>	<b>\$ 43,560</b>	<b>\$ 149,428</b>	<b>\$ 6,617</b>
<b>Liabilities and Fund Balances</b>							
Accounts payable	\$ 120	\$ -	\$ -	\$ 5,839	\$ 7,205	\$ -	\$ 11
Construction payable	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-
Due to other funds	50,290	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>50,410</b>	<b>-</b>	<b>-</b>	<b>5,839</b>	<b>7,205</b>	<b>-</b>	<b>11</b>
<b>Fund balances:</b>							
Unreserved/ undesignated	14,663	57,651	22,132	12,500	36,355	149,428	6,606
<b>Total fund equity</b>	<b>14,663</b>	<b>57,651</b>	<b>22,132</b>	<b>12,500</b>	<b>36,355</b>	<b>149,428</b>	<b>6,606</b>
<b>Total liabilities and fund balances</b>	<b>\$ 65,073</b>	<b>\$ 57,651</b>	<b>\$ 22,132</b>	<b>\$ 18,339</b>	<b>\$ 43,560</b>	<b>\$ 149,428</b>	<b>\$ 6,617</b>

Cans to Trees Fund	Victims Assistance	CDBG	Concerts in the Park	Hospitality Tax	Accommodations Tax	Totals	
						2004	2003
\$ 8,629	\$ -	\$ -	\$ 15,377	\$ -	\$ -	\$ 178,147	\$ 197,678
-	-	-	-	97,856	14,123	111,979	14,164
-	-	-	-	-	-	5,780	2,570
-	-	662	-	-	-	49,427	69,681
-	2,341	-	-	-	-	2,341	2,131
-	42,467	-	-	500,434	13,031	710,046	116,326
<u>\$ 8,629</u>	<u>\$ 44,808</u>	<u>\$ 662</u>	<u>\$ 15,377</u>	<u>\$ 598,290</u>	<u>\$ 27,154</u>	<u>\$ 1,057,720</u>	<u>\$ 402,550</u>
\$ -	\$ 395	\$ -	\$ 192	\$ -	\$ -	\$ 13,762	\$ 23,778
-	-	-	-	15,595	-	15,595	-
-	1,295	-	-	480	-	1,775	-
-	-	662	-	-	706	51,658	48,465
-	-	-	-	-	-	-	16,147
-	1,690	662	192	16,075	706	82,790	88,390
8,629	43,118	-	15,185	582,215	26,448	974,930	314,160
8,629	43,118	-	15,185	582,215	26,448	974,930	314,160
<u>\$ 8,629</u>	<u>\$ 44,808</u>	<u>\$ 662</u>	<u>\$ 15,377</u>	<u>\$ 598,290</u>	<u>\$ 27,154</u>	<u>\$ 1,057,720</u>	<u>\$ 402,550</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

(With comparative total amounts at June 30, 2003)

	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund
<b>Revenue</b>							
Grant revenue	\$ 195,940	\$ -	\$ -	\$ 5,839	\$ -	\$ -	\$ -
Road assessment	-	18,270	-	-	-	-	-
Sidewalk proceeds	-	-	-	-	-	16,147	-
Alcohol permits	-	-	-	-	35,500	-	-
Recycling proceeds	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	1,248
Hospitality tax	-	-	-	-	-	-	-
Accommodations tax	-	-	-	-	-	-	-
Interest income	-	367	164	176	-	2,079	65
Other income	54,448	-	-	-	-	-	-
<b>Total revenue</b>	<b>250,388</b>	<b>18,637</b>	<b>164</b>	<b>6,015</b>	<b>35,500</b>	<b>18,226</b>	<b>1,313</b>
<b>Expenditures</b>							
Current:							
Public safety	144,484	-	-	-	-	-	2,922
Victim's assistance	9,128	-	-	-	-	-	-
Street maintenance	-	1,364	-	-	-	-	-
Parks and appearance	-	-	-	5,839	-	-	-
Housing rehabilitation	-	-	-	-	-	-	-
Accommodations tax	-	-	-	-	-	-	-
Tourism related expenses	-	-	-	-	16,645	-	-
Capital outlay	87,961	-	-	-	-	-	2,051
<b>Total expenditures</b>	<b>241,573</b>	<b>1,364</b>	<b>-</b>	<b>5,839</b>	<b>16,645</b>	<b>-</b>	<b>4,973</b>
<b>Other Financing Sources</b>							
Operating transfers in (out)	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenue over (under) expenditures	8,815	17,273	164	176	18,855	18,226	(3,660)
Fund balances, beginning of year	5,848	40,378	21,968	12,324	17,500	131,202	10,266
<b>Fund balances, end of year</b>	<b>\$ 14,663</b>	<b>\$ 57,651</b>	<b>\$ 22,132</b>	<b>\$ 12,500</b>	<b>\$ 36,355</b>	<b>\$ 149,428</b>	<b>\$ 6,606</b>

Cans to Trees Fund	Victim's Assistance	CDBG	Concerts in the Park	Hospitality Tax	Accommodations Tax	Totals	
						2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,779	\$ 228,999
-	-	-	-	-	-	18,270	17,325
-	-	-	-	-	-	16,147	22,367
-	-	-	-	-	-	35,500	-
702	-	-	-	-	-	702	1,466
-	46,657	-	-	-	-	47,905	38,408
-	-	-	-	771,779	-	771,779	-
-	-	-	-	-	52,717	52,717	53,130
-	-	-	-	1,418	123	4,392	5,088
-	14	662	33,725	-	-	88,849	32,562
<u>702</u>	<u>46,671</u>	<u>662</u>	<u>33,725</u>	<u>773,197</u>	<u>52,840</u>	<u>1,238,040</u>	<u>399,345</u>
-	-	-	-	-	-	147,406	160,209
-	39,736	-	-	-	-	48,864	82,450
-	-	-	-	-	-	1,364	824
494	-	-	20,552	-	-	26,885	1,763
-	-	662	-	-	-	662	816
-	-	-	-	-	27,189	27,189	52,207
-	-	-	-	137,466	-	154,111	-
-	2,169	-	-	53,516	-	145,697	49,796
<u>494</u>	<u>41,905</u>	<u>662</u>	<u>20,552</u>	<u>190,982</u>	<u>27,189</u>	<u>552,178</u>	<u>348,065</u>
-	-	-	1,300	-	(26,392)	(25,092)	(134,525)
-	-	-	1,300	-	(26,392)	(25,092)	(134,525)
208	4,766	-	14,473	582,215	(741)	660,770	(83,245)
8,421	38,352	-	712	-	27,189	314,160	397,405
<u>\$ 8,629</u>	<u>\$ 43,118</u>	<u>\$ -</u>	<u>\$ 15,185</u>	<u>\$ 582,215</u>	<u>\$ 26,448</u>	<u>\$ 974,930</u>	<u>\$ 314,160</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

DEBT SERVICE FUND  
BALANCE SHEET

JUNE 30, 2004

(With comparative amounts at June 30, 2003)

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Restricted cash and temporary investments	\$ 311,557	\$ 310,253
Total assets	<u>\$ 311,557</u>	<u>\$ 310,253</u>
<b>Liabilities and Fund Balance</b>		
Fund balance:		
Reserved for debt service	\$ 311,557	\$ 310,253
Total fund balance	<u>311,557</u>	<u>310,253</u>
Total liabilities and fund balance	<u>\$ 311,557</u>	<u>\$ 310,253</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, 2004

(With comparative actual amounts for the year ended June 30, 2003)

	2004		Variance Favorable (Unfavorable)	2003
	Budget	Actual		Actual
<b>Revenue</b>				
Interest earned on investments	\$ -	\$ 1,322	\$ 1,322	\$ 2,817
Total revenue	-	1,322	1,322	2,817
<b>Expenditures</b>				
Debt service	410,520	412,952	(2,432)	422,705
Total expenditures	410,520	412,952	(2,432)	422,705
Deficiency of revenue under expenditures	(410,520)	(411,630)	(1,110)	(419,888)
<b>Other Financing Sources</b>				
Operating transfers in	410,520	412,934	2,414	422,697
Total other financing source	410,520	412,934	2,414	422,697
Excess of revenue and other financing sources over expenditures	-	1,304	1,304	2,809
Fund balance, beginning of year	310,253	310,253	-	307,444
Fund balance, end of year	\$ 310,253	\$ 311,557	\$ 1,304	\$ 310,253

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2004

(With comparative amounts at June 30, 2003)

	<u>Streetscape</u>	<u>Streets and Infrastructure</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
<b>Assets</b>				
Restricted cash and temporary investments	\$ 528,182	\$ 78,413	\$ 606,595	\$ 1,371,799
Due from grantor	-	-	-	30,909
<b>Total assets</b>	<u>\$ 528,182</u>	<u>\$ 78,413</u>	<u>\$ 606,595</u>	<u>\$ 1,402,708</u>
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 49,163	\$ 33,230	\$ 82,393	\$ 225,982
Fund balance:				
Unreserved/Undesignated	479,019	45,183	524,202	1,176,726
<b>Total fund balance</b>	<u>479,019</u>	<u>45,183</u>	<u>524,202</u>	<u>1,176,726</u>
<b>Total liabilities and fund balance</b>	<u>\$ 528,182</u>	<u>\$ 78,413</u>	<u>\$ 606,595</u>	<u>\$ 1,402,708</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2004

(With comparative amounts for the year ended June 30, 2003)

	<u>Streetscape</u>	<u>Streets and Infrastructure</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
<b>Revenue</b>				
Grant revenue	\$ 1,000	\$ -	\$ 1,000	\$ 342,430
Interest earned on investments	8,167	2,011	10,178	42,391
Total Revenue	<u>9,167</u>	<u>2,011</u>	<u>11,178</u>	<u>384,821</u>
<b>Expenditures</b>				
Capital outlay	281,696	382,006	663,702	1,631,155
Total expenditures	<u>281,696</u>	<u>382,006</u>	<u>663,702</u>	<u>1,631,155</u>
Deficiency of revenue under expenditures	<u>(272,529)</u>	<u>(379,995)</u>	<u>(652,524)</u>	<u>(1,246,334)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	-	-	-	122,680
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,680</u>
Excess of revenue and other financing sources over expenditures	<u>(272,529)</u>	<u>(379,995)</u>	<u>(652,524)</u>	<u>(1,123,654)</u>
Fund balance, beginning of year	751,548	425,178	1,176,726	2,300,380
Fund balance, end of year	<u>\$ 479,019</u>	<u>\$ 45,183</u>	<u>\$ 524,202</u>	<u>\$ 1,176,726</u>

TOWN OF LEXINGTON, SOUTH CAROLINA  
WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND  
STATEMENT OF NET ASSETS

JUNE 30, 2004  
(With comparative amounts at June 30, 2003)

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash and temporary investments	\$ 7,450,179	\$ 4,924,717
Receivables, net:		
Fees and services	1,181,065	775,289
Other	13,413	12,186
Due from other fund	1,546,074	386,674
Inventories-supplies	122,185	133,348
Prepaid items	-	19,762
Restricted assets:		
Cash and temporary investments	8,058,824	10,930,008
Property, plant, and equipment, net	37,941,320	36,511,338
Deferred charges:		
Capacity reserve	11,209,633	11,444,539
Retail distribution rights	2,252,510	2,302,566
Bond issue cost, net of amortization	<u>1,123,166</u>	<u>1,101,609</u>
Total assets	<u>70,898,369</u>	<u>68,542,036</u>
<b>Liabilities</b>		
Liabilities:		
Accounts payable	180,086	119,275
Accrued liabilities	43,151	32,676
Current liabilities payable from restricted assets:		
Construction payables	626,141	520,214
Accrued interest	396,597	381,576
Revenue bonds-current	885,000	855,000
Customer deposits	4,000	3,000
Bond anticipation note	8,000,000	7,500,000
Revenue bonds payable	28,842,244	29,357,332
Contracts payable	2,559,018	2,559,018
Accrued compensated absences	67,952	57,509
Capital lease obligation	<u>488,775</u>	<u>515,415</u>
Total liabilities	<u>42,092,964</u>	<u>41,901,015</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	15,006,879	13,711,462
Restricted for capital projects	905,457	1,062,231
Restricted for debt service	125,807	227,909
Unrestricted	<u>12,767,262</u>	<u>11,639,419</u>
Total net assets	<u>\$ 28,805,405</u>	<u>\$ 26,641,021</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

WATERWORKS AND SEWER SYSTEM ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2004

(With comparative amounts for the year ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
<b>Operating Revenue</b>		
Water service	\$ 2,798,195	\$ 2,506,809
Sewer service	3,790,819	3,204,653
Tap and meter fees	92,627	97,778
Other income	261,254	265,434
Total operating revenue	<u>6,942,895</u>	<u>6,074,674</u>
<b>Operating Expenses</b>		
Salaries and benefits	2,072,056	1,795,852
Water treatment	985,808	841,855
Sewer treatment	295,093	197,034
Other contractual services	284,322	324,859
Materials and supplies	200,021	305,986
Electricity	117,166	105,101
Other operating expenses	537,350	478,975
Depreciation and amortization	1,356,553	1,334,482
Total operating expenses	<u>5,848,369</u>	<u>5,384,144</u>
Operating income	<u>1,094,526</u>	<u>690,530</u>
<b>Non-Operating Revenue (Expenses)</b>		
Interest income	199,511	165,249
Interest expense	(1,724,153)	(1,599,820)
Amortization of bond issuance costs	(44,159)	(44,159)
Total non-operating revenue (expenses)	<u>(1,568,801)</u>	<u>(1,478,730)</u>
Net income before contributions and transfers	<u>(474,275)</u>	<u>(788,200)</u>
<b>Capital Contributions:</b>		
Capital contribution fees	2,669,455	1,941,348
Developer Capital Asset Contributions	578,590	1,027,343
Total capital contributions	<u>3,248,045</u>	<u>2,968,691</u>
<b>Operating Transfer In</b>	106,128	-
<b>Operating Transfer Out</b>	<u>(715,514)</u>	<u>(2,859,167)</u>
Change in net assets	2,164,384	(678,676)
Net assets, beginning of year	26,641,021	27,319,697
Net assets, end of year	<u>\$ 28,805,405</u>	<u>\$ 26,641,021</u>

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

YEAR ENDED JUNE 30, 2004  
(With comparative amounts for the year ended June 30, 2003)

	2004	2003
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 6,536,892	\$ 6,207,269
Cash paid to suppliers for goods or services	(2,328,024)	(2,228,837)
Cash paid to employees for services	(2,051,138)	(1,783,100)
Net cash provided by operating activities	2,157,730	2,195,332
<b>Cash Flows from Non-Capital Financing Activities</b>		
Advances to other fund	(1,159,400)	-
Transfer from other fund	106,128	-
Transfer to other fund	(715,514)	(2,859,167)
Net Cash used in non-capital financing activities	(1,768,786)	(2,859,167)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases and construction of capital assets	(1,834,930)	(155,664)
Proceeds from the sale of land	-	80,000
Purchase of capacity reserve	(8,767)	-
Proceeds from capital debt	8,000,000	7,500,000
Bond issuance costs paid	(65,716)	(61,253)
Principal paid on capital debt	(8,355,000)	(855,000)
Interest and fees paid	(1,339,218)	(1,180,855)
Proceeds from capital contribution fees	2,669,455	1,941,348
Net cash provided by (used in) capital and related financing activities	(934,176)	7,268,576
<b>Cash Flows from Investing Activities</b>		
Interest received	199,511	165,249
Net cash provided by investing activities	199,511	165,249
Net increase (decreases) in cash and cash equivalents	(345,721)	6,769,990
Cash and cash equivalents, beginning of year	15,854,724	9,084,734
Cash and cash equivalents, end of year	\$ 15,509,003	\$ 15,854,724

- CONTINUED -

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

- CONTINUED -

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating income	\$ 1,094,526	\$ 690,530
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,356,553	1,334,482
Decrease (increase) in accounts receivable	(407,003)	131,595
Decrease in inventory	11,163	108,780
Decrease in prepaid items	19,762	-
Increase (decrease) in accounts payable	60,811	(83,807)
Increase in customer deposits	1,000	1,000
Increase in accrued expenses	20,918	12,752
Net cash provided by operating activities	<u>\$ 2,157,730</u>	<u>\$ 2,195,332</u>
<b>Non-cash Capital Supplementary Information:</b>		
Revenue bond principal accretion and discount amortization	\$ 131,254	\$ 124,402
Revenue bond premium and deferred amount on refunding amortization	238,659	240,464
Contributed capital assets from developers	578,590	1,027,343

TOWN OF LEXINGTON, SOUTH CAROLINA

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

This schedule presents only the capital asset balances related to Governmental-type funds. Accordingly, the capital assets reported in Proprietary-type funds are excluded from these amounts.

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE

JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>Governmental Funds Capital Assets:</b>		
Land	\$ 3,300,184	\$ 3,247,947
Buildings	5,065,974	5,065,974
Vehicles and equipment	1,337,538	1,160,417
Streets and roadways	6,151,428	4,253,827
Sidewalks	689,329	685,633
Storm drainage	1,105,614	1,074,256
Construction in progress	2,894,322	1,964,125
Total governmental funds capital assets	<u>\$ 20,544,389</u>	<u>\$ 17,452,179</u>
<b>Investments in Governmental Funds Capital Assets by Source:</b>		
General fund	\$ 9,670,740	\$ 7,377,895
Special revenue funds	104,031	25,792
Capital projects funds	2,936,911	2,308,419
Donations	7,832,707	7,740,073
Total governmental funds capital assets	<u>\$ 20,544,389</u>	<u>\$ 17,452,179</u>

## TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2004

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Vehicles and Equipment</b>	<b>Streets and Roadways</b>	<b>Sidewalks</b>	<b>Storm Drainage</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>General government:</b>								
Council	\$ -	\$ -	\$ 31,413	\$ -	\$ -	\$ -	\$ -	\$ 31,413
Administration	-	-	50,248	-	-	-	-	50,248
Finance	-	-	13,203	-	-	-	-	13,203
Information technology	-	-	5,692	-	-	-	-	5,692
Building department	-	-	78,823	-	-	-	-	78,823
Other-unclassified	1,715,661	2,403,968	56,252	-	-	-	2,844,765	7,020,646
<b>Total general government</b>	<b>1,715,661</b>	<b>2,403,968</b>	<b>235,631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,844,765</b>	<b>7,200,025</b>
<b>Public Safety:</b>								
Police	-	2,662,006	601,322	-	-	-	-	3,263,328
Victim's assistance	-	-	-	-	-	-	-	-
Police grants and programs	-	-	65,783	-	-	-	-	65,783
<b>Total public safety</b>	<b>-</b>	<b>2,662,006</b>	<b>667,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,329,111</b>
<b>Parks, streets, and sanitation</b>	<b>1,584,523</b>	<b>-</b>	<b>434,802</b>	<b>6,151,428</b>	<b>689,329</b>	<b>1,105,614</b>	<b>-</b>	<b>9,965,696</b>
<b>Tourism related</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,557</b>	<b>49,557</b>
<b>Total governmental funds capital assets</b>	<b>\$ 3,300,184</b>	<b>\$ 5,065,974</b>	<b>\$ 1,337,538</b>	<b>\$ 6,151,428</b>	<b>\$ 689,329</b>	<b>\$ 1,105,614</b>	<b>\$ 2,894,322</b>	<b>\$ 20,544,389</b>

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

YEAR ENDED JUNE 30, 2004

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets June 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2004</b>
<b>General government:</b>				
Council	\$ 10,777	\$ 20,636	\$ -	\$ 31,413
Administration	47,763	17,485	15,000	50,248
Finance	13,203	-	-	13,203
Information technology	5,692	-	-	5,692
Building department	78,823	-	-	78,823
Other-unclassified	4,895,141	2,125,505	-	7,020,646
<b>Total general government</b>	<b>5,051,399</b>	<b>2,163,626</b>	<b>15,000</b>	<b>7,200,025</b>
<b>Public Safety:</b>				
Police	3,195,269	68,059	-	3,263,328
Victim's assistance	-	-	-	-
Police grants and programs	31,464	34,319	-	65,783
<b>Total public safety</b>	<b>3,226,733</b>	<b>102,378</b>	<b>-</b>	<b>3,329,111</b>
<b>Parks, streets, and sanitation</b>	<b>9,174,047</b>	<b>2,631,670</b>	<b>1,840,021</b>	<b>9,965,696</b>
<b>Tourism related</b>	<b>-</b>	<b>49,557</b>	<b>-</b>	<b>49,557</b>
<b>Total governmental funds capital assets</b>	<b>\$ 17,452,179</b>	<b>\$ 4,947,231</b>	<b>\$ 1,855,021</b>	<b>\$ 20,544,389</b>

TOWN OF LEXINGTON, SOUTH CAROLINA

VICTIMS' ASSISTANCE

TOWN OF LEXINGTON, SOUTH CAROLINA

TOWN OF LEXINGTON, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES  
YEAR ENDED JUNE 30, 2004

**Court Fines and Assessments:**

Total Court fines and assessments collected	<u>\$ 614,220</u>
Total Court fines and assessments retained by Municipal Treasurer	<u>\$ 251,414</u>
Total Court fines and assessments remitted to State Treasurer	<u>\$ 316,149</u>

**Surcharges:**

Total surcharges collected	<u>\$ 17,749</u>
Total surcharges retained by Municipal Treasurer	<u>\$ 17,749</u>

**Victim's Services:**

Total Court fines and assessments allocated	<u>\$ 46,657</u>
Total surcharges allocated	<u>\$ 17,749</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

**REPORT ON COMPLIANCE AND INTERNAL CONTROL**

TOWN OF LEXINGTON, SOUTH CAROLINA

James T. Brittingham, CPA (1924-1995)  
Kerry R. Brown, CPA  
Kenneth E. Prince, CPA  
James T. Brittingham, Jr., CPA  
William H. Hancock, CPA/PFS

Members:  
American Institute of  
Certified Public Accountants  
South Carolina Association of  
Certified Public Accountants

Matthew A. Brandon, CPA  
A. Scott Hendrix, CPA, MBA

IN ASSOCIATION WITH  
Kenneth S. Sexton, CPA

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

To the Honorable Mayor and  
Members of Town Council  
Lexington, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Lexington South Carolina (hereafter referred to as the Town), as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town's 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Brittingham, Brown, Prince & Hancock*

January 25, 2005

TOWN OF LEXINGTON, SOUTH CAROLINA

Town of Lexington, South Carolina

Government-wide Expenses by Function  
(Unaudited)

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Parks Streets &amp; Sanitation</b>	<b>Victim's Assistance</b>	<b>Tourism Related</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 1,231,253	\$ 2,351,798	\$ 1,706,399	\$ 48,897	\$ 184,862	\$ 250,309	\$ 5,773,518

## Town of Lexington, South Carolina

Government-wide Revenues  
(Unaudited)

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous		
2004	\$ 1,200,590	\$ 209,753	\$ 176,096	\$ 4,827,039	\$ 341,246	\$ 252,892	\$ 3,922	\$ 7,011,538	

## 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	Tourism Related	Capital Outlay	Debt Service	Total (1)
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	425,253	375,959	3,937,027
2000	1,253,790	1,193,358	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
2003	1,005,750	1,850,757	1,170,206	82,450	816	52,207	5,112,166	465,061	9,739,413
2004	1,105,468	2,133,078	1,313,460	48,864	662	181,300	3,175,050	452,928	8,410,810

(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	Hospitality Tax	Other Governments	Fines and Forfeitures	Grants and Other Revenues	Total
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
2003	1,840,776	2,636,418	-	969,807	286,383	168,968	5,902,352
2004	1,942,182	2,866,907	771,779	564,517	299,319	260,140	6,704,844

# Town of Lexington, South Carolina

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

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Total Tax Collections</b>	<b>Percentage of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percentage Delinquent Taxes to Total Tax Levy</b>
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%
2003	1,805,421	1,801,584	99.79%	3,837	0.21%
2004	1,952,443	1,867,298	95.64%	75,966	3.89%

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 to Estimated Actual Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
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%
2003	2002	30,025,460	613,465,420	10,998,510	109,019,170	41,023,970	722,484,590	5.68%
2004	2003	32,437,320	668,795,610	11,874,310	113,088,666	44,311,630	781,884,276	5.67%

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)

Lexington Midlands									
Fiscal Year	Tax Year	Town of Lexington	Lexington County	School District 1	Technical College	Recreation Commission	Riverbanks Zoo	Mental Health	Total
1995	1994	53.60	67.30	184.90	3.50	13.60	2.20	0.90	326.00
1996	1995	53.60	67.30	184.90	3.40	13.10	2.30	0.90	325.50
1997	1996	53.60	68.80	194.90	3.40	13.20	2.10	0.90	336.90
1998	1997	53.60	68.00	194.90	3.30	12.80	2.10	0.90	335.60
1999	1998	53.60	67.90	214.60	3.30	12.80	2.60	0.90	355.70
2000	1999	51.00	76.20	224.40	4.20	12.80	2.60	0.90	372.10
2001	2000	51.00	80.20	239.40	4.20	13.20	2.50	0.90	391.40
2002	2001 (1)	43.70	74.47	250.30	3.72	12.78	2.01	0.84	387.82
2003	2002	43.70	81.75	262.30	4.08	13.04	1.73	0.84	407.44
2004	2003	43.70	83.54	277.10	4.18	13.29	1.86	0.87	424.54

(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, 2004  
(Unaudited)

Taxpayer	Type of Business	Assessed Value as of 12/31/03	Percentage of Total Assessed Valuation	Taxes Paid
South Carolina Electric & Gas	Manufacturing-Utility	\$ 1,187,440	2.68%	\$ 51,891
Lowes Home Centers	Retail	655,030	1.48%	28,625
Old Mill Apartments/Lexington (1)	Apartment Complex	592,800	1.34%	25,905
W M Lexington Trust	Real Estate	509,470	1.15%	22,264
Edens & Avant Financing (1)	Real Estate	431,590	0.97%	18,860
Shenandoah Apartments (1)	Apartment Complex	404,250	0.91%	17,666
Thornhill LP	Apartment Complex	378,000	0.85%	16,519
Inland Southeast Lexington LLC	Real Estate	360,970	0.81%	15,774
Baker & Baker Etal	Real Estate	279,740	0.63%	12,225
Lexington Senior Care Development	Real Estate	271,280	0.61%	11,855
Alltel South Carolina Inc	Manufacturing-Utility	262,240	0.59%	11,460
Chimney Ridge Apartments	Apartment Complex	233,260	0.53%	10,193
Emmco LLC	Real Estate	232,110	0.52%	10,143
Lexington Place LLC	Real Estate	207,520	0.47%	9,069
Village Square Partners (1)	Real Estate	196,590	0.44%	8,591
East Towne Lexington (E&A) (1)	Real Estate	193,460	0.44%	8,454
Triton PCS Holding Co LLC	Manufacturing-Utility	191,530	0.43%	8,370
Herndon Chevrolet	Retail	180,140	0.41%	7,872
HK New Plan Lexington Town Square	Real Estate	159,000	0.36%	6,948
Lexington Storage Associates	Real Estate	152,100	0.34%	6,647
<b>Total Principal Taxpayers</b>		<b>\$ 7,078,520</b>	<b>15.97%</b>	<b>\$ 309,331</b>
<b>Town 2003 Assessed Valuation</b>		<b>\$ 44,311,630</b>	<b>100.00%</b>	

Source: Lexington County Property Appraiser's Office

(1) = Reflects 2002 assessed value and payment information.

Town of Lexington, South Carolina

Computation of Legal Debt Margin  
Year Ended June 30, 2004  
(Unaudited)

Total Assessed Value	<u>\$ 44,311,630</u>
Debt Limit-Eight (8%) percent of assessed value, without voter's approval	\$ 3,544,930
Amount of Debt Applicable to debt limit	<u>2,396,578</u>
<b>Legal debt margin without a referendum</b>	<u><b>\$ 1,148,352</b></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 \$2,020,230 as of June 30, 2004 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, 2004  
 (Unaudited)

Political Subdivision	Assessed		Gross General Obligation Bonded Debt Outstanding		
	Total	Assessed Value Within the Town	General Gross Debt (1)	Percentage Applicable to the Town	Town's Share of Debt
Direct:					
Town of Lexington	\$ 44,311,630	\$ 44,311,630	\$ 4,416,808	100.00%	\$ 4,416,808
Overlapping:					
Lexington County	709,652,900	44,311,630	45,435,316	6.24%	2,837,039
Lexington County School District One	274,578,470	44,311,630	74,285,000	16.14%	11,988,156
Lexington County Recreation Commission	515,574,570	44,311,630	14,565,000	8.59%	1,251,805
Riverbanks Zoo	1,744,148,868	44,311,630	16,895,000	2.54%	429,232
Total Overlapping			<u>151,180,316</u>		<u>16,506,232</u>
Total			<u>\$ 155,597,124</u>		<u>\$ 20,923,040</u>

(1) = General gross debt for the Town of Lexington includes \$2,020,230 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
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
2003	14,500	41,023,970	4,476,010	10.91%	309
2004	16,300	44,311,630	4,416,808	9.97%	271

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

(2) From Assessed value of 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 Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
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%
2003	250,000	170,073	420,073	9,739,413	4.31%
2004	298,003	158,209	456,212	8,410,810	5.42%

(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 Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	2,478,107	2,630,425	420,000	1,268,962	1,688,962	1.56
2000	7,502,725	2,902,209	4,600,516	819,390	1,428,701	2,248,091	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
2003	8,181,271	4,049,662	4,131,609	855,000	1,360,808	2,215,808	1.86
2004	9,811,861	4,491,816	5,320,045	855,000	1,322,358	2,177,358	2.44

(1) Includes capital contribution fees (CCFs) but excludes non-cash capital contributions

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

CCFs	Revenue	% Increase (Decrease)	CCFs	Revenue	% Increase (Decrease)
1995	\$ 471,639	0%	2000	\$ 2,830,716	177.14
1996	755,677	60.22	2001	1,251,965	-55.77
1997	1,141,028	50.99	2002	1,528,075	22.05
1998	1,644,136	44.09	2003	1,941,348	27.05
1999	1,021,407	-37.88	2004	2,669,455	37.51

## Town of Lexington, South Carolina

## Demographic Statistics

June 30, 2004

Fiscal Year	Estimated Population (1)	Per Capita		
		Personal Income (1)	School Enrollment (2)	Unemployment Rate (3)
1995	5,250	\$ 18,900	13,222	3.20%
1996	6,180	19,480	13,675	3.20%
1997	6,500	19,870	14,416	2.90%
1998	7,300	20,267	15,234	1.86%
1999	7,800	22,771	15,822	1.70%
2000	9,800	21,145	16,314	2.20%
2001	10,500	23,416	16,831	2.30%
2002	13,000	N/A	17,268	3.20%
2003	14,500	N/A	17,829	3.30%
2004	16,300	N/A	18,229	3.50%

(1) Information provided by Economic Development, Central Midlands and Bureau of the Census.

(2) Data includes information for all of Lexington School District 1

(3) Lexington unemployment figures provided by S.C. Labor & Marketing

## Town of Lexington, South Carolina

### Property Value, Construction, and Bank Deposits Last Ten Fiscal Years (Unaudited)

Year	Estimated	Residential Construction		Commercial Construction		Bank Deposits (x 1,000)
	Actual Real Property Value	# of Units	Value	# of Units	Value	
1995	\$ 310,244,286	132	\$ 11,888,981	14	\$ 3,388,105	\$ 293,583
1996	395,295,266	145	12,530,889	17	7,190,640	296,472
1997	399,696,240	184	16,953,628	24	11,616,642	328,874
1998	437,384,871	255	23,767,534	25	19,992,349	359,130
1999	369,030,610	434	29,214,128	18	8,755,848	388,135
2000	369,016,350	459	29,145,971	20	38,489,121	418,789
2001	407,635,800	255	23,037,796	10	3,680,720	460,432
2002	557,161,700	348	24,749,534	18	31,852,541	523,898
2003	613,465,420	313	27,591,523	11	12,417,501	581,493
2004	668,795,610	270	19,336,607	6	5,340,122	673,226

Source: Town of Lexington Building & Zoning Department, Lexington  
County Assessor's Office, F.D.I.C.

# Town of Lexington, South Carolina

## Miscellaneous Statistics Year Ended June 30, 2004

(Unaudited)

Date of Incorporation	January 28, 1861		
Form of Government	Council		
Area-Square Miles	10		
Building Permits:			
Permits Issued	492		
Zoning Permits	299		
Police Protection:			
Full-time sworn	29		
Civilian Staff	5		
Recreation:			
Parks and Playgrounds	2		
Number of meters billed:	Inside	Outside	Total
Water	4684	699	5383
Sewer	4579	2641	7220
Municipal Water Plants (decommissioned)	1		
Municipal Sewer Plants	1		
Election Data:			
Registered Voters	7,079		
Number of precincts	6		
Town of Lexington employees:			
Full Time	103		
Part Time	8		
Median age	33.3		
Male	49%		
Female	51%		
Median Family Income	\$65,694		

Source: Town of Lexington Departments and Census