



Fourteen Mile Creek Trail

Comprehensive Annual Financial Report
Year Ended June 30, 2014

111 Maiden Lane, Lexington, SC 29072



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2014

Prepared by: Finance Department

D. Britt Poole, Town Administrator
Kathy S. Roberts, CPA, Finance Director

TOWN OF LEXINGTON, SOUTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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Mayor
Steve MacDougall

Mayor Pro-Tem
Hazel Livingston



Council
Kathy Maness
Ted Stambolitis
Todd Shevchik
Todd Carnes
Ron Williams

Letter of Transmittal

December 15, 2014

To the Honorable Steve MacDougall, Mayor, Members of Town Council, and the Citizens of the Town of Lexington, South Carolina:

Both local ordinances and policies 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, 2014, is hereby submitted.

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. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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 The Brittingham, Group LLP, 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, 2014, 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 MD&A can be found immediately following the report of independent auditors.

PROFILE OF THE GOVERNMENT

The 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 is now estimated to be greater than 20,000. 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 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

According to the 2010 census, Lexington County is the 6th largest county (by population) in the State with a population of 262,391. This is a 21.5% increase from 2000. For the Town of Lexington, the 2010 Census indicated a population of 17,870, an increase of 83% over the 2000 count. The Town is the 23rd largest municipality in South Carolina and ranks as the second largest municipality in the Midlands. The Census figures show that the Town had the highest growth rate among the top 25 municipalities in South Carolina. Since 1990, the Town has grown 443%, making it the 4th fastest growing municipality in the State over the past two decades. This growth and development continues in and around the Town though at a slower pace the last few years.

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 school districts in the state and has been one of the fastest growing school districts over the past 10 years adding an average of over 500 students annually. Since 2003, the School District has built twelve new schools. Additionally, numerous additions and renovations have been completed. 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 over 284 miles of sewer lines and 215 miles of water lines and serves approximately 8,800 water accounts and 13,900 sewer accounts (over 13,000 individual residential and commercial customers).

During the year, approximately 191 net new businesses opened in the Town of Lexington, including apartments, restaurants, drug stores, retail, service, medical, and amusement/recreation services. 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-town development included 108 residential units which began construction during the year.

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.

FINANCIAL POLICIES

The Town has specific policies related to contingency reserves and minimum fund balances. In developing its budget the Town requires that a minimum operating contingency be funded at 1.5 percent of estimated revenues for the General Fund and the Water and Sewer Enterprise Fund. Budgeted fund balance (gross or net of effect of inter-fund advances) for the General Fund must be a minimum of 25 percent of budgeted expenditures excluding capital expenditures.

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, 2013. This was the sixteenth-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.

Finally, special thanks to Ken Prince, CPA, for assistance in helping to complete this – the Town's seventeenth-year Comprehensive Annual Financial Report.

Respectfully submitted,

A handwritten signature in black ink that reads "Kathy S. Roberts, CPA". The signature is written in a cursive style with a large initial "K".

Kathy S. Roberts, CPA
Finance Director



Government Finance Officers Association

**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, 2013

Executive Director/CEO

TOWN OF LEXINGTON

SOUTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

MAYOR

Steve MacDougall

MAYOR PRO-TEM

Hazel Livingston

COUNCIL MEMBERS

Todd Carnes

Kathy Maness

Todd Shevchik

Ted Stambolitis

Ron Williams

TOWN ADMINISTRATOR

D. Britt Poole

MUNICIPAL CLERK

Becky P. Hildebrand

TOWN ATTORNEY

Brad T. Cunningham

MANAGEMENT TEAM

Stuart W. Ford, Assistant Town Administrator

Kathy S. Roberts, Finance

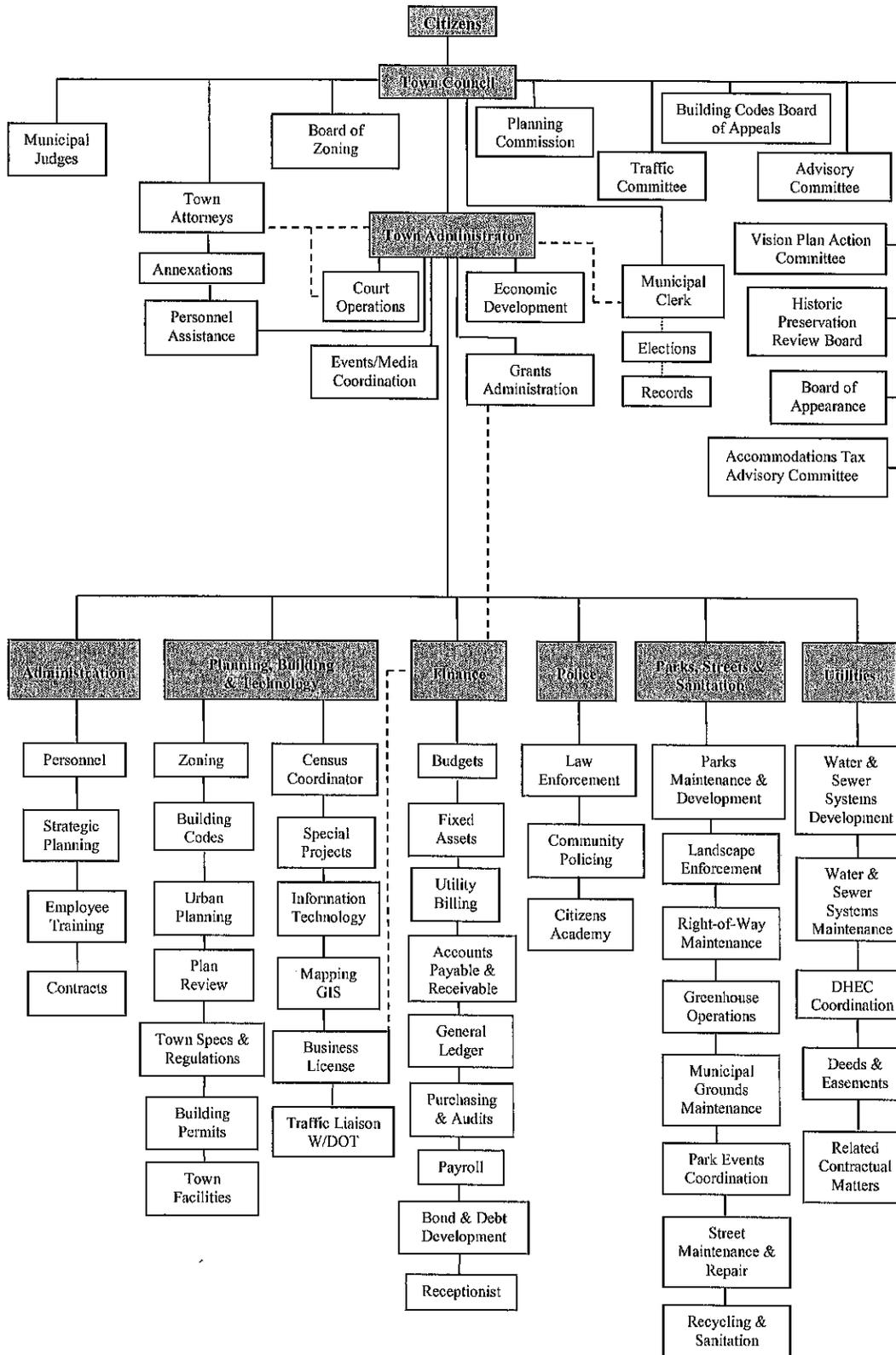
Dan H. Walker, Parks, Streets, and Sanitation

John D. Hanson, Planning, Building and Technology

Chief Terrence Green, Police

J. Allen Lutz, Utilities

Town of Lexington Organization Chart



Revised June 30, 2014

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
Town of Lexington, South Carolina

Report on the Financial Statements

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, South Carolina (hereafter referred to as the "Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, 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, and the aggregate remaining fund information, of the Town as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules (pages 75-93) and schedule of expenditures of federal awards (page 129) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements (pages 75-93) and the schedules of federal awards (page 129) are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date December 15, 2014 on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

The Brittingham Group LLP

December 15, 2014

Town of Lexington, South Carolina
Management's Discussion and Analysis
Year Ended June 30, 2014

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, 2014. 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, 2014 by \$101,015,130 (*net position*). Of the total net position at June 30, 2014, \$13,930,468 was unrestricted and available to meet the ongoing obligations and operations of the Town.
- The Town's total net position increased by \$2,595,435, as revenues of \$27,849,362 exceeded expenses of \$25,253,927. Governmental Activities contributed \$898,663 and Business-type activities contributed \$1,696,772 of the overall increase in net position.
- Governmental funds reported combined ending fund balances at June 30, 2014, of \$4,897,440, a decrease of \$1,755,340, compared to the prior year. Approximately \$2,652,966, or approximately 54 percent of the ending fund balance, is available for spending at the government's discretion (*unassigned fund balance*). This reduction was largely due to the spend down of BAN proceeds for the road project in the Capital Projects Funds with additional road spending in the Golden Hills Special Revenue Fund.
- General Fund unassigned fund balance at June 30, 2014, was \$3,575,917 or approximately 38 percent of total fund expenditures.
- The Town had \$71,427,190 in bonds, notes, contracts and capital leases payable at year end, an decrease of \$1,734,427 from the prior year. The decrease occurred due to principal repayments.
- Capital and intangible assets totaled \$148,576,922 at June 30, 2014, an increase of \$4,806,522 from the prior year. The increase was due primarily to improvements to the Town's combined waterworks and sewer system, the donation of infrastructure assets from developers, and general asset replacement; offset by depreciation expense.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to 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 Position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 System 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, governmental fund 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.

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.

Budgetary comparison schedules have been provided to demonstrate compliance with the adopted annually appropriated budget for the Town’s major governmental fund, the General Fund, as well as for the Victims Assistance Special Revenue Fund.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, total assets exceeded total liabilities by \$101,015,130 at year end June 30, 2014.

Below is a ‘condensed’ Statement of Net Position, which depicts the major components of the Town’s assets, liabilities, and net position at June 30, 2014 and 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Cash and cash equivalents:						
Unrestricted	\$ 3,849,960	\$ 1,354,268	\$ 7,544,091	\$ 2,516,011	\$ 11,034,051	\$ 3,870,279
Restricted	1,382,443	4,247,267	11,092,882	16,649,789	12,475,325	20,897,056
Investments	-	-	-	560,146	-	560,146
Other current assets	877,683	1,610,859	4,357,118	4,372,395	5,234,801	5,983,254
Capital assets, net	26,892,219	24,544,986	121,684,703	119,225,414	148,576,922	143,770,400
Deferred outflows of resources	-	-	1,435,794	-	1,435,794	-
Total assets	\$ 32,642,305	\$ 31,757,380	\$ 146,114,588	\$ 143,323,755	\$ 178,756,893	\$ 175,081,135
Liabilities and Net Position:						
Current liabilities	\$ 4,946,753	\$ 4,565,430	\$ 1,142,707	\$ 2,482,103	\$ 17,560,029	\$ 7,047,533
Current liabilities payable	-	-	-	-	-	-
From restricted assets	-	42,132	1,847,824	1,364,101	1,847,824	1,406,233
Non-current liabilities	2,109,339	2,462,268	56,224,571	65,745,406	58,333,910	68,207,674
Total liabilities	7,056,092	7,069,830	70,685,671	69,591,610	77,741,763	76,661,440
Net invested in capital assets	22,280,682	15,512,819	60,161,057	62,655,081	82,441,739	78,167,900
Restricted	1,872,027	4,369,475	2,770,896	2,828,869	4,642,923	7,198,344
Unrestricted	1,433,504	4,805,256	12,496,964	8,248,195	13,930,468	13,053,451
Total net position	25,586,213	24,687,550	75,428,917	73,732,145	101,015,130	98,419,695
Total liabilities and net Position	\$ 32,642,305	\$ 31,757,380	\$ 146,114,588	\$ 143,323,755	\$ 178,756,893	\$ 175,081,135

By far the largest portion of the Town’s net position (\$82,441,739, or 82 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 position (\$4,642,923, or 4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of

unrestricted net position (\$13,930,468, or 14 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 position, 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 position for Fiscal Years 2014 and 2013 are illustrated in the following table:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 2,142,466	\$ 2,120,546	\$ 13,055,451	\$ 12,761,048	\$ 15,197,917	\$ 14,881,594
Operating grants and contributions	279,646	302,618	-	-	279,646	302,618
Capital grants and contributions	1,739,145	539,066	2,925,129	3,350,276	4,664,274	3,889,342
General Revenue:						
Property taxes	3,290,669	3,215,838	-	-	3,290,669	3,215,838
Business license taxes	4,002,197	3,984,362	-	-	4,002,197	3,984,362
State aid not restricted	418,627	416,313	-	-	418,627	416,313
Unrestricted						
Investment earnings	1,868	1,873	42,670	33,104	44,538	34,977
Miscellaneous	(48,506)	(97,528)	-	-	(48,506)	(97,528)
Total revenue	<u>11,826,112</u>	<u>10,483,088</u>	<u>16,023,250</u>	<u>16,144,428</u>	<u>27,849,362</u>	<u>26,627,516</u>
Expenses:						
General government	2,452,235	2,219,010	-	-	2,452,235	2,219,010
Public safety	5,067,670	4,885,709	-	-	5,067,670	4,885,709
Parks, streets, and sanitation	3,148,892	2,965,844	-	-	3,148,892	2,965,844
Victim's assistance	60,586	64,050	-	-	60,586	64,050
Tourism related	117,156	65,266	-	-	117,156	65,266
Interest on long-term debt	80,910	205,715	-	-	80,910	205,715
Water and sewer	-	-	14,326,478	12,006,205	14,326,478	12,006,205
Total expenses	<u>10,927,449</u>	<u>10,405,554</u>	<u>14,326,478</u>	<u>12,006,205</u>	<u>25,253,927</u>	<u>22,411,759</u>
Change in net position	898,663	77,534	1,696,772	4,138,223	2,595,435	4,215,757
Beginning net position	24,687,550	24,610,016	73,732,145	69,593,922	98,419,695	94,203,938
Ending net position	<u>\$ 25,586,213</u>	<u>\$ 24,687,550</u>	<u>\$ 75,428,917</u>	<u>\$ 73,732,145</u>	<u>\$ 101,015,130</u>	<u>\$ 98,419,695</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 for the year ended June 30, 2014. 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 taxpayers of the Town through general revenues.

	<u>(Expenses)</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue</u>	<u>% Funded by Program Revenues</u>	<u>% Required to be Funded by General Revenues</u>
General government	\$ (2,452,235)	\$ 308,405	\$ (2,143,830)	13%	87%
Public safety	(5,067,670)	1,298,932	(3,768,738)	26%	74%
Parks, streets, and sanitation	(3,148,892)	2,310,692	(838,200)	73%	27%
Victim's assistance	(60,586)	38,361	(22,225)	63%	37%
Tourism related	(117,156)	204,867	87,711	100	-
Interest on long-term debt	(80,910)	-	(80,910)	-	100%
Totals	<u>\$ (10,927,449)</u>	<u>\$ 4,161,257</u>	<u>\$ (6,766,192)</u>	38%	62%

General Revenues by Source – Governmental Activities

	<u>2014</u>	<u>2013</u>
Property taxes	\$ 3,290,669	\$ 3,215,838
Business license taxes	4,002,197	3,984,362
Unrestricted state aid	418,627	416,313
Unrestricted investment earnings	1,868	1,873
Miscellaneous	(48,506)	(97,528)
Total	<u>\$ 7,664,855</u>	<u>\$ 7,520,858</u>

Revenue and Expenses – Governmental Activities – Significant factors effecting governmental activities revenue and expenses during the year ended June 30, 2014, included the following:

- Charges for services increased 1% due primarily to increased grants received as well as increase in accommodations tax collections.
- Grants and contributions increased \$751,960 this year due to three large grants received. The Town received \$495,936 for Gateway Beautification, an MRAP armored vehicle from the federal government valued at \$733,000, as well as \$100,000 for the 14 Mile Creek Trail. These were partially offset by a decrease in developer contributions.
- Property tax revenue and business license revenue were both relatively stable (up 1% each) in 2014. While Franchise Fees were up 5% due to provider rate increases as well as annexations of properties into the Town limits.
- Unrestricted state revenue increased a slight 0.5%.
- General government; Public safety; and Parks, streets and sanitation expenses increased 6% due primarily to the addition of two new positions as well as budgeted salary increases along with general inflation.
- Debt Service Costs decreased due to less issuance costs in FY14 as well as lower interest rates on the BAN that was rolled and the Series 2012 refunding bond compared with the Series 2002 bond that was refunded.

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 position by \$1,696,772, accounting for 65% of the total gain in net position. Operating revenues increased 2% in 2014 while expenses increased 19% and capital contributions decreased 12%. The significant factors related to the changes are as follows:

- Charges for services increased \$294,403, or 2%. The Town’s customer base has increased approximately 4% in 2014. Also Town Council approved a rate increase of 3% effective July 1, 2013. These gains were offset by reduced usage as a result of substantially more rainfall during the year.
- Operating expenses increased \$1,985,887, or 19%. The greatest share of this increase was in depreciation and amortization expense. The Cayce Wastewater Treatment

Facility began operations in FY13. The town capitalized its rights to treatment capacity at \$34 million for which amortization expense was \$1.1 million for the year. Total depreciation and amortization expense increased 1.2 million or 62%. Salaries and benefits increased 1.37% due to budgeted raises. Another effect of beginning operations of the new sewer treatment plant at the City of Cayce was to cause the treatment rates to increase. A full year of these increases in FY14 resulted in our sewer treatment expense going up \$639,258 or 49%.

- Capital contributions decreased \$218,428. The economy's recovery is slow and new projects are slow to begin.

Financial Analysis of the 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 \$4,897,440, a decrease of \$1,755,340. The General Fund decreased \$378,003 while the Other Governmental Funds decreased \$1,377,335. General Fund revenues were under budget by \$444,883 mostly due to Franchise fees, Permits, and Property taxes coming in lower than expected. Total operating expenditures were less than budget by \$261,870. This savings was due to conservative management.

Of the \$4,897,440 governmental fund balances, approximately \$2,652,966 constitutes *unassigned fund balance*, which is available for spending. A portion of the fund balance has been committed by the Town to electrical utility improvement match (\$330,000) and special projects (\$37). Commitments of fund balance indicate the Town's intended or planned future use of that portion of its fund balance. Nonspendable fund balance of \$9,580 represents prepaid expenditures. The remainder of fund balance is *restricted* to indicate it is subject to externally enforceable legal restrictions and therefore not available for general operations.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance was \$3,575,917 or 38% of total fund expenditures.

The non-major funds report fund balances totaling \$981,943. The majority of this balance, \$330,985, 34% will be used for infrastructure capital projects, including roadways and sidewalks. 22% will be used for debt service and an additional 32% will be used for tourism related projects. The remaining fund balance will be used for public safety, 2%, and parks and public relations projects, 10%.

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 increase in net position was \$1,696,772 resulting in ending net position of \$75,428,917.

General Fund Budgetary Highlights – General Fund revenues were less than budgeted by \$444,883. General Fund total expenditures were less than the final budget by \$261,870. The revenue deficiency was mostly due to lower Franchise fees, Permits, and Property taxes than expected. These items were discussed above. Savings on expenditures were related to overall careful spending by management in recognition of the overestimated revenues.

The Town's original budget shows a net change in fund balances of \$262,908 which equals the amount of budgeted reserve for contingencies less budgeted use of fund balance. The final budget is the same as no budget amendments were made in FY14.

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, 2014, amounts to \$106.7 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:

- Construction in progress in governmental funds totaled \$994,273, related to several sidewalks under construction, as well as a gateway beautification project.
- Completion of Street Improvements of \$1,026,383,
- The federal government donated a 2012 Carmen Armored 6X6 MRAP to the Town valued at \$733,000.
- Acquisition of equipment for governmental operations of \$124,315,
- Acquisition of vehicles totaling \$262,747 for the Police Department and \$106,820 for Utilities.
- Donation of storm drains and streets totaling \$483,884,
- Acquisition of property next to Virginia Hylton Park of \$181,412,
- Completion of 14 Mile Creek Nature Trail totaling \$244,573,
- Park Improvements of \$41,083
- Completion of \$12,490,184 of water and sewer system improvements,
- Acquisition of land for water and sewer system improvements of \$92,533,
- Acquisition of equipment for water and sewer system improvements totaling \$55,385,
- Construction in progress in business-type activities totaled \$5,013,049, related to construction and extension of water and sewer lines as well as demolition of the old waste water treatment plant with the City of Cayce, and
- Developer contributions of water and sewer capital assets of approximately \$1,499,347.

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 year end June 30, 2014, the Town had total indebtedness outstanding of \$58,079,400. Debt secured by the full faith and credit of the Town represented \$2,052,469. The total and bonded debt secured by the pledge of net revenues of the Enterprise Fund totaled \$54,576,512. The Town also recognizes a contract and capital lease payable to the City of West Columbia totaling \$1,347,669 for water treatment capacity reserve, retail distribution rights, and water lines. In addition the Town has a Note Payable of \$102,750 to an individual for property purchased to expand a current park. Additional information on the Town’s long-term debt can be found in *Note 8*.

Short-Term Debt -- During the year ended June 30, 2014, the Town issued Bond Anticipation Notes totaling \$13,300,000. These are considered short-term borrowings but will eventually be replaced with long-term debt. \$3,300,000 is secured by the full faith and credit of the Town and \$10,000,000 is secured by the pledge of net revenues of the Enterprise Fund. Additional information on the Town’s short-term debt can be found in *Note 8*.

Economic Factors and Next Year’s Budgets and Rates – The Town of Lexington continues to experience growth; though it is slower from prior years it has picked up slightly compared to 2013. The general increase in economic activity in the Town’s corporate limits and service area continues to drive revenues for the general government and the 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 2014 did not include any tax or fee increase in the governmental funds but did include a 3% fee increase to support business-type activities.

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 INFORMATION

Town of Lexington, South Carolina

Statement of Net Position

June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and temporary investments	\$ 3,489,960	\$ 7,544,091	\$ 11,034,051
Receivables, net	347,075	4,154,054	4,501,129
Due from other Governments	521,028	-	521,028
Inventories-supplies	-	203,064	203,064
Prepays	9,580	-	9,580
Restricted: Cash and temporary investments	1,382,443	11,092,882	12,475,325
Total current assets	5,750,086	22,994,091	28,744,177
Noncurrent assets:			
Land and construction in progress	7,330,286	5,602,603	12,932,889
Buildings, vehicles, equipment, and infrastructure	19,561,933	74,250,481	93,812,414
Capacity reserve	-	40,434,880	40,434,880
Retail Distribution rights	-	1,396,739	1,396,739
Total noncurrent assets	26,892,219	121,684,703	148,576,922
Total assets	32,642,305	144,678,794	177,321,099
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	1,435,794	1,435,794
Total deferred outflows of resources	-	1,435,794	1,435,794
Total assets and deferred outflows of resources	32,642,305	146,114,588	178,756,893
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	786,567	1,142,707	1,929,274
Unearned revenue	5,936	-	5,936
Liabilities payable from restricted assets	-	1,847,824	1,847,824
Noncurrent: due within one year	4,154,250	11,470,569	15,624,819
Total current liabilities	4,946,753	14,461,100	19,407,853
Noncurrent liabilities:			
Noncurrent: Due in more than one year	2,109,339	56,224,571	58,333,910
Total noncurrent liabilities	2,109,339	56,224,571	58,333,910
Total liabilities	7,056,092	70,685,671	77,741,763
NET POSITION			
Net investment in capital assets	22,280,682	60,161,057	82,441,739
Restricted for:			
Capital Projects	759,046	185,344	944,390
Debt Service	179,882	2,585,552	2,765,434
Other	476,709	-	476,709
Parks and Tourism	355,641	-	355,641
Public Safety	21,634	-	21,634
Streets	79,115	-	79,115
Unrestricted	1,433,504	12,496,964	13,930,468
Total net position	\$ 25,586,213	\$ 75,428,917	\$ 101,015,130

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

Town of Lexington, South Carolina

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,452,235	\$ 280,736	\$ 27,669	\$ -	\$ (2,143,830)	\$ -	\$ (2,143,830)
Public Safety	5,067,670	330,134	235,798	733,000	(3,768,738)	-	(3,768,738)
Parks, streets and sanitation	3,148,892	1,288,568	16,179	1,006,145	(838,200)	-	(838,200)
Victim's assistance	60,586	38,361	-	-	(22,225)	-	(22,225)
Tourism related	117,156	204,867	-	-	87,711	-	87,711
Debt service	80,910	-	-	-	(80,910)	-	(80,910)
Total governmental activities	10,927,449	2,142,466	279,646	1,739,145	(6,766,192)	-	(6,766,192)
Business-type activities:							
Water and sewer system	14,326,478	13,055,451	-	2,925,129	-	1,654,102	1,654,102
Total business-type activities	14,326,478	13,055,451	-	2,925,129	-	1,654,102	1,654,102
Total primary government	\$ 25,253,927	\$ 15,197,917	\$ 279,646	\$ 4,664,274	\$ (6,766,192)	\$ 1,654,102	\$ (5,112,090)
General revenues:							
Property taxes					3,290,669	-	3,290,669
Business License Taxes					4,002,197	-	4,002,197
Unrestricted investment earnings					1,868	42,670	44,538
State aid not restricted for specific purpose					418,627	-	418,627
Gain (loss) on sale of capital assets					(48,506)	-	(48,506)
Total general revenues, special items, and transfers					7,664,855	42,670	7,707,525
Change in net position					898,663	1,696,772	2,595,435
Net position - beginning (See Note 1D)					24,687,550	73,732,145	98,419,695
Net position - ending					\$ 25,586,213	\$ 75,428,917	\$ 101,015,130

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

Town of Lexington, South Carolina

Balance Sheet
Governmental Funds

June 30, 2014

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and temporary investments	\$ 3,005,501	\$ 484,459	\$ 3,489,960
Receivables, net	292,607	-	292,607
Due from other funds	1,163,574	-	1,163,574
Prepaid items	9,580	-	9,580
Due from other governments	140,438	435,058	575,496
Restricted - cash and temporary investments	-	1,382,443	1,382,443
Total assets	<u>4,611,700</u>	<u>2,301,960</u>	<u>6,913,660</u>
LIABILITIES			
Accounts payable	433,258	95,889	529,147
Accrued Liabilities	133,554	-	133,554
Due to other funds	-	1,163,574	1,163,574
Construction payables	-	60,554	60,554
Other liabilities	30,480	-	30,480
Total liabilities	<u>597,292</u>	<u>1,320,017</u>	<u>1,917,309</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue -- Property Taxes	98,911	-	98,911
Total deferred inflow of resources	<u>98,911</u>	<u>-</u>	<u>98,911</u>
Total liabilities and deferred inflows of resources	<u>696,203</u>	<u>1,320,017</u>	<u>2,016,220</u>
FUND BALANCES			
Nonspendable	9,580	-	9,580
Restricted	-	1,904,857	1,904,857
Committed	330,000	37	330,037
Unassigned	3,575,917	(922,951)	2,652,966
Total fund balances	<u>3,915,497</u>	<u>981,943</u>	<u>4,897,440</u>
Total liabilities and fund balances	<u>\$ 4,611,700</u>	<u>\$ 2,301,960</u>	<u>\$ 6,913,660</u>

- CONTINUED -

Town of Lexington, South Carolina

Balance Sheet Governmental Funds

June 30, 2014

-- CONTINUED --

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund balances -- governmental funds \$4,897,440

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of 26,892,219

Property taxes receivable that are not available to pay for expenditures for current period are not recognized in the governmental funds. 92,975

Accrued interest on bonds in governmental funds is not due and payable in (32,830)

Long-term liabilities, including bonds payable and Other Post Employment Long-term liabilities at year-end consist of:

Bonds payable	(1,160,000)	
Certificates of participation	(892,470)	
Bond anticipation note	(3,300,000)	
Compensated absences	(656,577)	
Long term note payable	(102,750)	
Other Post Employment Benefits	(151,794)	(6,263,591)

Net position of governmental activities \$ 25,586,213

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

Town of Lexington, South Carolina

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 3,291,130	\$ -	\$ 3,291,130
Franchises, licenses, permits and fees	5,451,208	-	5,451,208
Other governments	418,627	847,498	1,266,125
Road assessment	-	20,160	20,160
Alcohol permits	-	44,900	44,900
Fines and forfeitures	317,844	48,524	366,368
Interest Income	1,718	1,739	3,457
Accommodations Tax	-	158,912	158,912
Other income	102,590	103,292	205,882
Total revenues	<u>9,583,117</u>	<u>1,225,025</u>	<u>10,808,142</u>
EXPENDITURES			
Current:			
General government	2,230,569	67,838	2,298,407
Public Safety	4,359,242	284,706	4,643,948
Parks, streets and sanitation	2,254,162	19,548	2,273,710
Victim's assistance	-	62,515	62,515
Tourism related	-	117,156	117,156
Debt service:			
Administrative charges	-	1,166	1,166
Interest	-	26,299	26,299
Principal retirement	-	399,250	399,250
Capital outlay:			
General government	281,791	5,284	287,075
Public Safety	314,437	-	314,437
Parks, streets and sanitation	87,158	2,312,310	2,399,468
Total expenditures	<u>9,527,359</u>	<u>3,296,072</u>	<u>12,823,431</u>
Excess (deficiency) of revenues over expenditures	<u>55,758</u>	<u>(2,071,047)</u>	<u>(2,015,289)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	23,337	236,612	259,949
Transfers in	58,911	2,174,349	2,233,260
Transfers out	(516,009)	(1,717,251)	(2,233,260)
Total other financing source (uses)	<u>(433,761)</u>	<u>693,710</u>	<u>259,949</u>
Net change in fund balances	(378,003)	(1,377,337)	(1,755,340)
Fund balances - beginning	4,293,500	2,359,280	6,652,780
Fund balances - ending	<u>\$ 3,915,497</u>	<u>\$ 981,943</u>	<u>\$ 4,897,440</u>

- CONTINUED -

Town of Lexington, South Carolina

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2014

- CONTINUED -

Reconciliation of the Statement of Revenues, Expenditures and changes in
Fund Balances -- Governmental Funds to the Statement of Activities

Total net change in fund balance - governmental funds	(\$1,755,340)
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 not recognized in the governmental funds but are in the statement of activities.	(461)
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 (net of book value of disposed assets of \$310,955) of \$2,453,149 was more than depreciation expense of \$1,180,378.	1,272,771
Donations of capital assets are recorded as program revenues in the statement of activities.	1,074,463
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.	336,504
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 activities regardless of when due.	9,300
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 a net \$3,517 for this fiscal year.	(3,517)
Other Post Employment Benefits 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 a net \$35,057 for this fiscal year.	(35,057)
Change in net position of governmental activities	<u><u>\$898,663</u></u>

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

Town of Lexington, SC

Statement of Net Position
Proprietary Funds

June 30, 2014

	<u>Business-type Activities</u>
	<u>Water/Sewer Fund</u>
ASSETS	
Current assets:	
Cash and temporary investments	\$ 7,544,091
Receivables, net	4,154,054
Inventories - supplies	203,064
Restricted - cash and temporary investments	11,092,882
Total current assets	<u>22,994,091</u>
Noncurrent assets:	
Land and construction in progress	5,602,603
Buildings, vehicles, equipment and infrastructure	74,250,481
Intangible - Capacity reserve	40,434,880
Intangible - retail distribution rights	1,396,739
Total noncurrent assets	<u>121,684,703</u>
Total assets	<u>144,678,794</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,435,794
Total deferred outflows of resources	<u>1,435,794</u>
Total assets and deferred outflows of resources	<u>146,114,588</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,029,533
Accrued PR Liabilities	75,958
Construction payables	936,496
Accrued interest	911,328
Customer deposits	37,216
Accrued compensated absences-current portion	119,175
Current portion contracts payable	261,394
Revenue bonds - current	11,090,000
Total current liabilities	<u>14,461,100</u>
Noncurrent liabilities:	
Revenue bonds payable	54,970,095
Contracts payable	1,086,274
Accrued compensated absences	87,895
OPEB liability	80,307
Total noncurrent liabilities	<u>56,224,571</u>
Total liabilities	<u>70,685,671</u>
NET POSITION	
Net investment in capital assets	60,161,057
Restricted for:	
capital projects	185,344
debt service	2,585,552
Unrestricted	12,496,964
Total net position	<u>\$ 75,428,917</u>

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

Town of Lexington, SC

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund**

For the Year Ended June 30, 2014

	Business-type Activities
	Water/Sewer Fund
OPERATING REVENUES	
Water service	\$ 4,729,861
Sewer service	7,792,979
Tap and meter fees	126,810
Other income	405,801
Total operating revenues	13,055,451
OPERATING EXPENSES	
Salaries and benefits	3,856,877
Water and sewer treatment services	2,778,415
Contractual services	574,798
Depreciation and amortization	3,214,652
Other operating expense	1,835,949
Total operating expenses	12,260,691
Operating income	794,760
NONOPERATING REVENUES (EXPENSES)	
Interest income	42,670
Interest expense	(1,805,668)
Bond issuance costs	(260,119)
Total nonoperating revenues (expenses)	(2,023,117)
Income (loss) before contributions and transfers	(1,228,357)
CAPITAL CONTRIBUTIONS	
Capital contribution fees	1,425,782
Developer capital asset contributions	1,499,347
	2,925,129
Change in net position	1,696,772
Total net position - beginning (See Note 1D)	73,732,145
Total net position - ending	\$ 75,428,917

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

Town of Lexington, South Carolina

**Statement of Cash Flows
Proprietary Fund**

For the Year Ended June 30, 2014

	<u>Business-type Activities - Enterprise</u>
	<u>Water/Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 13,004,532
Payments to employees	(3,802,159)
Payments to suppliers	(4,746,039)
Net cash provided by operating activities	<u>4,456,334</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase and construction of capital assets	(3,633,290)
Purchase of capacity reserve	-
Bond issuance costs paid	(260,119)
Principal paid on capital debt	(1,537,100)
Interest and fees paid	(1,863,250)
Proceeds from bond issuance	280,000
Proceeds from capital contribution fees	1,425,782
Net cash (used) by capital and related financing activities	<u>(5,587,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	560,146
Interest received	42,670
Net cash provided by investing activities	<u>602,816</u>
Net (decrease) in cash and cash equivalents	(528,827)
Balances - beginning of year	19,165,800
Balances - end of the year	<u><u>18,636,973</u></u>
Reconciliation to the Statement of Net Position	
Cash and temporary investments	7,544,091
Restricted - cash and temporary investments	11,092,882
	<u>\$ 18,636,973</u>

- CONTINUED -

Town of Lexington, South Carolina

**Statement of Cash Flows
Proprietary Fund**

For the Year Ended June 30, 2014

- CONTINUED -

Reconciliation of operating income to net cash provided by operating activities:

Operating Income	\$	794,760
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and Amortization		3,214,652
Changes in assets and liabilities:		
Customer Receivables		(49,220)
Inventory		46,168
Prepaid Items		18,328
Accounts Payable - Supplier		396,218
Customer deposits		(1,700)
Salaries and Benefits Payable		37,128
Net cash provided by operating activities	\$	<u>4,456,334</u>

Non-Cash Investing , Capital and Financing Supplementary Information

Revenue bond principal accretion and discount amortization	\$	2,790
Revenue bond premium and deferred amount on refunding amortization		60,675
Contributed capital assets from developers		1,499,347

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

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

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 Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Using the criteria of GASB, 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 presented component units. Its blended component unit has the same fiscal year end as the Town.

Blended Component Unit

The Saxe Gotha Lexington Public Facilities Corporation (the "Corporation") is governed by a board comprised of the Town's elected Council. The Corporation leases the Town's Municipal Complex to the Town ("Town Hall Lease Project") for the identical amount of the Corporation's bond indebtedness (Certificates of Participation "COPS"). The Corporation has assigned all of its interest in the lease payments to a trustee. Due to its relationship and blending in the 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 position.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements consist of a Statement of Net Position 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 Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities as “net position”, 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. No indirect expenses are allocated among the functions of the Governmental Activities. However, the direct costs of administration and finance are split between the General Fund and the Enterprise Fund as these costs apply to both areas. 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 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.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Government-Wide and Fund Financial Statements (Continued)

The Town reports the following major governmental fund:

General Fund-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.

The Town reports the following major proprietary fund:

The Waterworks and Sewer Utility Enterprise Fund-The Waterworks and Sewer Utility Enterprise Fund is used to account for operations of the combined waterworks and sewerage system. The system encompasses sewer transportation and treatment, and water distribution.

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. 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 period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

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

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.

Proprietary fund statements reflect assets and revenues, expenses and changes in net position 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 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.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position 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 are reported at fair value.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. At year end the trade receivable allowance account is adjusted to an amount based on prior years’ experience and an analysis of specific accounts. See also Note 1E regarding property taxes.

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.”

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)

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, 2014, consists of various supplies and other inventoriable items, which are expensed at the time they are consumed.

Deferred Charges

Bond premiums and discounts are deferred and amortized over the life of the related bond issue using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources.

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 nonspendable 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 position 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

All property, plant, equipment, 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), and intangible assets 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 property, plant and equipment are valued at estimated fair value on the date donated.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)

Infrastructure acquired after 1980, whether donated or purchased, has been included in governmental capital assets. 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 \$2,418,634. Of this amount, \$612,966 was included as part of the cost of capital assets under construction during the year.

Depreciation/Amortization 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
Intangible Assets	50 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense/expenditure until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes that were unavailable at year end. These amounts are deferred and will be recognized as a revenue when they become available.

Compensated Absences

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

0-5 years - Ten (10) days per year
6-15 years - Fifteen (15) days per year
16 or more years - Twenty (20) days per year

In addition, once an employee has reached their first anniversary date, if they use less than 40 hours of sick leave in a given calendar year, 40 hours of sick leave is converted to annual leave on January first of the following year. An employee may accrue up to forty-five (45) days of vacation leave. Upon termination of employment, any accrued vacation leave is earned and payable, whereas no compensation is provided for sick leave. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Compensated absences of governmental activities have in prior years typically been funded by the General Fund.

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 position. Bond premiums, discounts, bond insurance 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.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. Specifically in accordance with Governmental Accounting Standards, Bond Issuance Costs are now expensed in the year incurred with the exception of prepaid insurance. Accordingly the prior year information has been restated to remove previously capitalized bond issuance costs.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

E. Revenue

Program Revenue and General Revenue

Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for facility rentals, permits, fines, and any other amounts charged to service recipients. Also, grants and contributions that are restricted for use in a particular program are considered program revenues. Program revenues reduce the net cost of the function to be financed from the government's general revenues. General revenues reported by the Town include property taxes, state shared taxes, accommodations taxes, business licenses and franchise fees (taxes) and other government imposed non-exchange fees. Prepaid tap or other service-related fees are reported as deferred inflows until the exchange has occurred.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

E. Revenue (Continued)

Property Tax Revenue

Real property tax levy is effective January 1, billed in October of each year and due by January 15 of the year following billing. Real property taxes attach as an enforceable lien on property as of March 15 of the year following billing, if unpaid at that time. Vehicle taxes are levied on a monthly basis in accordance with guidelines established by the State of South Carolina. Lexington County bills and collects the Town's taxes and remits collections to the Town on a periodic basis. The Town recognizes property tax revenue when they become available for the fiscal year budget period to which they apply and includes those property tax receivables expected to be collected within sixty days after year-end.

Capital Contributions

Contributions generally include developer contributions of deeded infrastructure assets associated with water and wastewater systems and Capital Contribution Fees (CCF's). Deeded infrastructure assets are recognized as capital assets and contributions at the estimated fair value at the date of transfer. CCF's are charges assessed against new development to recover major capital costs associated with reserving capacity in the Town's utility systems. These fees are deemed to be 'imposed non-exchange transactions' and are recognized in the same period that the assets are received or when the Town has a legally enforceable claim to the assets. There are no time requirements of when such resources can be used, and while it is uncustomary for such resources to be refunded, certain "Sanitary Sewer Service Agreements" do allow the refund of paid CCF's for any unused (or excess) fee certificates after the development project is completed. Amounts received that are subject to refund contingencies are recorded as deposits or deferred inflows in the Statement of Net Position.

At year ended June 30, 2014 there were no paid CCF's for any unused system capacity reserved for future development or discontinuation of projects. Additionally, the Town maintained contractual agreements that allow certain developers to pay CCF's on an installment basis which totals \$3,293,700 at June 30, 2014 of which the Town has fully reserved an allowance for doubtful accounts.

F. Fund Balance

Fund balance reporting for the fund level financial statements of the Town are reported in accordance with Governmental Accounting Standards with the objective of

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The following categories are being used:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It may also include the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted Fund Balance

Restricted fund balance includes amounts that are either restricted externally by creditors, grantors, contributors, laws or regulations of other governments, or restricted by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, Town Council. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Fund Balance is committed by Town Council by ordinance requiring two readings and a public hearing during the budget cycle. A budget amendment would be necessary, again requiring two readings and a public hearing, to change the commitment. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Town recognizes committed fund balances that have been approved for specific purposes by Town Council before the fiscal year end.

Assigned Fund Balance

Assigned fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Town’s highest level of decision-

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Town's highest level of authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the General Fund.

Based on the Town's policies regarding fund balance classifications as noted above, the Town considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by Town Council or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

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, Special Revenue-Victims' Assistance, Debt Service, and Waterworks and Sewer System Funds. When applicable, project-length financial plans are adopted for all capital projects funds. All annual appropriations lapse at fiscal year-end.

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

- 1) The various departments meet with the Finance Director, Town Administrator, and Assistant Town Administrator 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 is then compiled and enacted prior to July 1 in the form of an ordinance with two readings and one public hearing.

**Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014**

— Continued —

2. Stewardship, Compliance and Accountability (Continued)

A. Budgets and Budgetary Accounting (Continued)

- 4) Department budgets may be adjusted to transfer budgeted amounts among line items with the approval of the Department Director and the Town Administrator or the Finance Director. The authority to adjust department budgets does not extend to personnel or capital improvements budgets.
- 5) Formal budgetary integration is employed as a management control device during the year for the General, 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, 2014.

3. Deposits and Investments

The Town had the following investments at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Rating</u>
State Treasurer's Investment Pool	\$ 7,268,807	On-Demand	Unrated
Governmental Mutual Funds	9,577,477	On-Demand	AAA
Total fair value	<u>\$ 16,846,284</u>		

Interest rate risk:

The Town has no specific policy for interest rate risk. In accordance with its investment policy, the Town manages its exposure to declines in fair values by generally limiting direct investment to securities with maturities of less than two (2) years.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

3. Deposits and Investments (Continued)

Credit risk:

State statute and Town policy limit the Town's investments to 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.

Statutes also allow the State Treasurer to assist local governments in investing funds. The State Treasurer also provides oversight for the State Treasurer's Local Government Investment Pool (LGIP), of which, the fair value of the Town's investments are the same as the value of the pooled shares. Permitted investments for the LGIP are (1) obligations of the United States, its agencies and instrumentalities; (2) obligations of corporations, states, and political subdivisions which bear an investment grade rating at a minimum of two rating agencies; (3) certificates of deposit, if the certificates are secured collaterally by securities of the types described in (1) and (2) of this paragraph and held by a third party as escrow agent or custodian and are of a market value not less than the amount of the certificates of deposit so secured, including interest; except that this collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government; (4) obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the African Development Bank, and the Asian Development Bank; (5) repurchase agreements, if collateralized by securities of the types described in items (1) and (2) of this paragraph and held by a third party as escrow agent or custodian and of a market value not less than the amount of the repurchase agreement so collateralized, including interest; and (6) guaranteed investment contracts issued by a domestic or foreign insurance company or other financial institution, whose long-term unsecured debt rating bears the two highest ratings of at least two nationally recognized rating services.

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. The Town is under no contractual agreements which further restrict investment alternatives.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

3. Deposits and Investments (Continued)

Concentration of credit risk:

The Town's investment policy does not allow for an investment of more than 50% of the Town's total investment portfolio in any one issuer or type of security, with the exception of United States Treasuries and authorized pools. At June 30, 2014, the Town had investments in governmental mutual funds representing 57% of the total investment portfolio.

Custodial credit risk – deposits:

In the case of deposits, this is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At June 30, 2014, the reported carrying amount of the Town's cash deposits with financial institutions was \$6,661,392 and the financial institutions' balances totaled \$6,816,793*. The balance was fully insured and collateralized. The Town had \$1,700 on hand at June 30, 2014.

Custodial credit risk – investments:

The Town has no specific policy for investment custodial risk. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's investments, \$560,146 is exposed to custodial credit risk due to a forward delivery agreement (See *Note 8*).

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

Cash on hand	\$ 1,700
Carrying amount of cash deposits	6,661,392
Carrying amount of temporary investments	16,846,284
Total	\$ 23,509,376
Cash and temporary investments	\$ 11,034,051
Cash and temporary investments-restricted	12,475,325
Total	\$ 23,509,376

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

4. Receivables

Receivables at June 30, 2014, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Fees and Services	\$ 166,131	\$ 5,670,996	\$ 5,837,127
Property and other taxes	219,224	-	219,224
Other	-	1,966,758	1,966,758
Less, allowance for doubtful accounts	(38,280)	(3,483,700)	(3,521,980)
	<u>\$ 347,075</u>	<u>\$ 4,154,054</u>	<u>\$ 4,501,129</u>

Fees and services represent outstanding franchise and business license fees in Governmental Activities, and outstanding water and sewer service billings in Business-Type Activities.

5. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2014, were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,163,574	\$ -
Other Governmental Funds:		
<u>Special Revenue Funds:</u>		
Police Grants and Programs	-	97,835
Golden Hills Tax District	-	79,262
Alcohol Permits	-	92,829
14 Mile Creek Trail Grant	-	229,609
Gateway Beautification	-	235,172
<u>Debt Service Fund:</u>		
Debt Service	-	806
<u>Capital Projects Funds:</u>		
Streets and Infrastructure	-	428,061
	<u>\$ 1,163,574</u>	<u>\$ 1,163,574</u>

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

5. Interfund Receivables, Payables and Transfers (Continued)

The balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures (primarily reimbursable grants) occur, transactions are recorded in the accounting system, and payments between funds are made.

Individual fund interfund transfer balances at June 30, 2014, were as follows:

	Interfund	
	Transfers Out	Transfers In
General Fund	\$ 516,009	\$ 58,911
Other Governmental Funds:		
Debt Service Fund	-	426,716
<u>Special Revenue Funds:</u>		
Alcohol Permits	34,250	-
Downtown Restoration	55,961	-
Disaster Fund	14,997	-
Accommodations Tax	58,911	-
Victims' Assistance	-	20,944
KEYS Grant	-	12,599
Gibson Pond Trails Grant	-	15,000
Main Street Façade	-	120,958
Vision Plan	-	25,000
<u>Capital Project Funds:</u>		
Parking	-	1,553,132
Downtown Development	1,553,132	-
	\$ 2,233,260	\$ 2,233,260

The General Fund transfers out include \$392,466 to the Debt Service Fund to fund debt service requirements. In addition the General Fund transferred \$20,944 to the Victims' Assistance Fund, \$12,599 to the KEYS fund, \$15,000 to the 14 Mile Creek Trail Grant, \$50,000 to the Main Street Façade Fund, and \$25,000 to the Vision Plan Fund. These transfers were made to fund the respective programs.

The Alcohol Permits fund transferred \$34,250 to the Debt Service fund to pay the note on property added to Virginia Hylton Park. The Town received permission from the donors of funds in the Downtown Restoration Fund and the Disaster Fund to transfer \$55,961 and

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

5. Interfund Receivables, Payables and Transfers (Continued)

\$14,997, respectively, into the Main Street Façade Fund to fund that program. The Accommodations Tax Fund transferred \$58,911 to the General Fund and the Downtown Development Fund transferred \$1,553,132 of bond proceeds to the Parking Fund to pay for property acquisition from that fund.

6. Components of Restricted Cash and Temporary Investments and Restricted 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 and restricted investments on the statement of net position because their use is limited by applicable bond covenants. The revenue bond current debt service retirement accounts are 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. The construction account is used for resources set aside to fund infrastructure projects.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

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

Carrying balances of restricted cash and temporary investments in the Waterworks and Sewer System Enterprise Fund at June 30, 2014, are as follows:

	Restricted Cash and Temporary Investments
Renewal and Replacement Fund	\$ 100,437
Custody Account	1,021,829
Debt Service Fund 2001A	143,240
Debt Service Fund 2014	9,861
Sewer Plant Escrow Fund	2,089,836
Debt Service Fund 2010	405,037
Debt Service Reserve Fund 2010	3
Debt Service Fund 2011	319,132
Construction Fund 2009	4,383,900
Debt Service Fund 2009	261,148
Debt Service Reserve Fund 2009	3
Debt Service Fund 2012	94,155
Debt Service Reserve Fund 2012	1
Debt Service Reserve Fund -- Combined	2,264,300
	\$ 11,092,882

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 position because their use is limited by the lease agreement (See *Note 8*).

The reserve account is set aside to protect against possible future deficiencies in funds available to pay the lease obligations.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

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

Carrying balance at the year ended June 30, 2014, is as follows:

	Cash and Temporary Investments
Debt Service Account	\$ 212,712
	\$ 212,712

Capital Projects Fund:

Certain funds have been donated by a non-profit organization to be used specifically at the Gibson Pond Park. These funds are classified as restricted cash and temporary investments because their use is limited to specific projects by the donor organization. Additionally proceeds from the 2013 Bond Anticipation Note are classified as restricted cash and temporary investments on the statement of net position because their use is limited by applicable bond covenants.

Carrying balance at the year ended June 30, 2014, is as follows:

	Cash and Temporary Investments
Capital Projects Accounts – Gibson Pond Park	\$ 7,840
2013 Bond Anticipation Note Construction Account	751,206
	\$ 759,046

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.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

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

Carrying balances of restricted cash and temporary investments in the Special Revenue Funds at June 30, 2014 are as follows:

	Cash and Temporary Investments
Police Grants and Programs	\$ 8,453
Downtown Restoration	12
Disaster Fund	3
Vision Plan	1,745
Sidewalk Fund	79,115
Drug Fund	15,273
Victims' Assistance	4,828
Park Improvement	14,354
Hospitality Tax	139,278
Veterans' Monument	17,890
Accommodations Tax	129,734
	<u>\$ 410,685</u>

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

7. Capital Assets

The following is a summary of capital asset activity in governmental activities for the year ended June 30, 2014:

	Balances June 30, 2013	Additions	Retirements	Balances June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,376,261	\$ 259,762	\$ (300,010)	\$ 6,336,013
Construction in progress	422,103	572,170	-	994,273
Total capital assets, not being depreciated	<u>6,798,364</u>	<u>831,932</u>	<u>(300,010)</u>	<u>7,330,286</u>
Capital assets, being depreciated:				
Buildings	10,473,642	305,657	(10,000)	10,769,299
Vehicles and equipment	3,273,216	1,212,261	(170,341)	4,315,136
Streets and roadways	10,555,794	1,350,762	-	11,906,556
Sidewalks	1,791,281	142,420	-	1,933,701
Storm drainage	2,233,729	17,085	-	2,250,814
Total capital assets, being depreciated	<u>28,327,662</u>	<u>3,028,185</u>	<u>(180,341)</u>	<u>31,175,506</u>
Less accumulated depreciation for:				
Buildings	2,357,667	217,537	(233)	2,574,971
Vehicles and equipment	2,160,785	424,417	(169,163)	2,416,039
Streets and roadways	4,478,456	404,482	-	4,882,938
Sidewalks	376,108	47,989	-	424,097
Storm drainage	1,208,024	107,504	-	1,315,528
Total accumulated depreciation	<u>10,581,040</u>	<u>1,201,929</u>	<u>(169,396)</u>	<u>11,613,573</u>
Total capital assets, being depreciated, net	<u>17,746,622</u>	<u>1,826,256</u>	<u>(10,945)</u>	<u>19,561,933</u>
Governmental activities capital assets, net	<u>\$ 24,544,986</u>	<u>\$ 2,658,188</u>	<u>\$ (310,955)</u>	<u>\$ 26,892,219</u>

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

7. Capital Assets (Continued)

The following is a summary of capital asset activity in business-type activities for the year ended June 30, 2014:

	Balances June 30, 2013	Additions	Retirements	Balances June 30, 2014
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 497,022	\$ 92,532	\$ -	\$ 589,554
Construction in progress	13,582,197	3,872,075	(12,441,223)	5,013,049
Total capital assets, not being depreciated	<u>14,079,219</u>	<u>3,964,607</u>	<u>(12,441,223)</u>	<u>5,602,603</u>
Capital assets, being depreciated:				
Buildings and system	79,624,285	13,989,530	-	93,613,815
Vehicles, machinery and equipment	3,583,699	162,205	(146,068)	3,599,836
Total capital assets, being depreciated	<u>83,207,984</u>	<u>14,151,735</u>	<u>(146,068)</u>	<u>97,213,651</u>
Less accumulated depreciation for:				
Buildings and system	19,064,832	1,611,287	-	20,676,119
Vehicles, machinery and equipment	2,166,937	265,003	(144,889)	2,287,051
Total accumulated depreciation	<u>21,231,769</u>	<u>1,876,290</u>	<u>(144,889)</u>	<u>22,963,170</u>
Total capital assets, being depreciated, net	<u>61,976,215</u>	<u>12,275,445</u>	<u>(1,179)</u>	<u>74,250,481</u>
Business-type activities capital assets, net	<u>\$ 76,055,434</u>	<u>\$ 16,240,052</u>	<u>\$ (12,442,402)</u>	<u>\$ 79,853,084</u>
Intangible assets:				
Capacity reserve	\$ 42,981,457	\$ -	\$ -	\$ 42,981,457
Retail distribution rights	2,502,788	-	-	2,502,788
Total intangible assets	<u>45,484,245</u>	<u>-</u>	<u>-</u>	<u>45,484,245</u>
Amortization of intangible assets:				
Capacity reserve	1,613,483	1,288,306	-	2,901,789
Retail distribution rights	700,781	50,056	-	750,837
Total amortization of intangible assets	<u>2,314,264</u>	<u>1,338,362</u>	<u>-</u>	<u>3,652,626</u>
Total intangible assets, net	<u>\$ 43,169,981</u>	<u>\$ (1,338,362)</u>	<u>\$ -</u>	<u>\$ 41,831,619</u>
Total tangible and intangible assets, net	<u>\$ 119,225,415</u>	<u>\$ 14,901,690</u>	<u>\$ (12,442,402)</u>	<u>\$ 121,684,703</u>

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

7. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 88,994
Public safety	328,894
Parks, streets and sanitation	<u>762,490</u>

Total depreciation expense – governmental activities	<u>\$ 1,180,378</u>
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Business-type activities:

Water and sewer	<u>\$ 1,876,290</u>
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Total depreciation expense – business-type activities	<u>\$ 1,876,290</u>
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Intangible Assets:

Purchase of Sewer Capacity

During the year ended June 30, 2010, the Town entered into an agreement with the City of Cayce to participate in the construction of a new sewer treatment facility to be owned by the City of Cayce. The Agreement provides for the Town to have usage rights to a total available sewer capacity of 12.462 MGD in the new 25 MGD facility. Accordingly, the costs incurred for the Town’s proportionate share in the plant, \$33,764,035 are being amortized over 30 years with amortization expense totaling \$1,125,468 recognized during the year ended June 30, 2014.

During the year ended June 30, 2005, the Town entered into an agreement with the Lexington County Joint Municipal Water and Sewer Commission (the “Commission”) as described in *Note 11* to acquire wastewater transport capacity in a sewer line that will interconnect the Commission’s service area and the Town’s Regional Sewer System to Cayce’s Plant. Accordingly, the costs incurred to acquire the transport capacity of \$1,076,159 through June 30, 2014, are being deferred until the Town connects to the line at which time the Town will begin to amortize the cost to operations of the System.

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

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

7. Capital Assets (Continued)

acquire a maximum of 4.5 MGD 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, 2014. During the year ended June 30, 2007, the Town entered an agreement with West Columbia for the purchase of an additional 1 MGD of water treatment capacity at the LMWTF. The cost of the additional capacity of \$1,541,767 is being amortized to the Town's Waterworks and Sewer System Enterprise Fund operations with amortization expense totaling \$30,848 recognized during the year ended June 30, 2014. Additionally, the Town purchased 1 MGD of water treatment capacity at the LMWTF (total purchased capacity is 6.5 MGD) in December 2008. The cost of the additional capacity of \$2,330,000 is being amortized to the Town's Waterworks and Sewer System Enterprise Fund operations with amortization expense totaling \$46,600 recognized during the year ended June 30, 2014.

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, 2014, net of accumulated amortization (\$1,751,952, 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, 2014.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt

The following is a summary of debt of the Town for the year ended June 30, 2014:

	<u>Balances</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities:</u>					
Short Term Debt:					
Bond anticipation note	\$ 3,300,000	\$ 3,300,000	\$ (3,300,000)	\$ 3,300,000	\$ 3,300,000
Total short term debt	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
Long Term Debt:					
Certificates of participation:					
Capital appreciation certificates	\$ 1,260,000	\$ -	\$ (210,000)	\$ 1,050,000	\$ 210,000
Less deferred amount:					
For issuance discount	(220,277)	-	62,746	(157,531)	-
Total certificates of participation	1,039,723	-	(147,254)	892,469	210,000
General obligation bonds	1,315,000	-	(155,000)	1,160,000	160,000
Note Payable	137,000	-	(34,250)	102,750	34,250
Compensated absences	653,059	427,190	(423,672)	656,577	450,000
Governmental activities					
Long-term liabilities	<u>\$ 3,144,782</u>	<u>\$ 427,190</u>	<u>\$ (760,176)</u>	<u>\$ 2,811,796</u>	<u>\$ 854,250</u>
<u>Business-type activities:</u>					
Short Term Debt:					
Bond anticipation note	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
BAN Premium	-	47,790	-	47,790	-
Total short term debt	10,000,000	10,047,790	10,000,000	10,047,790	10,000,000
Long Term Debt:					
Revenue bonds payable:					
Revenue bonds	\$ 56,560,000	\$ 5,915,000	\$ (6,835,000)	\$ 55,640,000	\$ 1,090,000
Less deferred amounts:					
For issuance discount	(74,617)	(1,284)	2,790	(73,111)	-
For issuance premium	477,343	-	(31,926)	445,417	-
On refunding	(1,466,181)	(62,214)	92,601	(1,435,794)	-
Total revenue bonds payable	55,496,545	5,851,502	(6,771,535)	54,576,512	1,090,000
Contract payable	1,723,349	-	(375,680)	1,347,669	261,394
Compensated absences	199,816	130,947	(123,692)	207,071	119,175
Business-type activities					
Long-term liabilities	<u>\$ 57,419,710</u>	<u>\$ 5,982,449</u>	<u>\$ (7,270,907)</u>	<u>\$ 56,131,252</u>	<u>\$ 1,470,569</u>

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

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:

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

The annual debt service requirements to amortize all certificates outstanding as of June 30, 2014, including interest components are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 210,000	\$ -	\$ 210,000
2016	210,000	-	210,000
2017	210,000	-	210,000
2018	210,000	-	210,000
2019	210,000	-	210,000
Subtotal	1,050,000	-	1,050,000
Less: Deferred amount	(157,531)	-	(157,531)
Total	\$ 892,469	\$ -	\$ 892,469

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

General Obligation Bonds and Bond Anticipation Notes

During the year ended June 30, 2013, the Town issued \$1,465,000 of Town of Lexington, South Carolina General Obligation Bonds of 2012. 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 of 2.00% and annual principal installments ranging from \$150,000 to \$170,000 through June 15, 2021. The proceeds from the bonds refunded the General Obligation Bonds of 2002 which were used to fund roadway and other capital improvements.

The Series 2012 Bonds were issued as a partial refunding of the Series 2002 Bonds. The total debt service of the Series 2012 bonds (principal and interest) savings compared to the total debt service requirements for the refunded Series 2002 bonds was \$137,677. This resulted in a net present value benefit of \$130,208.

Optional Redemption:

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

The annual debt service requirements to amortize all general obligation bonds outstanding as of June 30, 2014, including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 160,000	\$ 23,200	\$ 183,200
2016	165,000	20,000	185,000
2017	165,000	16,700	181,700
2018	165,000	13,400	178,400
2019	165,000	10,100	175,100
2020-2021	340,000	10,200	350,200
Total	<u>\$ 1,160,000</u>	<u>\$ 93,600</u>	<u>\$ 1,253,600</u>

Bond Anticipation Notes:

The Town issued General Obligation Bond Anticipation Note Series 2014 during the year ended June 30, 2014. The note was issued to refund the General Obligation Bond Anticipation Note Series 2013 which was issued to defray a portion of the costs of certain off-street parking, certain street and road improvements and repairs, and other municipal

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

General Obligation Bonds and Bond Anticipation Notes

improvements in the Town of Lexington. Principal of \$3,300,000 and interest of 0.55% per annum are due on January 15, 2015.

Note Payable

During the year ended June 30 2011, the Town issued a note payable to a private individual for the purchase of property adjacent to Virginia Hylton Park. The payment of principal and interest on the Note is secured by an irrevocable pledge of the full faith, credit and taxing power of the Town. The note requires annual payments with interest imputed at 0.73% at payments ranging from \$20,000 to \$34,250 beginning May 15, 2011 through May 15, 2017.

The annual debt service requirements to amortize the note as of June 30, 2014, including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 33,500	\$ 750	\$ 34,250
2016	33,750	500	34,250
2017	33,938	312	34,250
Total	<u>\$ 101,188</u>	<u>\$ 1,562</u>	<u>\$ 102,750</u>

Revenue Bonds and Bond Anticipation Notes

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. The Town is in compliance with all applicable bond covenants at June 30, 2014.

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 a rate of 5.0% and a single principal installment of \$1,340,000 in 2028. The Series 2001A Bonds were issued for \$27,475,000 with an outstanding balance at June 30, 2014 of \$1,340,000 (not including

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

Revenue Bonds and Bond Anticipation Notes (Continued)

unamortized premium and deferred amount on refunding equaling \$54,711 and (\$1,373,580), respectively). Amortization of the premium and deferred amount equaled (\$3,082) and \$92,601, 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 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:

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

Series 2009 Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2009 require semi-annual interest payments at rates of 4.00% to 5.00% beginning July 15, 2010 and annual principal installments ranging from \$175,000 to \$1,070,000 beginning January 15, 2020 through 2041. The Series 2009 bonds were issued for \$11,405,000 with an outstanding balance at June 30, 2014 of \$11,337,691 (net of unamortized discount of (\$67,308)). Amortization of the discount equaled \$2,540.

The Series 2009 Bonds maturing on or prior to January 15, 2020, are not subject to redemption prior to maturity. The Series 2009 Bonds maturing on or after January 15, 2021, are subject to redemption prior to maturity, at the option of the Town, on or after January 15, 2020, 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) and by lot within a maturity, at a redemption price of 100% of the principal amount thereof with the interest accrued on such principal amount to the date fixed for redemption.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. **Debt (Continued)**

Revenue Bonds and Bond Anticipation Notes (Continued)

Series 2010 Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2010 require semi-annual interest payments at rates of 4.50% to 5.00% beginning July 15, 2010 and annual principal installments ranging from \$1,525,000 to \$2,210,000 beginning January 15, 2033 through 2041. The Series 2010 bonds were issued for \$16,665,000 with an outstanding balance at June 30, 2014 of \$16,817,249 (net of unamortized premium of \$152,249). Amortization of the premium equaled (\$5,692).

The Series 2010 Bonds are subject to redemption prior to maturity, at the option of the Town, on or after January 15, 2020, 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) and by lot within a maturity, at a redemption price of 100% of the principal amount thereof with the interest accrued on such principal amount to the date fixed for redemption.

Series 2011 Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2011 require semi-annual interest payments at rates of 2.00% to 5.00% beginning October 1, 2011 and annual principal installments ranging from \$185,000 to \$1,230,000 beginning April 1, 2013 through 2027. The Series 2011 bonds were issued for \$14,145,000 with an outstanding balance at June 30, 2014 of \$12,903,458 (net of unamortized premium of \$238,458). Amortization of the premium equaled (\$18,703).

The Series 2011 Bonds were issued as a partial refunding of the Series 2001A Bonds. The total debt service of the Series 2011 bonds (principal and interest) savings compared to the total debt service requirements for the refunded Series 2001A bonds were \$972,399. This resulted in a net present value benefit of \$735,195.

The Series 2011 Bonds maturing on or prior to April 1, 2021, are not subject to redemption prior to maturity. The Series 2011 Bonds maturing after April 1, 2021, are subject to redemption prior to maturity, at the option of the Town, on or after April 1, 2021, 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) and by lot within a maturity, at a redemption price of 100% of the principal amount thereof with the interest accrued on such principal amount to the date fixed for redemption.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

Revenue Bonds and Bond Anticipation Notes (Continued)

Series 2012 Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2012 require semi-annual interest payments at rates of 2.00% to 2.50% beginning August 1, 2012 and annual principal installments ranging from \$60,000 to \$1,870,000 beginning April 1, 2020 through 2032. The Series 2012 bonds were issued for \$7,650,000 with an

outstanding balance at June 30, 2014 of \$7,645,482 (net of unamortized discount of (\$4,518)). Amortization of the discount equaled \$250.

The Series 2012 Bonds were issued as a partial refunding of the Series 2001A Bonds. The total debt service of the Series 2012 bonds (principal and interest) savings compared to the total debt service requirements for the refunded Series 2001A bonds by \$1,536,323. This resulted in a net present value benefit of \$1,027,237.

The Series 2012 Bonds maturing on or prior to April 1, 2022, are not subject to redemption prior to maturity. The Series 2012 Bonds maturing after April 1, 2022, are subject to redemption prior to maturity, at the option of the Town, on or after April 1, 2022, 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) and by lot within a maturity, at a redemption price of 100% of the principal amount thereof with the interest accrued on such principal amount to the date fixed for redemption.

Series 2014 Revenue Bonds

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2014 require semi-annual interest payments at the rate of 3.1% beginning August 1, 2014 and annual principal installments ranging from \$270,000 to \$365,000 beginning February 1, 2015 through 2032. The Series 2014 bonds were issued for \$5,915,000 with an outstanding balance at June 30, 2014 of \$5,851,502 (net of unamortized premium and deferred amount on refunding equaling (\$1,284) and (\$62,214), respectively).

The Series 2014 Bonds were issued to refund the Series 2004 Revenue Bonds. The total debt service of the Series 2014 Bonds (principal and interest) savings compared to the total debt service requirements for the refunded Series 2004 Bonds were \$874,778. This

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

Revenue Bonds and Bond Anticipation Notes (Continued)

resulted in a net present value benefit of \$631,178. The Series 2014 Bonds are callable at any time.

Forward Delivery Agreement

In conjunction with the issuance of the original Series 2004 Revenue Bonds, the Town entered into an agreement with a third party financial institution with a Moody's rating of Aa2 to provide for the Town to realize in the form of an up-front payment an estimated discounted value of investment of the Debt Service Reserve Fund at a specified rate. The net up-front payment was \$5,209. The financial institution must from time to time deliver to the Town's trustee for the Series 2004 Debt Service Reserve Fund securities that are either direct obligations of the United States of America or obligations unconditionally guaranteed by the United States which have an aggregate purchase price which is as close as possible to but does not exceed the reserve amount and which mature no later than the next interest payment date on the Series 2004 bonds. Interest earned on the securities delivered to the trustee accrues to the benefit of the Town. The contract provides that upon the occurrence of certain events including partial or completed termination (depletion of the reserve fund to pay debt service), or other defaults by the Town or the financial institution a termination amount may be required. Any termination amount required to be paid by the Town would be made from excess revenues of the system and would represent a junior lien on the gross revenues of the water and sewer utility. Were the Town to exercise an option to refund, defease, repurchase or redeem the Series 2004 Bonds, the agreement could require payment of a termination amount unless the debt service reserve fund for any new debt issued as part of any refunding or other redemption of the Series 2004 Bonds continues to be invested according to the terms of the agreement.

Upon issuance of the Series 2014 Revenue Bonds the Town and the financial institution have agreed to continue the Forward Delivery Agreement. The net cost of the continuance was \$10,000 to the Town.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

Revenue Bonds and Bond Anticipation Notes (Continued)

The annual debt service requirements to amortize all revenue bonds outstanding as of June 30, 2014 including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,090,000	\$ 2,295,101	\$ 3,385,101
2016	1,065,000	2,292,133	3,357,133
2017	1,110,000	2,251,963	3,361,963
2018	1,160,000	2,222,503	3,382,503
2019	1,200,000	2,187,388	3,387,388
2020-2024	8,225,000	10,170,203	18,395,203
2025-2029	10,090,000	8,310,633	18,400,633
2030-2034	11,630,000	6,281,430	17,911,430
2035-2039	13,660,000	3,549,713	17,209,713
2040-2042	6,410,000	476,588	6,886,588
Subtotal	55,640,000	40,037,651	95,677,651
Less: Deferred amounts	(1,063,488)	-	(1,063,488)
Total	<u>\$ 54,576,512</u>	<u>\$ 40,037,651</u>	<u>\$ 94,614,163</u>

Prior Year Defeasance of Debt

In prior years, the Town defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2014, \$15,050,000 of bonds outstanding are considered defeased.

Bond Anticipation Notes:

The Town issued Combined Waterworks and Sewer System Revenue Bond Anticipation Note Series 2013B during the year ended June 30, 2014. The note was issued to refund the Town's Combined Waterworks and Sewer System Revenue Bond Anticipation Note Series 2012 and the Town's Combined Waterworks and Sewer System Revenue Bond Anticipation Note Series 2013A, both of which were issued to provide funds for the construction and acquisition of the Highway 378 Regional Pump Station, 14 Mile Creek Force Main upgrades, and various other capital improvements for the system. Principal of \$10,000,000 and interest of 0.3% per annum are due on December 2, 2014.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

Contract Payable and Capital Lease

As discussed in *Note 7*, the Town agreed to pay West Columbia \$2.98 million for the non-exclusive use of 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). During the year ended June 30, 2009 the City of West Columbia refunded the Series 1998B bond along with other debt not related to the Town by issuing a Water and Sewer System Refunding Revenue Bond Series 2009C. The Town's pro rata share of the new issue is 69.33%.

The agreement with West Columbia also provided 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).

During the year ended June 30, 2013, the City of West Columbia issued a 2013 series bond to refund the 2009C issue as well as the 1998A issue. The Town is currently making one payment a month for both the Contract Payable and the Capital Lease to the City of West Columbia at an interest rate of 1.48%. The outstanding balance at June 30, 2014 for both the Contract Payable and the Capital Lease is \$1,347,668.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

8. Debt (Continued)

Contract Payable and Capital Lease (Continued)

The annual debt service requirements to amortize the contract payable as of June 30, 2014 including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 261,394	\$ 19,946	\$ 281,340
2016	263,875	16,077	279,952
2017	274,383	12,172	286,555
2018	280,731	8,111	288,842
2019	267,286	3,954	271,240
Total	<u>\$ 1,347,669</u>	<u>\$ 60,260</u>	<u>\$ 1,407,929</u>

The waterlines acquired under the capital lease are recorded as capital assets – waterworks system in the statement of net position at a historic cost of \$778,428, with current book value of \$542,625 net of accumulated depreciation.

9. Capital Contribution Fees and Capital Asset Contributions

A summary of capital asset contributions from developers and receipts of capital contribution fees during the year ended June 30, 2014, follows:

<u>Business-type activities:</u>	
Capital contribution fees received	\$ 1,425,782
Capital asset contributions from developers	<u>1,499,347</u>
Total capital contribution fees and capital asset contributions recognized	<u>\$ 2,925,129</u>

The Town has outstanding contracts that allow certain developers to pay capital contribution fees on an installment basis. Total capital contribution fees outstanding approximate \$3,293,700 at June 30, 2014, of which the Town has fully reserved an allowance for doubtful accounts. Upon payment of periodic installments, the Town recognizes capital contribution fee revenue, and developers may claim the applicable number of capital contribution certificates.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

10. 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 ensure 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:

The Town is party to 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.

11. Commitments

Developers and Contractors:

The Town has outstanding contracts to provide certain developers future sewer taps. The Town reserves sewer treatment capacity to provide the future service at the inception of the installment contracts. At June 30, 2014, the number of unredeemed capital contribution certificates representing future taps into the system is approximately 2,111.

Additionally, the Town has outstanding commitments to contractors and others for approximately \$569,081.

Wastewater Treatment Service Agreement:

As discussed in *Note 7*, the Town entered into a Wastewater Treatment Service agreement with the City of Cayce, South Carolina Municipal Corporation, to provide wastewater treatment capacity for the Town. Under the amended agreement, the Town remains obligated to pay its “pro rata” share of the capacity in the plant for the cost of future capital replacement or improvement to the Plant (replacements and improvements that do not expand capacity), upon receipt of a statement from Cayce setting forth in reasonable detail the calculation of such cost. Wholesale sewer rates are determined by a formula that both parties agreed to, as described in the agreement.

During the year ended June 30, 2010 the Town entered into an agreement with the City of Cayce to build a new wastewater treatment facility and closeout of the old facility. Construction of the new facility has been completed and any remaining amounts required for related costs will be paid entirely from restricted funds escrowed for the express purpose of paying costs of the new facility (*See Note 6*). Closeout of the old facility started February 12,

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

11. Commitments (Continued)

2013. Total project cost is \$4,375,100 of which Lexington's share is \$2,180,900. Work on this project is 90% complete at June 30, 2014.

Regional Sewer Line Interconnection Agreement:

During the year ended June 30, 2005, the Town and the Commission entered into an agreement that provided for the Commission to upsize an interconnection line to Cayce's Plant. The line, when completed, will allow the Town to connect its Regional Sewer System to Cayce's Plant through the Commission's interconnection line. The new line will be solely owned by the Commission, and the Town's only interest in the line will be the contractual rights to non-exclusive utilization of the line for wastewater transport. The Town agreed to pay the pro rata cost of upsizing the line to accommodate its anticipated flows. The Town also must pay, during the term of the agreement, a pro rata share of any modifications or improvements to the interconnection line to satisfy regulatory requirements, which do not increase the actual capacity of the line. The Town will also be responsible to pay for its flows through the line in accordance with the terms and conditions of the Town's wastewater treatment agreement with Cayce.

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 6.5 MGD 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.

12. 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 cost sharing, multiple employer defined benefit public employee retirement systems 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.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

12. Employee Retirement (Continued)

The Town's total payroll for the year ended June 30, 2014, for employees enrolled in the SCRS and PORS, was approximately \$7,602,226, of which \$4,793,251 was for substantially all employees covered by the SCRS and \$2,808,975 was for PORS covered employees. Benefits of the retirement systems are established by state statutes. Under current statutes, member employees who retire at age 65 or after 28 years (public safety employees after 25 years) of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the employee's highest twelve consecutive quarters of compensation for non-public safety employees and 2.14 percent for public safety employees. Member employees who are at least 60 years of age may elect early retirement in which case the full service benefit is reduced by 5 percent for each year the employee's age at retirement is less than 65. In either case, any unrecovered contributions are payable upon death and benefit payments increase 4 percent each year following an increase in the Consumer Price Index of at least 3 percent. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement systems also provide death and disability benefits to all member employees.

State statutes also determine the levels of contributions required. Non-public safety members are required to contribute 7.5 percent of their compensation. Under this system, the Town's contributions were 10.6 percent of each member employee's compensation, which included .15 percent of group life coverage. The Town's contributions to the SCRS for the years ending June 30, 2014, 2013, and 2012 were \$508,085, \$496,400, and \$429,768, respectively, which equal 100% of required contributions. For public safety employees, amounts equaled 7.84 percent for member employees' contributions and 12.84 percent for the Town's contribution, which included .2 percent of group life and .2 percent of accidental death coverage. The Town's contributions to the PORS for the years ending June 30, 2014, 2013, and 2012 were \$360,672, \$328,593, and \$301,931, respectively, which equal 100% of required contributions. Contributions are charged to the fund to which the employee's salary was charged.

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

13. Post-Employment Benefits Other than Pension

The Town, as a single employer, has adopted a policy to pay health insurance as a defined benefit (the Plan) until age 65 for retirees who retire with 20 years of service and retire between the ages of 62 and 65, which would be paid from the fund from which the employee's

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

13. Post-Employment Benefits Other than Pension (Continued)

salary was charged. The Town offers a continuation of health care coverage at group rates to retirees and their spouses with the costs to be paid by the retiree based on 100% premium rates.

This policy was adopted by vote of council on June 30, 2004 and may be amended by vote of council. These benefits are neither guaranteed nor mandatory. As of July 1, 2012, the measurement date for the plan year 2014, there were 138 active members and no retirees receiving benefits under this plan.

The Town has elected not to fund the Plan at this time and will utilize a pay-as-you go policy. The Town's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is based on an actuarial valuation that is prepared in accordance within certain parameters. The current rate is 0.7% of annual covered payroll.

For FY14 the Town's annual OPEB cost was \$49,700 for the Plan and the ARC is \$49,400. The following table shows the Town's annual OPEB cost for the year ended June 30, 2014:

Normal Cost	\$ 38,600
Amortization of Unfunded Accrued Liability (UAL)	<u>10,800</u>
Total Annual Required Contribution (ARC)	\$ 49,400
Interest on Net OPEB Obligation	7,300
Adjustment to the ARC	<u>(7,000)</u>
Net OPEB Cost	<u>\$ 49,700</u>

The Town implemented GASB Statement No 45 in FY10. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB (obligation) asset for the years ended June 30, 2013, 2012, and 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Net OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
June 30, 2011	\$45,200	0.0%	(\$ 87,000)
June 30, 2012	\$48,800	0.0%	(\$135,800)
June 30, 2013	\$46,600	0.0%	(\$182,400)
June 30, 2014	\$49,700	0.0%	(\$232,100)

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

13. Post-Employment Benefits Other than Pension (Continued)

At June 30, 2014, the actuarial accrued liability for benefits (AAL) was \$232,100 with \$ 0 in Plan assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$232,100. The funded ratio (actuarial value of plan assets/AAL) was 0. The covered payroll (annual payroll of the active employees covered by the Plan) was \$7,602,226, and the ratio of the UAAL to covered payroll was 3.05%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town uses the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included a 4.0% rate of return (net of both investment and non-actuarial administrative expenses) and the Getzen Health Cost Trend Model of 7.1% graded to 4.7% over 73 years. The Town also assumed a 3.5% growth rate in payroll costs. The asset valuation method used is market value. The Plan's UAAL is being amortized on an open level percent method. The remaining amortization period at June 30, 2014 was 25 years.

By Federal law (Public Law 99-272, Title X), the Town is required to offer a continuation of health care coverage at group rates to employees and their dependents whose coverage would otherwise end. Dependent on the circumstances of the employee's coverage loss, the employee or dependent can extend the health care plan benefits for 18 months to three years. The plan costs are paid by the employee or dependent based on 100% (Cobra) premium rates.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

14. Risk Management

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

The Town has its tort liability and casualty insurance through OneBeacon Government Risk. The limit of the tort liability is \$3,000,000 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 Arthur J. Gallagher Risk Management Services, Inc. for general insurance coverage, totaling approximately \$237,686 in the 2014 fiscal year.

The Town provides for the administration of a plan providing health and dental coverage for all employees through the Employee Insurance Program (EIP). The Town's payments to the EIP plan approximated \$1,052,011 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 \$367,451 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.

15. Subsequent Events

On December 2, 2014, the Town issued \$10,000,000 Combined Waterworks and Sewer System Revenue Bond Anticipation Notes (BAN), Series 2014. This series refunded the \$10,000,000 Series 2013B BAN's. These BAN's were issued to fund capital improvements to the Town's Combined Waterworks and Sewer System.

On January 15, 2015, the Town anticipates issuing \$3,300,000 General Obligation Bond Anticipation Notes (BAN). This BAN will be issued to currently refund the 2014 BAN that was issued to fund street and road improvements and repairs, and other infrastructure and municipal improvements, including off-street parking.

Town of Lexington, South Carolina
Notes to Financial Statements
Fiscal Year Ended June 30, 2014

— Continued —

15. Subsequent Events (Continued)

The GASB has issued Statement No. 68 “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27” The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions especially pensions provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2014. The Town will implement the new guidance with the 2015 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Lexington, South Carolina

**General Fund
Budgetary Comparison Schedule**

For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget -- Positive (Negative)
	Original	Finals	Actual	
REVENUES				
Property taxes	\$ 3,490,000	\$ 3,490,000	\$ 3,291,130	\$ (198,870)
Franchises, licenses, permits and fees	5,683,000	5,683,000	5,451,208	(231,792)
Other governments	418,000	418,000	418,627	627
Fines and forfeitures	325,000	325,000	317,844	(7,156)
Interest Income	5,000	5,000	1,718	(3,282)
Miscellaneous	107,000	107,000	102,590	(4,410)
Total revenues	<u>10,028,000</u>	<u>10,028,000</u>	<u>9,583,117</u>	<u>(444,883)</u>
EXPENDITURES				
General Government				
Council				
Personnel	64,480	64,480	60,882	3,598
Operations	111,907	111,907	93,136	18,771
Administration				
Personnel	699,039	699,039	698,308	731
Operations	165,205	165,205	150,431	14,774
Finance				
Personnel	212,717	212,717	203,656	9,061
Operations	34,965	34,965	32,642	2,323
Planning, building, and technology				
Personnel	741,328	741,328	673,424	67,904
Operations	353,284	353,284	318,090	35,194
Total General Government	<u>2,382,925</u>	<u>2,382,925</u>	<u>2,230,569</u>	<u>152,356</u>
Public Safety				
Personnel	4,003,983	4,003,983	3,896,516	107,467
Operations	540,335	540,335	462,726	77,609
Parks, streets and sanitation				
Personnel	990,762	990,762	984,796	5,966
Operations	1,265,090	1,265,090	1,269,366	(4,276)
Total expenditures	<u>9,183,095</u>	<u>9,183,095</u>	<u>8,843,973</u>	<u>339,122</u>
Capital outlay:				
General government	224,438	224,438	281,791	(57,353)
Public Safety	319,323	319,323	314,437	4,886
Parks, streets and sanitation	62,373	62,373	87,158	(24,785)
Total capital outlay	<u>606,134</u>	<u>606,134</u>	<u>683,386</u>	<u>(77,252)</u>
Total expenditures	<u>9,789,229</u>	<u>9,789,229</u>	<u>9,527,359</u>	<u>261,870</u>
Excess (deficiency) of revenues over expenditures	<u>238,771</u>	<u>238,771</u>	<u>55,758</u>	<u>(183,013)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	23,337	23,337
Transfers in	31,000	31,000	58,911	27,911
Transfers out	(532,679)	(532,679)	(516,009)	16,670
Total other financing source (uses)	<u>(501,679)</u>	<u>(501,679)</u>	<u>(433,761)</u>	<u>67,918</u>
Net change in fund balances	(262,908)	(262,908)	(378,003)	(115,095)
Fund balances - beginning	4,293,500	4,293,500	4,293,500	-
Fund balances - ending	<u>\$ 4,030,592</u>	<u>\$ 4,030,592</u>	<u>\$ 3,915,497</u>	<u>\$ (115,095)</u>

****Notes to Required Supplementary Information:**

Budgets are adopted on a basis consistent with generally accepted accounting principles.

Town of Lexington, South Carolina

**Special Revenue - Victims' Assistance
Budgetary Comparison Schedule**

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 44,139	\$ 44,139	\$ 38,396	\$ (5,743)
Total revenues	<u>44,139</u>	<u>44,139</u>	<u>38,396</u>	<u>(5,743)</u>
EXPENDITURES				
Victim's assistance	65,083	65,083	62,445	2,638
Total expenditures	<u>65,083</u>	<u>65,083</u>	<u>62,445</u>	<u>2,638</u>
Excess (deficiency) of revenues over expenditures	<u>(20,944)</u>	<u>(20,944)</u>	<u>(24,049)</u>	<u>(3,105)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,944	20,944	20,944	-
Net change in fund balances	-	-	(3,105)	(3,105)
Fund balances - beginning	6,318	6,318	6,318	-
Fund balances - ending	<u>\$ 6,318</u>	<u>\$ 6,318</u>	<u>\$ 3,213</u>	<u>\$ (3,105)</u>

Town of Lexington, South Carolina

**Other Post Employment Benefits -- Healthcare
Schedule of Funding Progress and Employer Contributions**

FUNDING PROGRESS:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ -	\$ 269,800	\$ 269,800	0.00%	\$ 5,741,300	4.70%
7/1/2012	\$ -	\$ 291,300	\$ 291,300	0.00%	\$ 6,768,400	4.30%

EMPLOYER CONTRIBUTIONS:

Fiscal Year Ending June 30,	Annual Required Contribution (ARC)	Interest on Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation
2010	\$ 41,800	\$ -	\$ -	\$ 41,800	\$ -	\$ 41,800
2011	44,900	1,900	(1,600)	45,200	-	87,000
2012	48,100	3,900	(3,200)	48,800	-	135,800
2013	46,200	5,400	(5,000)	46,600	-	182,400
2014	49,400	7,300	(7,000)	49,700	-	232,100

OTHER FINANCIAL INFORMATION

COMBINING 'NON-MAJOR' GOVERNMENTAL FINANCIAL
STATEMENTS

Town of Lexington, South Carolina

Non-Major Governmental Funds
 Combining Balance Sheet
 Summary by Fund Type

June 30, 2014

	Special revenue funds	Debt service funds	Capital projects funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and temporary investments	\$ 483,653	\$ 806	\$ -	\$ 484,459
Due from other governments	435,058	-	-	435,058
Restricted - cash and temporary investments	410,685	212,712	759,046	1,382,443
Total assets	<u>1,329,396</u>	<u>213,518</u>	<u>759,046</u>	<u>2,301,960</u>
LIABILITIES				
Accounts payable	95,889	-	-	95,889
Due to other funds	734,707	806	428,061	1,163,574
Construction payables	60,554	-	-	60,554
Total liabilities	<u>891,150</u>	<u>806</u>	<u>428,061</u>	<u>1,320,017</u>
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflow of resources	-	-	-	-
Total liabilities and deferred inflows of resources	<u>891,150</u>	<u>806</u>	<u>428,061</u>	<u>1,320,017</u>
FUND BALANCES (DEFICITS)				
Restricted	933,099	212,712	759,046	1,904,857
Committed	37	-	-	37
Unassigned	(494,890)	-	(428,061)	(922,951)
Total fund balances (deficits)	<u>438,246</u>	<u>212,712</u>	<u>330,985</u>	<u>981,943</u>
Total liabilities and fund balances (deficits)	<u>\$ 1,329,396</u>	<u>\$ 213,518</u>	<u>\$ 759,046</u>	<u>\$ 2,301,960</u>

Town of Lexington, South Carolina

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Summary by Fund Type

For the Year Ended June 30, 2014

	Special revenue funds	Debt service funds	Capital projects funds	Total Nonmajor Governmental Funds
REVENUES				
Grant Revenue	\$ 847,498	\$ -	\$ -	\$ 847,498
Road assessment	20,160	-	-	20,160
Alcohol permits	44,900	-	-	44,900
Fines and forfeitures	48,524	-	-	48,524
Interest Income	1,704	6	29	1,739
Accommodations Tax	158,912	-	-	158,912
Other income	86,062	-	17,230	103,292
Total revenues	<u>1,207,760</u>	<u>6</u>	<u>17,259</u>	<u>1,225,025</u>
EXPENDITURES				
Current:				
General government	67,838	-	-	67,838
Public Safety	284,706	-	-	284,706
Parks, streets and sanitation	16,398	-	3,150	19,548
Victim's assistance	62,515	-	-	62,515
Tourism related	117,156	-	-	117,156
Debt service:				
Administrative charges	-	1,166	-	1,166
Interest	-	26,299	-	26,299
Principal retirement	-	399,250	-	399,250
Capital outlay:				
General government	5,284	-	-	5,284
Parks, streets and sanitation	1,440,371	-	871,939	2,312,310
Total expenditures	<u>1,994,268</u>	<u>426,715</u>	<u>875,089</u>	<u>3,296,072</u>
Excess (deficiency) of revenues over expenditures	<u>(786,508)</u>	<u>(426,709)</u>	<u>(857,830)</u>	<u>(2,071,047)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	236,612	-	-	236,612
Transfers in	194,501	426,716	1,553,132	2,174,349
Transfers out	(164,119)	-	(1,553,132)	(1,717,251)
Total other financing sources (uses)	<u>266,994</u>	<u>426,716</u>	<u>-</u>	<u>693,710</u>
Net change in fund balances	(519,514)	7	(857,830)	(1,377,337)
Fund balances - beginning	957,760	212,705	1,188,815	2,359,280
Fund balances - ending	<u>\$ 438,246</u>	<u>\$ 212,712</u>	<u>\$ 330,985</u>	<u>\$ 981,943</u>

INDIVIDUAL FUND STATEMENTS
AND
SCHEDULES

Town of Lexington, South Carolina

**General Fund
Balance Sheet**

June 30, 2014

(With comparative amounts at June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and temporary investments	\$ 3,005,501	\$ 845,503
Receivables, net	292,607	1,142,870
Due from other funds	1,163,574	2,584,264
Prepaid items	9,580	133,596
Due from other governments	140,438	121,319
Total assets	<u>4,611,700</u>	<u>4,827,552</u>
LIABILITIES		
Accounts payable	433,258	253,016
Accrued Liabilities	133,554	127,603
Other liabilities	30,480	49,038
Total liabilities	<u>597,292</u>	<u>429,657</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue -- Property Taxes	98,911	104,395
Total deferred inflow of resources	<u>98,911</u>	<u>104,395</u>
Total liabilities and deferred inflows of resources	<u>696,203</u>	<u>534,052</u>
FUND BALANCES		
Nonspendable	9,580	133,596
Committed	330,000	330,000
Unassigned	3,575,917	3,829,904
Total fund balances	<u>3,915,497</u>	<u>4,293,500</u>
Total liabilities and fund balances	<u>\$ 4,611,700</u>	<u>\$ 4,827,552</u>

Town of Lexington, South Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Final Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2014

(With comparative actual amounts for the year ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
REVENUES				
Property taxes	\$ 3,490,000	\$ 3,291,130	\$ (198,870)	\$ 3,257,650
Franchises, licenses, permits and fees	5,683,000	5,451,208	(231,792)	5,403,682
Other governments	418,000	418,627	627	416,313
Fines and forfeitures	325,000	317,844	(7,156)	302,628
Interest Income	5,000	1,718	(3,282)	1,674
Miscellaneous	107,000	102,590	(4,410)	172,619
Total revenues	10,028,000	9,583,117	(444,883)	9,554,566
EXPENDITURES				
General Government				
Council				
Personnel	64,480	60,882	3,598	64,122
Operations	111,907	93,136	18,771	91,573
Administration				
Personnel	699,039	698,308	731	666,703
Operations	165,205	150,431	14,774	156,945
Finance				
Personnel	212,717	203,656	9,061	198,869
Operations	34,965	32,642	2,323	30,141
Planning, building, and technology				
Personnel	741,328	673,424	67,904	579,609
Operations	353,284	318,090	35,194	298,711
Total General Government	2,382,925	2,230,569	152,356	2,086,673
Public Safety				
Personnel	4,003,983	3,896,516	107,467	3,752,296
Operations	540,335	462,726	77,609	408,913
Parks, streets and sanitation				
Personnel	990,762	984,796	5,966	904,261
Operations	1,265,090	1,269,366	(4,276)	1,234,171
Total expenditures	9,183,095	8,843,973	339,122	8,386,314
Capital outlay:				
General government	224,438	281,791	(57,353)	232,787
Public Safety	319,323	314,437	4,886	289,787
Parks, streets and sanitation	62,373	87,158	(24,785)	75,302
Total capital outlay	606,134	683,386	(77,252)	597,876
Debt service	-	-	-	59,359
Total expenditures	9,789,229	9,527,359	261,870	9,043,549
Excess (deficiency) of revenues over expenditures	238,771	55,758	(183,013)	511,017
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	23,337	23,337	5,169
Payment to refunded bonds escrow agent				(1,402,398)
Refunding bonds issued	-			1,465,000
Transfers in	31,000	58,911	27,911	-
Transfers out	(532,679)	(516,009)	16,670	(842,134)
Total other financing source (uses)	(501,679)	(433,761)	67,918	(774,363)
Net change in fund balances	(262,908)	(378,003)	(115,095)	(263,346)
Fund balances - beginning	4,293,500	4,293,500	-	4,556,846
Fund balances - ending	\$ 4,030,592	\$ 3,915,497	\$ (115,095)	\$ 4,293,500

Town of Lexington, South Carolina

Special Revenue Funds
Combining Balance Sheet

June 30, 2014

(With comparative total amounts at June 30, 2013)

	Police Grants and Programs	Golden Hills Tax District	Alcohol Permits	Drug Fund	Victims' Assistance	Gateway Beautification	Waterline Upgrades	KEYS Grant
ASSETS								
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes Receivable (net)	-	-	-	-	-	-	-	-
Due from other governments	96,797	-	3,250	-	-	183,793	-	-
Restricted - cash and temporary investments	8,453	-	-	15,273	4,828	-	-	-
Total assets	105,250	-	3,250	15,273	4,828	183,793	-	-
LIABILITIES								
Accounts payable	4,072	-	-	125	1,685	69,901	11,417	-
Accrued Liabilities	-	-	-	-	-	-	-	-
Due to other funds	97,835	79,262	92,829	-	-	235,172	-	-
Construction payables	-	-	-	-	-	50,554	-	-
Total liabilities	101,907	79,262	92,829	125	1,685	365,627	11,417	-
FUND BALANCES (DEFICITS)								
Restricted	3,343	-	-	15,148	3,143	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	(79,262)	(89,579)	-	-	(181,834)	(11,417)	-
Total fund balances (deficits)	3,343	(79,262)	(89,579)	15,148	3,143	(181,834)	(11,417)	-
Total liabilities and fund balances (deficits)	\$ 105,250	\$ -	\$ 3,250	\$ 15,273	\$ 4,828	\$ 183,793	\$ -	\$ -

Downtown Restoration	Disaster Fund	14 Mile Creek		Accommodations Tax	Hospitality Tax	Vision Plan	Veterans Monument	Park Improvements	TOTALS	
		Trail Grant	Sidewalk Fund						2014	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 474,986	\$ -	\$ 8,667	\$ 483,653	\$ 194,063
-	-	-	-	-	-	-	-	-	-	58,203
-	-	100,000	-	51,218	-	-	-	-	435,058	99,828
12	3	-	79,115	129,734	139,278	1,745	17,890	14,354	410,685	784,291
12	3	100,000	79,115	180,952	139,278	476,731	17,890	23,021	1,329,396	1,136,385
-	-	5,189	-	5,500	-	-	-	-	95,889	15,500
-	-	-	-	-	-	-	-	-	-	5,429
-	-	229,609	-	-	-	-	-	-	734,707	157,698
-	-	-	-	-	-	-	-	-	60,554	-
-	-	232,798	-	5,500	-	-	-	-	891,150	178,627
-	-	-	79,115	175,452	139,278	476,709	17,890	23,021	933,099	895,737
12	3	-	-	-	-	22	-	-	37	79,495
-	-	-	-	-	-	-	-	-	-	22
-	-	(132,798)	-	-	-	-	-	-	(494,890)	(17,496)
12	3	(132,798)	79,115	175,452	139,278	476,731	17,890	23,021	438,246	957,758
\$ 12	\$ 3	\$ 100,000	\$ 79,115	\$ 180,952	\$ 139,278	\$ 476,731	\$ 17,890	\$ 23,021	\$ 1,329,396	\$ 1,136,385

Town of Lexington, South Carolina

Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2014
 (With comparative total amounts for the year ended June 30, 2013)

	Police Grants and Programs	Golden Hills Tax District	Alcohol Permits	Drug Fund	Victims' Assistance	Gateway Beautification	Waterline Upgrade	KEYS Grant
REVENUES								
Grant Revenue	\$ 213,076	\$ -	\$ -	\$ -	\$ -	\$ 495,936	\$ -	\$ 25,916
Road assessment	-	20,160	-	-	-	-	-	-
Alcohol permits	-	-	44,900	-	-	-	-	-
Fines and forfeitures	-	-	-	10,128	38,396	-	-	-
Accommodations Tax	-	-	-	-	-	-	-	-
Interest Income	27	100	-	-	-	-	-	-
Other income	22,722	50,000	-	-	-	-	-	-
Total revenues	235,823	70,260	44,900	10,128	38,396	495,936	-	25,916
EXPENDITURES								
General government	-	-	-	-	-	-	-	-
Public Safety	234,720	-	-	924	-	-	-	49,062
Parks, streets and sanitation	-	-	-	-	-	-	11,417	-
Victims' assistance	-	-	-	-	62,515	-	-	-
Tourism related	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Parks, streets and sanitation	-	345,478	181,412	-	-	628,470	-	-
Total expenditures	234,720	345,478	181,412	924	62,515	628,470	11,417	49,062
Excess (deficiency) of revenues over expenditures	1,103	(275,218)	(136,512)	9,204	(24,119)	(132,534)	(11,417)	(23,146)
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	20,944	-	-	12,599
Transfers out	-	-	(34,250)	-	-	-	-	-
Total other financing sources (uses)	-	-	(34,250)	-	20,944	-	-	12,599
Net change in fund balances	1,103	(275,218)	(170,762)	9,204	(3,175)	(132,534)	(11,417)	(10,547)
Fund balances - beginning	2,238	195,256	81,183	5,944	6,318	(49,200)	-	10,547
Fund balances - ending	\$ 3,343	\$ (79,262)	\$ (89,579)	\$ 15,148	\$ 3,143	\$ (181,834)	\$ (11,417)	\$ -

Downtown Restoration	Disaster Fund	14 Mile Creek Trail Grant	Sidewalk Fund	Accommodations Tax	Hospitality Tax	Visioa Plan	Veterans Monument	Park Improvements	TOTALS	
									2014	2013
\$ -	\$ -	\$ 100,000	\$ 10,817	\$ -	\$ -	\$ 1,753	\$ -	\$ -	\$ 847,498	\$ 287,687
-	-	-	-	-	-	-	-	-	20,160	20,160
-	-	-	-	-	-	-	-	-	44,900	41,350
-	-	-	-	-	-	-	-	-	48,524	41,924
-	-	-	-	158,912	-	-	-	-	158,912	120,521
89	24	-	235	698	357	-	67	107	1,704	1,823
-	-	-	-	-	-	5,140	260	8,000	85,662	14,951
89	24	100,000	11,052	159,610	357	6,893	267	8,107	1,207,760	328,416
-	-	-	-	-	-	67,838	-	-	67,838	732
-	-	-	-	-	-	-	-	-	284,706	298,868
-	-	3,225	-	-	-	-	1,399	357	16,398	39,710
-	-	-	-	-	-	-	-	-	62,515	61,316
-	-	-	-	117,156	-	-	-	-	117,156	33,073
-	-	-	-	-	-	5,284	-	-	5,284	17,496
-	-	244,573	32,795	-	-	-	-	7,643	1,440,371	31,729
-	-	247,798	32,795	117,156	-	73,122	1,399	8,000	1,924,268	482,924
89	24	(147,798)	(21,743)	42,434	357	(66,229)	(1,132)	107	(785,508)	45,492
-	-	-	-	-	-	236,612	-	-	236,612	-
-	-	15,000	-	-	-	145,958	-	-	194,501	235,233
(35,061)	(14,997)	-	-	(58,911)	-	-	-	-	(164,119)	-
(35,061)	(14,997)	15,000	-	(58,911)	-	382,570	-	-	265,994	235,233
(55,872)	(14,973)	(132,798)	(21,743)	(16,457)	357	316,341	(1,132)	107	(519,544)	280,725
55,884	14,976	-	100,858	191,009	138,921	160,390	19,022	22,914	957,760	677,033
\$ 12	\$ 3	\$ (132,798)	\$ 79,115	\$ 175,452	\$ 139,278	\$ 476,731	\$ 17,890	\$ 23,021	\$ 438,246	\$ 957,758

Town of Lexington, South Carolina

**Debt Service Fund
Balance Sheet**

June 30, 2014

(With comparative amounts at June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and temporary investments	\$ 806	\$ 806
Restricted - cash and temporary investments	212,712	212,705
Total assets	<u>213,518</u>	<u>213,511</u>
LIABILITIES		
Due to other funds	806	806
Total liabilities	<u>806</u>	<u>806</u>
FUND BALANCES		
Restricted	212,712	212,705
Total fund balances	<u>212,712</u>	<u>212,705</u>
Total liabilities and fund balances	<u>\$ 213,518</u>	<u>\$ 213,511</u>

Town of Lexington, South Carolina

Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2014
 (With comparative actual amounts for the year ended June 30, 2013)

	2014		2013	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Interest Income	-	6	\$ 6	\$ 12
Total revenues	-	6	6	12
EXPENDITURES				
Administrative charges	1,166	1,166	-	1,166
Interest	39,819	26,299	13,520	46,541
Principal retirement	400,000	399,250	750	360,000
Total expenditures	440,985	426,715	14,270	407,707
Excess (deficiency) of revenues over expenditures	(440,985)	(426,709)	14,276	(407,695)
OTHER FINANCING SOURCES (USES)				
Transfers in	440,985	426,716	(14,269)	406,901
Total other financing source (uses)	440,985	426,716	(14,269)	406,901
Net change in fund balances	-	7	7	(794)
Fund balances - beginning	212,705	212,705	-	213,499
Fund balances - ending	\$ 212,705	\$ 212,712	\$ 7	\$ 212,705

Town of Lexington, South Carolina

Capital Projects Funds
Combining Balance Sheet

June 30, 2014

(With comparative total amounts at June 30, 2013)

	Streets and Infrastructure	Gibson Pond	Parking	Downtown Development	TOTALS
	2014	2013	2014	2013	2013
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 313,896
Due from other funds	-	-	-	-	55,043
Restricted - cash and temporary investments	-	7,840	-	751,206	3,250,271
Total assets	-	7,840	-	751,206	3,619,210
LIABILITIES					
Accounts payable	-	-	-	-	4,635
Due to other funds	428,061	-	-	-	2,425,760
Total liabilities	428,061	-	-	428,061	2,430,395
FUND BALANCES (DEFICITS)					
Restricted	-	7,840	-	751,206	1,188,815
Unassigned	(428,061)	-	-	(428,061)	-
Total fund balances (deficits)	(428,061)	7,840	-	330,985	1,188,815
Total liabilities and fund balances (deficits)	\$ -	\$ 7,840	\$ -	\$ 751,206	\$ 3,619,210

Town of Lexington, South Carolina

Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2014

(With comparative total amounts for the year ended June 30, 2013)

	Streets and Infrastructure	Gibson Pond	Parking	Downtown Development	TOTALS	
					2014	2013
REVENUES						
Interest Income	\$ -	\$ -	\$ 22	\$ 7	\$ 29	\$ 368
Other income	-	10,446	3,984	2,800	17,230	-
Total revenues	-	10,446	4,006	2,807	17,259	368
EXPENDITURES						
Parks, streets and sanitation	-	-	-	3,150	3,150	11,242
Capital Outlay	738,057	12,433	-	121,449	871,939	1,119,412
Total expenditures	738,057	12,433	-	124,599	875,089	1,130,654
Excess (deficiency) of revenues over expenditures	(738,057)	(1,987)	4,006	(121,792)	(857,830)	(1,130,286)
OTHER FINANCING SOURCES (USES)						
Refunding bond, bond anticipation note	-	-	-	-	-	3,300,000
Sale of property	-	-	-	-	-	279,511
Transfers in	-	-	1,553,132	-	1,553,132	200,000
Transfers out	-	-	-	(1,553,132)	(1,553,132)	-
Bond Issue Costs	-	-	-	-	-	(59,892)
Total other financing source (uses)	-	-	1,553,132	(1,553,132)	-	3,719,619
Net change in fund balances	(738,057)	(1,987)	1,557,138	(1,674,924)	(857,830)	2,589,333
Fund balances (deficits) - beginning	309,996	9,827	(1,557,138)	2,426,130	1,188,815	(1,400,518)
Fund balances (deficits) - ending	(428,061)	7,840	\$ -	751,206	330,985	1,188,815

Town of Lexington, South Carolina

**Waterworks and Sewer System Enterprise Fund
Statement of Net Position**

June 30, 2014

(With comparative amounts at June 30, 2013)

	2014	2013
ASSETS		
Cash and temporary investments	\$ 7,544,091	\$ 2,516,011
Receivables, net	4,154,054	4,104,834
Inventories - supplies	203,064	249,233
Prepaid items	-	18,328
Restricted - cash and temporary investments	11,092,882	16,649,789
Restricted investments	-	560,146
Land and construction in progress	5,602,603	14,079,219
Buildings, vehicles, equipment and infrastructure	74,250,481	61,976,214
Intangible - Capacity reserve	40,434,880	41,367,973
Intangible - retail distribution rights	1,396,739	1,802,008
Total assets	144,678,794	143,323,755
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,435,794	1,466,181
Total deferred outflows of resources	1,435,794	1,466,181
Total assets and deferred outflows of resources	146,114,588	144,789,936
LIABILITIES		
Accounts payable	1,029,533	633,314
Accrued Liabilities	75,958	60,729
Construction payables	936,496	395,190
Accrued interest	911,328	968,911
Customer deposits	37,216	38,916
Accrued compensated absences-current portion	119,175	115,000
Current portion contracts payable	261,394	375,680
Revenue bonds - current	11,090,000	995,000
Revenue bonds payable	54,970,095	65,976,902
Contracts payable	1,086,274	1,347,669
Accrued compensated absences	87,895	84,816
OPEB liability	80,307	65,664
Total liabilities	70,685,671	71,057,791
NET POSITION		
Net investment in capital assets	60,161,057	62,655,081
Restricted for:		
capital projects	185,344	336,973
debt service	2,585,552	2,491,896
Unrestricted	12,496,964	8,248,195
Total net position (See Note 1D)	\$ 75,428,917	\$ 73,732,145

Town of Lexington, South Carolina

**Waterworks and Sewer System Enterprise Fund
Statement of Revenues, Expenditures, and Changes in Net Position**

For the Year Ended June 30, 2014

(With comparative amounts for the year ended June 30, 2013)

	2014	2013
OPERATING REVENUES		
Water service	\$ 4,729,861	\$ 4,626,504
Sewer service	7,792,979	7,468,466
Tap and meter fees	126,810	173,890
Other income	405,801	492,188
Total operating revenues	13,055,451	12,761,048
OPERATING EXPENSES		
Salaries and benefits	3,856,877	3,804,890
Water and sewer treatment services	2,778,415	2,178,365
Other contractual services	574,798	504,274
Depreciation and amortization	3,214,652	1,987,547
Other operating expense	1,835,949	1,799,728
Total operating expenses	12,260,691	10,274,804
Operating income	794,760	2,486,244
NONOPERATING REVENUES (EXPENSES)		
Interest Income	42,670	33,104
Interest expense	(1,805,668)	(1,492,088)
Bond issue costs	(260,119)	(239,313)
Total nonoperating revenues (expenses)	(2,023,117)	(1,698,297)
Income (loss) before contributions and transfers	(1,228,357)	787,947
CAPITAL CONTRIBUTIONS		
Capital contribution fees	1,425,782	1,644,210
Developer capital asset contributions	1,499,347	1,706,066
Total capital contributions	2,925,129	3,350,276
Change in net position	1,696,772	4,138,223
Total net position - beginning (See Note 1D)	73,732,145	69,593,922
Total net position - ending	\$ 75,428,917	\$ 73,732,145

Town of Lexington, South Carolina

**Waterworks and Sewer System Enterprise Fund
Statement of Cash Flows**

For the Year Ended June 30, 2014

(With comparative amounts for the year ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 13,004,532	\$ 12,655,778
Payments to employees	(3,802,159)	(3,818,070)
Payments to suppliers	(4,746,039)	(4,251,922)
Net cash provided (used) by operating activities	4,456,334	4,585,786
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(3,633,290)	(6,923,641)
Purchase of capacity reserve	-	(741,310)
Bond issuance costs paid	(260,119)	(579,628)
Principal paid on capital debt	(1,537,100)	(1,268,075)
Interest and fees paid	(1,863,250)	(1,487,582)
Proceeds from bond issuance	280,000	10,525,000
Proceeds from capital contribution fees	1,425,782	1,644,210
Net cash provided (used) by capital and related financing activities	(5,587,977)	1,168,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		(560,146)
Proceeds from the sale of investments	560,146	560,146
Interest received	42,670	33,104
Net cash provided (used) by investing activities	602,816	33,104
Net increase (decrease) in cash and cash equivalents	(528,827)	5,787,864
Balances - beginning of year	19,165,800	13,377,936
Balances - end of the year	18,636,973	19,165,800
Reconciliation to the Statement of Net Position		
Cash and temporary investments	7,544,091	2,516,011
Restricted - cash and temporary investments	11,092,882	16,649,789
	18,636,973	19,165,800
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income	794,760	2,486,244
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and Amortization	3,214,652	1,987,547
Changes in assets and liabilities:		
Customer Receivables	(49,220)	(135,674)
Inventory	46,168	19,052
Prepaid Items	18,328	(14,023)
Accounts Payable - Supplier	396,218	211,393
Customer deposits	(1,700)	30,404
Salaries & Benefits Payable	37,128	843
Net cash provided (used) by operating activities	\$ 4,456,334	\$ 4,585,786
Non-Cash Investing, Capital and Financing Supplementary Information		
Revenue bond principal accretion and discount amortization	2,790	2,769
Revenue bond premium and deferred amount on refunding amortization	60,675	64,885
Contributed capital assets from developers	1,499,347	1,706,066

**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

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source**

June 30, 2014

(With comparative amounts at June 30, 2013)

	<u>2014</u>	<u>2013</u>
Governmental Funds Capital Assets:		
Land	\$ 6,336,013	\$ 6,376,261
Buildings	10,769,299	10,473,642
Vehicles and equipment	4,315,136	3,273,217
Streets and roadways	11,906,556	10,555,794
Sidewalks	1,933,701	1,791,281
Storm drainage	2,250,814	2,233,729
Construction in progress	994,273	338,869
Total governmental funds capital assets	<u>\$ 38,505,792</u>	<u>\$ 35,042,793</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 13,331,604	\$ 13,255,378
Special revenue funds	3,392,003	1,951,632
Capital projects funds	7,578,769	6,706,830
Donations	14,203,416	13,128,953
Total governmental funds capital assets	<u>\$ 38,505,792</u>	<u>\$ 35,042,793</u>

Town of Lexington, South Carolina

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity

June 30, 2014

Function and Activity	Land	Buildings and Improvements	Vehicles and Equipment	Streets and Roadways	Sidewalks	Storm Drainage	Construction in Progress	Total
General government:								
Council	\$ -	\$ -	\$ 10,777	\$ -	\$ -	\$ -	\$ -	\$ 10,777
Administration	-	-	37,484	-	-	-	-	37,484
Finance	-	-	6,578	-	-	-	-	6,578
Information technology	-	-	461,326	-	-	-	-	461,326
Building department	-	-	88,468	-	-	-	-	88,468
Other-unclassified	4,163,204	6,126,508	56,252	-	-	-	-	10,345,964
Total general government	4,163,204	6,126,508	660,885	-	-	-	-	10,950,597
Public safety:								
Police	-	2,687,285	1,759,104	-	-	-	-	4,446,389
Police grants and programs	-	-	1,024,161	-	-	-	-	1,024,161
Total public safety	-	2,687,285	2,783,265	-	-	-	-	5,470,550
Parks, streets, and sanitation	2,172,809	592,519	870,986	11,906,556	1,933,701	2,250,814	994,273	20,721,658
Tourism related	-	1,362,987	-	-	-	-	-	1,362,987
Total governmental funds capital assets	\$ 6,336,013	\$ 10,769,299	\$ 4,315,136	\$ 11,906,556	\$ 1,933,701	\$ 2,250,814	\$ 994,273	\$ 38,505,792

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, 2014

Function and Activity	Governmental Funds Capital Assets June 30, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General government:				
Council	\$ 10,777	\$ -	\$ -	\$ 10,777
Administration	37,484			37,484
Finance	26,203		(19,625)	6,578
Information technology	421,109	40,217		461,326
Building department	88,468			88,468
Other-unclassified	10,345,964			10,345,964
Total general government	<u>10,930,005</u>	<u>40,217</u>	<u>(19,625)</u>	<u>10,950,597</u>
Public safety:				
Police	4,228,955	285,944	(68,510)	4,446,389
Police grants and programs	291,161	733,000	-	1,024,161
Total public safety	<u>4,520,116</u>	<u>1,018,944</u>	<u>(68,510)</u>	<u>5,470,550</u>
Parks, streets, and sanitation	<u>18,229,685</u>	<u>2,759,405</u>	<u>(267,432)</u>	<u>20,721,658</u>
Tourism related	<u>1,362,987</u>	<u>-</u>	<u>-</u>	<u>1,362,987</u>
Total governmental funds capital assets	<u>\$ 35,042,793</u>	<u>\$ 3,818,566</u>	<u>\$ (355,567)</u>	<u>\$ 38,505,792</u>

VICTIMS' ASSISTANCE

Town of Lexington, South Carolina

Schedule of Court Fines, Assessments and Surcharges

Year Ended June 30, 2014

Court Fines

Court Fines Collected	\$ 317,844
Court Fines Retained	<u>317,844</u>
Court Fines Remitted to State Treasurer	<u>-</u>

Court Assessments

Court Assessments Collected	289,044
Court Assessments Retained by Town	<u>32,494</u>
Court Assessments Remitted to State Treasurer	<u>256,550</u>

Court Surcharges

Court Surcharges Collected	131,738
Court Surcharges Retained by Town	<u>6,068</u>
Court Surcharges Remitted to State Treasurer	<u>125,670</u>

Victims Services

Court Assessments Allocated to Victim Services	32,494
Court Surcharges Allocated to Victim Services	<u>6,068</u>
Funds Allocated to Victim Services	38,562
Victim Services Expenditures	<u>(62,445)</u>
Funds in Excess (Shortage) of Expenditures	(23,883)
Victim's Fund Carryforward Balance from FYE 2013	<u>-</u>

Victim's Fund Ending Balance for FYE 2014 \$ -

STATISTICAL SECTION

This section of the Comprehensive Annual Financial Report presents information that will assist in understanding the information in the financial statements, note disclosures, and the required supplementary information about the overall financial health of the Town.

Contents

Financial Trends (Pages 94 – 99)

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity (Pages 100 – 111)

These schedules present information that helps the reader assess the Town's most significant local revenue source.

Debt Capacity (Pages 112 – 116)

These schedules present information that helps the reader assess the affordability of the Town's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information (Pages 117 – 120)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information (Pages 121– 123)

These schedules contain service and infrastructure data to help the reader understand how the Town's financial report relates to the services the Town provides and the activities it performs.

TOWN OF LEXINGTON, SOUTH CAROLINA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$14,921,730	\$14,776,315	\$16,375,272	\$17,294,448	\$17,391,574	\$17,343,697	\$18,671,416	\$21,138,355	\$15,512,819	\$22,280,682
Restricted	1,860,561	1,765,083	1,313,881	856,430	764,871	752,874	646,729	791,947	4,369,475	1,872,027
Unrestricted	2,411,116	4,074,923	3,958,676	4,609,765	4,633,354	4,163,918	4,618,694	2,679,714	4,805,256	1,433,504
Total Governmental Activities Net Position	\$19,193,407	\$20,616,321	\$21,647,829	\$22,760,643	\$22,789,799	\$22,260,489	\$23,936,839	\$24,610,016	\$24,687,550	\$25,586,213
Business-Type Activities										
Net investment in capital assets	\$22,064,484	\$27,373,745	\$32,363,082	\$31,365,187	\$42,701,133	\$47,900,686	\$52,046,172	\$58,355,456	\$62,655,081	\$60,161,057
Restricted	400,728	467,675	511,882	1,087,650	1,022,075	2,789,256	1,964,536	2,302,194	2,828,869	2,770,896
Unrestricted	10,225,445	15,129,902	19,398,245	24,332,551	22,405,374	14,813,144	14,862,934	11,669,866	10,981,789	12,496,964
Total Business-Type Activities Net Position	\$32,690,657	\$42,971,322	\$52,273,209	\$65,785,388	\$66,128,582	\$65,503,086	\$68,873,642	\$72,327,516	\$76,465,739	\$75,428,917
Primary Government										
Net investment in capital assets	\$36,986,214	\$42,150,060	\$48,738,354	\$48,659,635	\$60,092,707	\$65,244,383	\$70,717,588	\$79,493,811	\$78,167,900	\$82,441,739
Restricted	2,261,289	2,232,758	1,825,763	10,944,080	1,786,946	3,542,130	2,611,265	3,094,141	7,198,344	4,642,923
Unrestricted	12,636,561	19,204,825	23,356,921	28,942,316	27,038,728	18,977,062	19,481,628	14,349,580	15,787,045	13,930,468
Total Primary Government Net Position	\$51,884,064	\$63,587,643	\$73,921,038	\$88,546,031	\$88,918,381	\$87,763,575	\$92,810,481	\$96,937,532	\$101,153,289	\$101,015,130

TOWN OF LEXINGTON, SOUTH CAROLINA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$ 1,395,091	\$ 1,723,654	\$ 1,693,276	\$ 1,932,426	\$ 1,903,122	\$ 1,961,061	\$ 2,101,340	\$ 2,160,110	\$ 2,219,010	\$ 2,452,235
Public Safety	2,595,158	2,768,585	2,981,243	3,440,468	3,824,185	4,037,119	4,296,328	4,592,481	4,885,709	5,067,670
Parks, Streets, and Sanitation	1,897,425	1,979,016	2,092,395	2,346,278	2,573,999	2,668,500	2,658,291	2,946,943	2,965,844	3,148,892
Victims' Assistance	54,696	55,732	61,962	30,792	32,714	37,978	57,155	58,844	64,050	60,586
Housing Rehabilitation	157,053	136,985	-	-	-	-	-	-	-	-
Tourism Related	332,007	31,448	33,278	52,957	80,041	83,000	114,127	191,767	65,226	117,156
Interest on Long-Term Debt	358,158	252,162	230,334	232,385	214,722	185,219	110,855	68,056	205,715	80,910
Total Governmental Activities Expenses	6,789,588	6,947,582	7,092,488	8,035,306	8,628,783	8,972,877	9,338,096	10,018,201	10,405,554	10,927,449
Business-Type Activities:										
Water and Sewer System	8,539,264	9,195,210	9,455,125	10,050,163	11,663,285	11,736,236	11,086,772	10,393,672	12,006,205	14,326,478
Total Business-Type Activities Expenses	8,539,264	9,195,210	9,455,125	10,050,163	11,663,285	11,736,236	11,086,772	10,393,672	12,006,205	14,326,478
Total Primary Government Expenses	\$ 15,328,852	\$ 16,142,792	\$ 16,547,613	\$ 18,085,469	\$ 20,292,068	\$ 20,709,113	\$ 20,424,868	\$ 20,411,873	\$ 22,411,759	\$ 25,253,927
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 254,412	\$ 304,403	\$ 367,681	\$ 349,718	\$ 292,294	\$ 295,430	\$ 312,813	\$ 317,510	\$ 397,902	\$ 280,736
Public Safety	199,256	238,831	252,458	297,015	265,117	248,642	270,003	284,140	303,152	330,134
Parks, Streets, and Sanitation	713,897	773,362	827,857	906,815	1,055,776	1,110,959	1,193,982	1,198,980	1,215,474	1,288,368
Victims' Assistance	29,878	34,330	29,390	32,289	31,152	31,928	39,201	40,394	41,430	38,361
Housing Rehabilitation	138	-	-	-	-	-	-	-	-	-
Tourism Related	54,116	59,528	98,776	109,419	152,795	148,602	164,572	190,030	162,588	204,867
Operating Grants and Contributions	207,811	278,086	221,899	232,901	183,213	171,504	141,947	348,780	302,618	279,646
Capital Grants and Contributions	1,360,018	1,193,869	452,296	990,687	223,584	51,067	1,615,008	1,246,751	539,066	1,739,145
Total Governmental Activities Program Revenues	2,819,526	2,902,409	2,250,357	2,918,844	2,203,931	2,058,132	3,737,526	3,626,585	2,962,230	4,161,257
Business-Type Activities:										
Charges for Services	7,494,063	8,506,545	9,479,885	10,453,703	10,383,182	11,207,252	11,705,190	12,272,844	12,761,048	13,055,451
Water and Sewer System	4,976,928	10,425,149	8,371,795	12,161,239	1,127,593	5,826,838	2,566,082	1,512,554	3,350,276	2,925,129
Capital Grants and Contributions	12,470,991	18,931,694	17,851,680	22,614,942	11,510,775	17,034,090	14,271,272	13,785,398	16,111,324	15,980,580
Total Business-Type Activities Program Revenues	\$ 15,290,517	\$ 21,834,103	\$ 20,102,037	\$ 25,533,786	\$ 13,714,706	\$ 19,092,222	\$ 18,008,798	\$ 17,411,983	\$ 19,073,554	\$ 20,141,837

TOWN OF LEXINGTON, SOUTH CAROLINA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

(Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental Activities	\$ (3,970,062)	\$ (4,045,173)	\$ (4,842,131)	\$ (5,116,462)	\$ (6,424,852)	\$ (6,914,745)	\$ (5,600,570)	\$ (6,391,616)	\$ (7,443,324)	\$ (6,766,192)
Business-Type Activities	3,931,727	9,736,484	8,396,555	12,564,779	(152,510)	5,297,854	3,184,500	3,391,726	4,105,119	1,654,102
Total Primary Government Net (Expense)/Revenue	\$ (38,335)	\$ 5,691,311	\$ 3,554,424	\$ 7,448,317	\$ (6,577,362)	\$ (1,616,891)	\$ (2,416,070)	\$ (2,999,890)	\$ (3,338,205)	\$ (5,112,090)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes by Source:										
Property Tax	\$ 2,101,197	\$ 2,133,809	\$ 2,196,430	\$ 2,322,437	\$ 2,671,139	\$ 2,854,745	\$ 3,110,860	\$ 3,168,186	\$ 3,215,838	\$ 3,290,669
Business License Tax	2,430,443	2,744,734	2,899,862	3,247,655	3,251,864	3,176,416	3,785,323	3,515,175	3,984,362	4,002,197
Hospitality Tax	1,236,308	47,652	-	-	-	-	-	-	-	-
State Aid not Restricted for Specific Purpose	321,134	388,904	497,311	504,983	483,458	410,479	373,356	357,512	416,313	418,627
Unrestricted Investment Earnings	122,275	220,046	306,718	183,048	52,873	21,179	14,326	5,436	1,873	1,868
Miscellaneous	15,651	14,062	21,885	4,428	9,146	-	-	-	-	-
Gain on sale of capital assets	(A)	(A)	19,115	20,291	24,268	(54,202)	(104)	18,484	(97,528)	(48,506)
Transfers	272,562	(81,120)	(67,682)	(53,566)	(38,740)	(23,182)	(6,841)	-	-	-
Total Governmental Activities	6,499,570	5,468,087	5,873,639	6,229,276	6,454,008	6,385,435	7,276,920	7,064,793	7,520,858	7,664,855
Business-Type Activities:										
Water and Sewer System:										
Unrestricted Investment Earnings	226,087	463,061	837,650	893,834	456,964	201,442	179,215	62,148	33,104	42,670
Transfers	(272,562)	81,120	67,682	53,566	38,740	23,182	6,841	-	-	-
Impairment Loss	-	-	-	-	-	(6,147,974)	-	-	-	-
Total Business-Type Activities	(46,475)	544,181	905,332	947,400	495,704	(5,923,350)	186,056	62,148	33,104	42,670
Total Primary Government	\$ 6,453,095	\$ 6,012,268	\$ 6,778,971	\$ 7,176,676	\$ 6,949,712	\$ 462,085	\$ 7,462,976	\$ 7,126,941	\$ 7,553,962	\$ 7,707,525
Change in Net Position:										
Governmental Activities	\$ 2,529,508	\$ 1,422,914	\$ 1,031,508	\$ 1,112,814	\$ 29,156	\$ (529,310)	\$ 1,676,350	\$ 673,177	\$ 77,534	\$ 898,663
Business-Type Activities	3,885,252	10,280,665	9,301,887	13,512,179	343,194	(625,496)	3,370,556	3,453,874	4,138,223	1,696,772
Total Primary Government	\$ 6,414,760	\$ 11,703,579	\$ 10,333,395	\$ 14,624,993	\$ 372,350	\$ (1,154,806)	\$ 5,046,906	\$ 4,127,051	\$ 4,215,757	\$ 2,595,435

TOWN OF LEXINGTON, SOUTH CAROLINA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 127,860	\$ 7,651	\$ 3,200	\$ -	\$ -	(A)	(A)	(A)	(A)	(A)
Unreserved	2,501,473	3,400,828	4,250,125	4,746,154	4,873,531	(A)	(A)	(A)	(A)	(A)
Total General Fund	\$ 2,629,333	\$ 3,408,479	\$ 4,253,325	\$ 4,746,154	\$ 4,873,531	(A)	(A)	(A)	(A)	(A)
All Other Governmental Funds										
Reserved	\$ 316,048	\$ 327,327	\$ 223,253	\$ 219,498	\$ 214,381	(A)	(A)	(A)	(A)	(A)
Unreserved, Reported In:										
Special Revenue Funds	1,562,355	1,609,708	680,572	545,986	598,980	(A)	(A)	(A)	(A)	(A)
Capital Projects	515,903	494,133	571,806	274,035	70,625	(A)	(A)	(A)	(A)	(A)
Total All Other Governmental Funds	\$ 2,394,306	\$ 2,431,168	\$ 1,475,631	\$ 1,039,519	\$ 883,986	(A)	(A)	(A)	(A)	(A)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	N/A	N/A	N/A	N/A	N/A	\$ -	\$ 802	\$ 464	\$ 133,596	\$ 9,580
Restricted	N/A	N/A	N/A	N/A	N/A	-	-	-	-	-
Committed	N/A	N/A	N/A	N/A	N/A	-	580,000	630,000	330,000	330,000
Unassigned	N/A	N/A	N/A	N/A	N/A	730,000	4,338,139	3,926,382	3,829,904	3,575,917
Total General Fund	N/A	N/A	N/A	N/A	N/A	\$ 730,000	\$ 4,918,941	\$ 4,556,846	\$ 4,293,500	\$ 3,915,497
All Other Governmental Funds										
Special Revenue Funds										
Nonspendable	N/A	N/A	N/A	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	N/A	N/A	N/A	N/A	N/A	589,348	630,060	599,771	895,737	933,099
Committed	N/A	N/A	N/A	N/A	N/A	79,129	79,468	79,308	79,495	37
Assigned	N/A	N/A	N/A	N/A	N/A	-	-	-	22	-
Unassigned	N/A	N/A	N/A	N/A	N/A	(23,417)	(2,215)	(2,046)	(17,496)	(494,890)
Capital Projects and Debt Service										
Nonspendable	N/A	N/A	N/A	N/A	N/A	-	-	-	-	-
Restricted	N/A	N/A	N/A	N/A	N/A	213,332	219,489	223,326	1,401,520	971,758
Committed	N/A	N/A	N/A	N/A	N/A	-	-	-	-	-
Unassigned	N/A	N/A	N/A	N/A	N/A	(1,545,274)	(1,393,888)	(1,410,346)	-	(428,061)
Total All Other Governmental Funds	N/A	N/A	N/A	N/A	N/A	\$ (686,882)	\$ (667,086)	\$ (509,987)	\$ 2,359,278	\$ 981,943

(A) GASB 54 was not implemented until the 2011 fiscal year.

TOWN OF LEXINGTON, SOUTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)
 (Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes by Source:										
Property Tax	\$ 2,101,280	\$ 2,146,307	\$ 2,203,891	\$ 2,330,486	\$ 2,612,358	\$ 2,822,779	\$ 3,160,454	\$ 3,150,728	\$ 3,257,650	\$ 3,291,130
Hospitality Tax	1,236,308	6,902	-	-	-	-	-	-	-	-
Franchises, Licenses, and Permits	3,340,848	3,776,681	4,038,424	4,430,778	4,426,695	4,492,871	5,186,480	4,912,344	5,403,682	5,451,208
Intergovernmental	824,628	869,401	838,708	755,401	895,221	613,716	911,619	816,701	765,510	1,331,185
Fines and Forfeitures	233,947	282,805	271,873	321,773	295,252	280,570	309,147	324,577	344,552	366,368
Interest Income	122,275	220,046	306,718	183,046	52,874	21,179	16,897	3,219	3,877	3,457
Charges for Services	10,175	26,263	37,700	52,680	-	-	-	-	-	-
Miscellaneous	112,579	117,916	145,291	344,486	331,231	257,870	252,388	318,827	308,091	358,310
Total Revenues	\$ 7,982,040	\$ 7,446,321	\$ 7,842,605	\$ 8,418,650	\$ 8,613,631	\$ 8,488,985	\$ 9,836,985	\$ 9,526,396	\$10,083,362	\$10,801,658
Expenditures										
Current:										
General Government	\$ 1,253,880	\$ 1,528,647	\$ 1,502,701	\$ 1,692,744	\$ 1,691,295	\$ 1,784,460	\$ 1,877,082	\$ 2,051,576	\$ 2,087,405	\$ 2,298,407
Public Safety	2,307,164	2,544,655	2,758,380	3,163,135	3,540,434	3,675,273	3,898,756	4,178,929	4,460,077	4,643,948
Parks, Streets and Sanitation	1,387,808	1,476,649	1,552,945	1,734,346	2,023,987	2,000,102	2,140,089	2,299,070	2,189,384	2,273,710
Tourism Related	332,007	31,448	33,278	52,957	51,363	75,838	82,300	74,224	33,073	117,156
Housing Rehabilitation	157,053	136,985	-	-	-	-	-	-	-	-
Victims' Assistance	54,696	55,732	61,962	30,792	33,106	38,000	57,457	60,212	61,316	62,515
Capital Outlay	1,555,783	637,421	1,556,975	1,074,235	754,163	2,313,043	1,056,849	660,059	1,766,513	3,000,980
Debt Service:										
Principal	3,958,672	424,035	485,522	460,210	437,894	447,091	463,219	352,540	360,000	399,250
Interest and Other Charges	250,518	135,506	121,074	129,365	100,548	89,752	80,508	73,266	107,066	27,465
Total Expenditures	\$11,257,581	\$ 6,971,078	\$ 8,072,837	\$ 8,337,784	\$ 8,632,790	\$10,423,559	\$ 9,656,260	\$ 9,749,876	\$11,064,834	\$12,823,431
Excess of Revenues Over (Under) Expenditures	\$ (3,275,541)	\$ 475,243	\$ (230,232)	\$ 80,866	\$ (19,159)	\$ (1,934,574)	\$ 180,725	\$ (223,480)	\$ (981,472)	\$ (2,021,773)

TOWN OF LEXINGTON, SOUTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

(Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Transfers In	891,307	487,151	1,339,328	531,469	487,173	651,363	723,719	785,262	842,134	2,233,260
Transfers Out	(618,745)	(568,271)	(1,407,010)	(585,035)	(525,913)	(674,545)	(730,560)	(785,262)	(842,134)	(2,233,260)
Proceeds from Capital Lease/Other Obligations	178,205	421,885	168,108	-	-	-	-	-	-	-
Issuance of Special Source Revenue Bonds	3,615,000	-	-	-	-	-	230,000	-	3,362,602	-
Sale of Capital Assets	-	-	19,115	29,417	29,743	14,451	33,759	18,484	284,680	259,949
Refunding Bonds Issued	-	-	-	-	-	-	-	-	(59,892)	6,484
	<u>4,065,767</u>	<u>340,765</u>	<u>119,541</u>	<u>(24,149)</u>	<u>(8,997)</u>	<u>(8,731)</u>	<u>256,918</u>	<u>18,484</u>	<u>3,587,390</u>	<u>266,433</u>
Total Other Financing Sources (Uses)										
Net Change in Fund Balances	\$ 790,226	\$ 816,008	\$ (110,691)	\$ 56,717	\$ (28,156)	\$ (1,943,305)	\$ 437,643	\$ (204,996)	\$ 2,605,918	\$ (1,755,340)
Capital Asset Expenditures	\$ 1,555,783	\$ 637,421	\$ 1,434,778	\$ 870,002	\$ 754,163	\$ 2,313,043	\$ 1,056,849	\$ 660,059	\$ 1,766,513	\$ 3,000,980
Debt Service as a										
Percentage of Noncapital Expenditures	43.4%	8.8%	9.1%	7.9%	6.8%	6.6%	6.3%	4.7%	5.0%	4.3%

TOWN OF LEXINGTON, SOUTH CAROLINA
 WATER AND SEWER CONSUMPTION AND TOTAL DIRECT RATES
 LAST TEN FISCAL YEARS

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Service (Thousands of Gallons)										
In-Town										
Residential	270,395	298,705	326,468	356,966	333,774	348,754	367,348	368,588	346,806	324,390
Commercial	262,146	277,912	286,821	329,326	337,983	337,185	358,183	349,748	344,239	329,868
Total	532,541	576,617	613,289	686,292	671,757	685,939	725,531	718,336	691,045	654,258
Out of Town										
Residential	38,445	45,644	64,214	90,539	89,152	90,615	95,835	94,298	92,978	95,131
Commercial	53,445	46,603	46,029	44,487	34,498	36,086	35,328	34,966	31,574	31,688
Total	91,890	92,247	110,243	135,026	123,650	126,701	131,163	129,264	124,552	126,819
Total Direct Rate	\$ 4.73	\$ 4.86	\$ 4.96	\$ 4.83	\$ 4.83	\$ 5.12	\$ 5.14	\$ 5.44	\$ 5.67	\$ 6.07
Sewer Service (Thousands of Gallons)										
In-Town										
Residential	281,288	313,189	339,419	368,868	344,681	364,126	380,713	381,916	359,416	335,846
Commercial	202,923	212,568	216,963	235,984	250,960	250,519	271,947	258,450	263,636	266,636
Total	484,211	525,757	556,382	604,852	595,641	614,645	652,660	640,366	623,052	602,482
Out of Town										
Residential	201,671	250,374	316,477	402,550	375,653	425,739	423,537	436,860	434,392	405,229
Commercial	46,056	49,651	50,746	49,413	50,960	48,873	52,337	56,763	55,603	59,522
Total	247,727	300,025	367,223	451,963	426,613	474,612	475,874	493,623	489,995	464,751
Total Direct Rate	\$ 5.63	\$ 5.79	\$ 5.72	\$ 5.55	\$ 5.86	\$ 5.97	\$ 6.06	\$ 6.32	\$ 6.71	\$ 7.30

Source: Utility billing records

TOWN OF LEXINGTON, SOUTH CAROLINA
 WATER AND SEWER DIRECT RATES
 LAST TEN FISCAL YEARS
 (Unaudited)

Water Service	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		
	Monthly Base	Volume																			
In-Town:																					
Residential	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.48	\$ 3.61	\$ 6.67	\$ 3.72	\$ 6.87	\$ 3.83	\$ 7.08	\$ 3.94	\$ 7.29	\$ 4.06	
Commercial	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.48	\$ 3.37	\$ 6.67	\$ 3.47	\$ 6.87	\$ 3.57	\$ 7.08	\$ 3.68	\$ 7.29	\$ 3.79	
Out of Town:																					
Residential	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.67	\$ 6.75	\$ 10.99	\$ 6.95	\$ 11.32	\$ 7.16	\$ 11.66	\$ 7.37	\$ 12.01	\$ 7.59	
Commercial	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.67	\$ 6.32	\$ 10.99	\$ 6.51	\$ 11.32	\$ 6.71	\$ 11.66	\$ 6.91	\$ 12.01	\$ 7.12	
Sewer Service																					
In-Town:																					
Residential	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 6.15	\$ 4.26	\$ 6.33	\$ 4.39	\$ 6.52	\$ 4.52	\$ 6.72	\$ 4.66	\$ 6.92	\$ 4.80	
Commercial	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 6.15	\$ 4.26	\$ 6.33	\$ 4.39	\$ 6.52	\$ 4.52	\$ 6.72	\$ 4.66	\$ 6.92	\$ 4.80	
Out of Town:																					
Residential	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 8.18	\$ 7.52	\$ 8.43	\$ 7.75	\$ 8.68	\$ 7.98	\$ 8.94	\$ 8.22	\$ 9.21	\$ 8.47	
Commercial	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 8.18	\$ 7.52	\$ 8.43	\$ 7.75	\$ 8.68	\$ 7.98	\$ 8.94	\$ 8.22	\$ 9.21	\$ 8.47	

Source: Town of Lexington water and sewer rate schedules

Note: Monthly base rates apply to 5/8" x 3/4" meters - the majority of meters in use for both residential and commercial users. Higher base rates apply to users with larger meters.

TOWN OF LEXINGTON, SOUTH CAROLINA
 PRINCIPAL WATER AND SEWER CUSTOMERS
 (Unaudited)

		June 30, 2014				June 30, 2013			
		WATER		SEWER		WATER		SEWER	
Taxpayer	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption
County Government	32,777	1	2.51%	28,997	1	2.73%	27,827	1	3.41%
Apartment Complex	17,508	2	1.34%	17,508	2	1.65%	17,285	2	2.12%
Apartment Complex	11,415	3	0.88%	10,769	4	1.01%	11,409	3	1.40%
Apartment Complex	10,224	4	0.78%	8,663	7	0.82%	10,399	4	1.36%
Apartment Complex	10,021	5	0.77%	8,345	8	0.79%	10,468	5	1.28%
Apartment Complex	9,540	6	0.73%	9,540	5	0.90%	9,901	6	1.21%
Apartment Complex	6,708	7	0.51%	-	-	-	7,359	7	0.90%
Apartment Complex	5,843	8	0.45%	5,843	10	0.55%	7,352	8	0.90%
Manufacturer	4,560	9	0.35%	-	-	-	7,030	9	0.86%
Apartment Complex	4,351	10	0.33%	-	-	-	4,733	10	0.58%
School District	-	-	-	13,795	3	1.30%	-	-	-
Mobile Home Park	-	-	-	9,050	6	0.85%	-	-	-
Extended Care Facility	-	-	-	7,003	9	0.66%	-	-	-
Totals	112,947		8.65%	119,543		11.26%	114,462		14.02%
Total Consumption	1,304,560			1,062,838			815,597		1.113,047

		June 30, 2012				June 30, 2011			
		WATER		SEWER		WATER		SEWER	
Taxpayer	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption
County Government	29,015	1	1.08%	27,720	1	2.45%	32,652	1	1.25%
Apartment Complex	13,483	2	0.50%	13,483	3	1.19%	14,989	2	0.54%
Apartment Complex	13,213	3	0.49%	8,964	7	0.79%	13,771	3	0.53%
Apartment Complex	11,334	5	0.42%	9,562	4	0.85%	13,168	4	0.50%
Apartment Complex	12,159	4	0.45%	8,754	8	0.77%	10,922	5	0.42%
Apartment Complex	9,250	7	0.34%	9,250	5	0.82%	10,849	6	0.41%
Apartment Complex	6,882	10	0.26%	-	-	-	8,970	7	0.34%
Apartment Complex	8,326	9	0.31%	8,326	9	0.74%	7,990	8	0.28%
Medical Center	8,426	8	0.31%	-	-	-	7,083	9	0.27%
Manufacturer	-	-	-	-	-	-	6,182	10	0.24%
School District	-	-	-	-	-	-	-	-	-
Retirement Residence	10,671	6	0.40%	18,069	2	1.60%	-	-	-
Mobile Home Park	-	-	-	9,097	6	0.80%	-	-	-
Extended Care Facility	-	-	-	6,477	10	0.57%	-	-	-
Totals	122,760		4.36%	119,703		10.58%	124,977		4.78%
Total Consumption	2,695,812			1,131,481			2,620,698		1.127,372

TOWN OF LEXINGTON, SOUTH CAROLINA
 PRINCIPAL WATER AND SEWER CUSTOMERS

(Unaudited)
 (Continued)

		June 30, 2010				June 30, 2009			
		WATER		SEWER		WATER		SEWER	
Taxpayer	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption
County Government	27,645	1	1.78%	28,130	1	2.59%	26,511	1	1.76%
Apartment Complex	14,711	2	0.94%	14,711	3	1.35%	14,870	2	0.99%
Apartment Complex	14,139	3	0.91%	9,168	6	0.84%	14,388	3	1.41%
Apartment Complex	13,773	4	0.83%	11,155	4	1.03%	11,674	4	0.77%
Apartment Complex	11,544	5	0.74%	8,799	7	0.81%	10,777	5	0.72%
Apartment Complex	10,515	6	0.68%	10,515	5	0.97%	8,401	6	0.56%
Apartment Complex	6,906	7	0.44%	6,906	8	0.63%	7,926	7	0.53%
Apartment Complex	6,507	8	0.42%	5,730	10	0.53%	-	-	-
Medical Center	6,405	9	0.41%	-	-	-	7,214	8	0.48%
Manufacturer	5,986	10	0.38%	-	-	-	6,416	9	0.43%
School District	-	-	-	16,518	2	1.52%	4,854	10	0.32%
Retirement Residence	-	-	-	-	-	-	-	-	-
Extended Care Facility	-	-	-	6,508	9	0.58%	-	-	-
Mobile Home Park	-	-	-	-	-	-	6,040	9	0.59%
Totals	118,131	-	7.58%	117,940	-	10.85%	113,031	-	7.50%
Total Consumption	1,556,813	-	-	1,087,663	-	-	1,506,843	-	-

		June 30, 2008				June 30, 2007			
		WATER		SEWER		WATER		SEWER	
Taxpayer	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption
County Government	28,243	1	1.79%	28,494	1	2.72%	27,479	1	1.83%
Apartment Complex	13,186	2	0.84%	10,413	3	0.99%	14,014	2	0.93%
Apartment Complex	10,236	3	0.65%	6,565	6	0.63%	9,605	3	0.64%
Apartment Complex	9,126	4	0.58%	9,126	4	0.87%	9,241	4	0.61%
Apartment Complex	8,901	5	0.56%	4,513	10	0.43%	7,836	5	0.52%
Apartment Complex	8,109	6	0.51%	6,366	7	0.61%	6,260	8	0.48%
Medical Center	7,319	7	0.46%	-	-	-	6,129	6	0.41%
School District	7,248	8	0.46%	20,181	2	1.92%	5,858	7	0.39%
Apartment Complex	5,905	9	0.37%	5,905	9	0.56%	5,856	9	0.39%
Manufacturer	5,617	10	0.36%	-	-	-	6,729	8	0.45%
Retirement Residence	-	-	-	-	-	-	4,499	10	0.30%
Extended Care Facility	-	-	-	7,002	5	0.67%	-	-	-
Mobile Home Park	-	-	-	6,092	8	0.58%	-	-	-
Totals	103,890	-	6.59%	104,658	-	9.98%	97,256	-	6.46%
Total Consumption	1,577,464	-	-	1,048,652	-	-	1,504,809	-	-

TOWN OF LEXINGTON, SOUTH CAROLINA
 PRINCIPAL WATER AND SEWER CUSTOMERS

(Unaudited)
 (Continued)

Taxpayer	WATER				SEWER			
	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption	Percentage of Total Consumption
County Government	19,825	1	2.96%	20,135	1	2.44%		
Apartment Complex	13,654	2	2.04%	13,654	3	1.65%		
Apartment Complex	12,434	3	1.86%	10,251	5	1.24%		
Apartment Complex	10,548	4	1.58%	10,548	6	1.28%		
Apartment Complex	9,101	5	1.36%	7,227	4	0.88%		
Manufacturer	8,498	6	1.27%	-	-	-		
Manufacturer	7,590	7	1.13%	-	-	-		
Apartment Complex	6,651	8	0.99%	6,651	8	0.81%		
Medical Center	6,141	9	0.92%	3,767	10	0.46%		
School District	5,882	10	0.88%	18,122	2	2.19%		
Extended Care Facility	-	-	-	6,887	7	0.83%		
Mobile Home Park	-	-	-	-	-	-		
Manufacturer	-	-	-	-	-	-		
Totals	100,324	-	14.99%	97,242	-	11.78%		
Total Consumption	669,045			825,630				

Source: Town of Lexington Billing Records

Note: Records prior to 2006 not readily available.

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		Total Direct Tax Rate	Ratio of Total Assessed Value to Estimated Actual Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2005	2004	\$ 35,236,570	\$ 718,734,147	\$ 12,216,770	\$ 132,269,358	\$ 47,453,340	\$ 851,003,505	43.70	5.58%
2006	2005	45,116,590	927,724,390	12,237,780	138,175,200	57,354,370	1,065,899,590	36.24	5.38%
2007	2006	47,958,170	973,175,071	12,475,870	149,786,751	60,434,040	1,122,961,822	36.24	5.38%
2008	2007	52,154,580	1,071,640,833	12,021,200	156,658,524	64,175,780	1,228,299,357	36.24	5.22%
2009	2008	58,879,110	1,200,208,137	13,355,630	169,176,405	72,234,740	1,369,384,542	36.24	5.27%
2010	2009	64,659,360	1,311,047,439	13,658,320	171,525,024	78,317,680	1,482,572,463	36.24	5.28%
2011	2010	71,065,230	1,469,218,111	15,725,580	186,724,571	86,790,810	1,655,942,682	35.14	5.24%
2012	2011	73,511,410	1,500,776,722	16,181,230	196,567,736	89,692,640	1,697,344,458	35.14	5.28%
2013	2012	75,601,410	1,546,487,637	15,469,980	197,303,286	91,071,390	1,743,790,923	35.14	5.22%
2014	2013	\$ 77,204,480	\$ 1,581,452,032	\$ 16,073,550	\$ 209,417,714	\$ 93,278,030	\$ 1,790,869,746	35.14	5.21%

Source: Lexington County Auditor's Office

Notes: Includes Fee In Lieu. Direct tax rate is per \$1000 of assessed value.

TOWN OF LEXINGTON, SOUTH CAROLINA

PROPERTY TAX RATES-DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Town of Lexington	Lexington		Midlands		Riverbanks Zoo	Mental Health	School District 1	School District 2	Total
		County	School District 1	Technical College	Recreation Commission					
2004	\$ 43.70	\$ 87.32	\$ 285.10	\$ -	\$ 4.27	\$ 15.10	\$ 0.74	\$ 438.12	\$ -	\$ -
2005 (1)	36.24	77.92	272.10	-	4.31	13.52	0.66	406.59	-	-
2006	36.24	80.56	287.10	173.15	4.45	13.98	0.68	424.93	310.98	310.98
2007	36.24	85.14	301.40	178.60	4.45	18.02	0.68	447.89	325.09	325.09
2008	36.24	89.06	311.28	178.60	4.45	16.60	0.68	460.20	327.52	327.52
2009	36.24	81.99	328.29	185.73	4.45	15.60	0.63	468.98	326.42	326.42
2010 (1)	35.14	79.05	333.61	183.12	4.30	15.44	0.50	469.82	319.33	319.33
2011	35.14	80.73	338.71	183.22	4.37	16.02	0.51	477.27	321.78	321.78
2012	35.14	83.35	338.11	183.12	4.37	15.74	0.50	479.00	324.01	324.01
2013	\$ 35.14	\$ 86.89	\$ 349.67	\$ 183.12	\$ 4.37	\$ 15.74	\$ 0.50	\$ 494.20	\$ 327.65	\$ 327.65

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

Note: Amounts are per \$1,000 of Assessed Value

Source: Lexington County Finance Office and Town of Lexington tax levies

TOWN OF LEXINGTON, SOUTH CAROLINA
 PRINCIPAL PROPERTY TAXPAYERS

(Unaudited)

	2014			2013			2012		
	Taxable Assessed Value (12/31/2013)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/2012)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/2011)	Percentage of Total Taxable Assessed Value	Rank
Taxpayer									
South Carolina Electric & Gas	\$ 2,840,070	3.04%	1	\$ 2,851,310	2.81%	1	\$ 2,299,770	2.56%	1
Lalwacee at Schulz Pointe, LLC	969,620	1.04%	2	969,620	1.06%	2	969,620	1.08%	2
Century Mill Partners, LLC	966,520	1.04%	3	965,400	1.04%	3	965,150	1.07%	3
Cedarcrest Village Apartments	870,000	0.92%	4	856,030	0.94%	5	886,600	0.65%	8
Lantern Ridge Apartments, LP	837,000	0.90%	5	860,500	0.94%	4	837,000	0.92%	4
Lowes Home Centers	807,880	0.87%	6	762,680	0.84%	7	790,310	0.88%	6
Morgan Overlook Apartments, LLC	729,000	0.77%	7	804,740	0.88%	6	804,740	0.90%	5
W M Lexington Trak	610,850	0.65%	8	610,850	0.67%	8	610,850	0.68%	7
Herman Family Real Estate Company	572,650	0.61%	9	572,650	0.63%	9	553,580	0.62%	10
Home Depot USA	562,150	0.60%	10	557,450	0.61%	10	568,830	0.63%	9
Allied	-	-	-	-	-	-	-	-	-
Baker & Baker Eln	-	-	-	-	-	-	-	-	-
BB&T	-	-	-	-	-	-	-	-	-
BW Krux, Inc.	-	-	-	-	-	-	-	-	-
Century Centennial Century Mill	-	-	-	-	-	-	-	-	-
Chimney Ridge Partners	-	-	-	-	-	-	-	-	-
Elens & Avera Plumbing	-	-	-	-	-	-	-	-	-
Golden Hills Partnership	-	-	-	-	-	-	-	-	-
Inland Southeast Lexington LLC	-	-	-	-	-	-	-	-	-
Kohart	-	-	-	-	-	-	-	-	-
Kobly Department Stores, Inc.	-	-	-	-	-	-	-	-	-
Lesco Associates	-	-	-	-	-	-	-	-	-
Old Mill Apartments/ Lexington	-	-	-	-	-	-	-	-	-
Roberts Enterprises	-	-	-	-	-	-	-	-	-
RSR (Oakland) Lexington, LLC	-	-	-	-	-	-	-	-	-
Safely Clean	-	-	-	-	-	-	-	-	-
Shenandoah Apartments	-	-	-	-	-	-	-	-	-
Trage Construction	-	-	-	-	-	-	-	-	-
Trihill LP	-	-	-	-	-	-	-	-	-
Tot Center Partnership	-	-	-	-	-	-	-	-	-
Totals	\$ 9,758,730	10.46%		\$ 9,519,430	10.45%		\$ 8,084,370	10.02%	
Total Assessed Valuations	\$ 91,278,030			\$ 91,071,330			\$ 89,692,540		

	2011			2010			2009		
	Taxable Assessed Value (12/31/2010)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/2009)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/2008)	Percentage of Total Taxable Assessed Value	Rank
Taxpayer									
South Carolina Electric & Gas	\$ 2,066,320	2.38%	1	\$ 1,690,880	2.16%	1	\$ 1,462,650	2.02%	1
Lalwacee at Schulz Pointe, LLC	969,620	1.12%	2	843,150	1.08%	3	843,150	1.17%	3
Century Mill Partners, LLC	966,520	1.11%	3	960,050	1.23%	2	-	-	-
Laurea Ridge Apartments, LP	824,860	0.95%	4	-	-	-	-	-	-
Lowes Home Centers	804,700	0.93%	5	805,800	1.03%	4	743,060	1.03%	4
Morgan Overlook Apartments, LLC	807,000	0.93%	6	738,200	0.97%	5	-	-	-
W M Lexington Trak	610,850	0.70%	7	566,970	0.72%	7	370,810	0.79%	6
Cedarcrest Village Apartments	586,600	0.68%	8	510,090	0.65%	9	510,090	0.71%	8
Herman Family Real Estate Co., L	529,360	0.61%	10	538,950	0.71%	8	559,470	0.77%	7
Tanger Corporation	-	-	-	-	-	-	1,299,000	1.80%	2
Shenandoah Apartments	-	-	-	-	-	-	-	-	-
Blind Stambred Lexington LLC	-	-	-	490,260	0.63%	10	490,260	0.68%	9
Century Centennial Century Mill	-	-	-	584,340	0.75%	6	622,630	0.86%	5
RSC Oakleaf Lexington, LLC	-	-	-	-	-	-	-	-	-
Elens & Avera Plumbing	-	-	-	-	-	-	481,630	0.67%	10
Thornhill LP	-	-	-	-	-	-	-	-	-
Old Mill Apartments/ Lexington	-	-	-	-	-	-	-	-	-
Baker & Baker Eln	-	-	-	-	-	-	-	-	-
Chimney Ridge Partners	-	-	-	-	-	-	-	-	-
Kohly Department Stores, Inc.	-	-	-	-	-	-	-	-	-
Allied	-	-	-	-	-	-	-	-	-
Safely Clean	-	-	-	-	-	-	-	-	-
Kohart	-	-	-	-	-	-	-	-	-
Lesco Associates	-	-	-	-	-	-	-	-	-
BW Krux, Inc.	-	-	-	-	-	-	-	-	-
Tot Center Partnership	-	-	-	-	-	-	-	-	-
BB&T	-	-	-	-	-	-	-	-	-
Golden Hills Partnership	-	-	-	-	-	-	-	-	-
Roberts Enterprises	-	-	-	-	-	-	-	-	-
Totals	\$ 8,717,370	10.04%		\$ 7,068,370	9.92%		\$ 7,582,370	10.50%	
Total Assessed Valuations	\$ 86,799,810			\$ 78,631,680			\$ 72,541,740		

TOWN OF LEXINGTON, SOUTH CAROLINA
 PRINCIPAL PROPERTY TAXPAYERS

(Unaudited)
 (Continued)

Taxpayer	2008			2007			2006			1998		
	Taxable Assessed Value (12/31/2007)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/2006)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/2005)	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value (12/31/1997)	Percentage of Total Taxable Assessed Value	Rank
South Carolina Electric & Gas	\$ 1,300,120	2.03%	1	\$ 1,234,210	2.03%	1	\$ 1,177,880	2.05%	1	\$ 613,200	1.29%	1
Lathrop at Saluda Pointe, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Century Mill Partners, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Laurel Ridge Apartments, LP	727,920	1.13%	2	660,280	1.13%	2	892,740	1.56%	2	-	-	-
Lowes Home Centers	-	-	-	-	-	-	-	-	-	-	-	-
Morgan Overlook Apartments, LLC	-	-	-	-	-	-	-	-	-	-	-	-
WM Lexington Trak	570,810	0.89%	3	570,810	0.94%	3	570,810	1.00%	4	-	-	-
Cadences Village Apartments	-	-	-	-	-	-	-	-	-	-	-	-
Herman Family Real Estate Co. I.	-	-	-	-	-	-	-	-	-	-	-	-
Target Corporation	-	-	-	-	-	-	-	-	-	-	-	-
Shenandoah Apartments	438,560	0.71%	9	438,560	0.76%	6	438,560	0.80%	7	-	-	-
Inland Southeast Lexington LLC	890,260	0.76%	5	490,260	0.81%	4	490,260	0.85%	5	-	-	-
Century Mill	589,210	0.93%	3	-	-	-	-	-	-	-	-	-
Carlyle Central Century Mill	469,200	0.72%	8	-	-	-	-	-	-	-	-	-
Home Depot USA	461,540	0.72%	7	368,910	0.61%	8	387,290	0.68%	9	-	-	-
RSC Cultural Lexington, LLC	472,420	0.74%	6	472,420	0.78%	5	472,420	0.83%	6	-	-	-
Palms & Avon Farming	472,420	0.74%	6	413,800	0.69%	7	413,800	0.72%	8	-	-	-
Thornhill LP	413,800	0.65%	10	-	-	-	598,100	1.04%	3	-	-	-
Old Mill Apartments/Lexington	-	-	-	331,260	0.55%	9	-	-	-	-	-	-
Baker & Baker Ethel	-	-	-	360,000	0.55%	10	377,970	0.66%	10	-	-	-
Chimney Ridge Partners	-	-	-	-	-	-	-	-	-	-	-	-
Koeh's Department Stores, Inc.	-	-	-	-	-	-	-	-	-	298,570	0.59%	2
Alltel	-	-	-	-	-	-	-	-	-	240,130	0.41%	3
Souly Klein	-	-	-	-	-	-	-	-	-	197,380	0.37%	4
Konart	-	-	-	-	-	-	-	-	-	177,000	0.37%	5
Lexco Associates	-	-	-	-	-	-	-	-	-	142,960	0.30%	6
BW Krolix Inc.	-	-	-	-	-	-	-	-	-	131,460	0.28%	7
The Center Partnership	-	-	-	-	-	-	-	-	-	121,460	0.28%	8
BB&T	-	-	-	-	-	-	-	-	-	102,710	0.23%	9
Golden Hill Partnership	-	-	-	-	-	-	-	-	-	88,620	0.19%	10
Roberts Interprises	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 5,956,340	9.38%		\$ 5,944,510	8.84%		\$ 5,842,290	10.19%		\$ 2,113,290	4.66%	
Total Assessed Valuations	\$ 64,175,780			\$ 60,454,040			\$ 57,554,370			\$ 47,453,340		

Source: Lexington County Property Appraisers Office

Note: Data from 9 years ago not available; therefore, earliest available data used.

TOWN OF LEXINGTON, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Tax Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2005	2004	\$ 2,068,474	\$ 2,009,241	97.14%	57,875	\$ 2,067,116	99.93%
2006	2005	2,111,678	2,052,411	97.19%	58,232	2,110,643	99.95%
2007	2006	2,189,247	2,115,773	96.64%	71,883	2,187,656	99.93%
2008	2007	2,313,895	2,241,030	96.85%	71,021	2,312,051	99.92%
2009	2008	2,613,080	2,498,757	95.62%	109,042	2,607,799	99.80%
2010	2009	2,823,403	2,673,333	94.68%	142,428	2,815,761	99.73%
2011	2010	3,047,948	2,946,779	96.68%	93,079	3,039,858	99.73%
2012	2011	3,163,010	3,024,850	95.63%	116,630	3,141,480	99.32%
2013	2012	3,224,164	3,097,012	96.06%	86,164	3,183,176	98.73%
2014	2013	\$ 3,294,886	\$ 3,162,872	95.99%	N/A	\$ 3,162,872	95.99%

Source: Lexington County Treasurers Office as of 6/30/14.

N/A- Not applicable

TOWN OF LEXINGTON, SOUTH CAROLINA
FRANCHISES, LICENSES, PERMITS AND FEES REVENUE
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Business License	Franchise Fees	Building Permits	Total
2005	\$ 2,430,443	\$ 680,687	\$ 229,718	\$ 3,340,848
2006	\$ 2,744,734	\$ 754,757	\$ 277,190	\$ 3,776,681
2007	\$ 2,899,862	\$ 808,597	\$ 329,965	\$ 4,038,424
2008	\$ 3,247,655	\$ 881,437	\$ 296,888	\$ 4,425,980
2009	\$ 3,251,864	\$ 964,521	\$ 210,309	\$ 4,426,694
2010	\$ 3,176,416	\$ 1,090,904	\$ 225,550	\$ 4,492,870
2011	\$ 3,785,322	\$ 1,171,892	\$ 229,265	\$ 5,186,479
2012	\$ 3,515,174	\$ 1,179,981	\$ 217,188	\$ 4,912,343
2013	\$ 3,984,361	\$ 1,194,037	\$ 225,283	\$ 5,403,681
2014	\$ 4,002,197	\$ 1,259,782	\$ 189,229	\$ 5,451,208

Source: Town of Lexington Trial Balance

TOWN OF LEXINGTON, SOUTH CAROLINA

PRINCIPAL BUSINESS LICENSE FILERS

(Unaudited)

Taxpayer	June 30, 2014			June 30, 2013			June 30, 2012		
	License Fees	Rank	Percentage of Total License Fees	License Fees	Rank	Percentage of Total License Fees	License Fees	Rank	Percentage of Total License Fees
Retail Store	\$ 90,420	1	2.26%	\$ 88,468	1	2.22%	\$ 83,439	1	2.37%
Grocery Store	37,199	3	0.93%	34,869	2	0.88%	33,986	2	0.97%
Home Improvement Store	35,020	4	0.88%	33,776	3	0.85%	32,605	3	0.93%
Retail Store	33,768	5	0.84%	31,981	4	0.80%	31,328	4	0.89%
Pharmacy	41,018	2	1.02%	28,985	5	0.73%	-	-	-
Vegetation Management	30,344	6	0.76%	28,704	6	0.72%	23,747	9	0.68%
Retail Store	22,594	8	0.56%	23,226	7	0.58%	24,067	7	0.68%
Automotive Dealer	20,805	10	0.52%	23,093	8	0.58%	23,991	8	0.68%
Home Improvement Store	23,607	7	0.59%	21,536	9	0.54%	20,010	10	0.57%
Automotive Dealer	22,130	9	0.55%	20,248	10	0.51%	-	-	-
Health Organization	-	-	-	-	-	-	24,714	6	0.70%
Manufacturer	-	-	-	-	-	-	29,389	5	0.84%
Totals	\$ 356,905		8.91%	\$ 334,906		8.41%	\$ 327,276		9.31%
Total License Fees	\$ 4,002,197			\$ 3,984,361			\$ 3,515,174		

Taxpayer	June 30, 2011			June 30, 2010			June 30, 2009		
	License Fees	Rank	Percentage of Total License Fees	License Fees	Rank	Percentage of Total License Fees	License Fees	Rank	Percentage of Total License Fees
Retail Store	\$ 83,484	1	2.21%	\$ 84,687	1	2.67%	\$ 83,402	1	2.56%
Grocery Store	38,841	2	1.03%	36,934	2	1.16%	35,056	3	1.08%
Home Improvement Store	33,371	3	0.88%	33,191	3	1.04%	40,983	2	1.26%
Retail Store	30,637	4	0.81%	28,974	4	0.91%	27,336	4	0.84%
Health Organization	25,720	5	0.68%	16,550	9	0.52%	26,380	5	0.81%
Lawn and Garden Service	25,272	6	0.67%	16,711	8	0.53%	-	-	-
Home Improvement Store	22,798	7	0.61%	-	-	-	18,588	9	0.57%
Retail Store	20,777	8	0.55%	21,974	5	0.69%	20,917	7	0.64%
Automotive Dealer	19,344	9	0.51%	-	-	-	20,270	8	0.62%
Retail Store	-	-	-	18,302	7	0.58%	18,467	10	0.57%
Health Organization	-	-	-	21,523	6	0.68%	21,430	6	0.66%
Drug Store	-	-	-	16,511	10	0.52%	-	-	-
Totals	\$ 323,380		8.55%	\$ 295,377		9.30%	\$ 312,829		9.61%
Total License Fees	\$ 3,785,322			\$ 3,176,416			\$ 3,251,864		

Source: Town of Lexington Business License Records

Data prior to FYE 6/30/2009 not readily available.

TOWN OF LEXINGTON, SOUTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended June 30	Governmental Activities										Per Capita
	General Obligation Bonds	GO Bond Anticipation Note	Certificates of Participation	Capital Leases	Notes Payable	Total	Percentage of Actual Tax Value	Total Government	Percentage of Personal Income	Per Capita	
2005	\$ 2,185,000	\$ -	\$ 1,936,927	\$ 149,617	\$ 86,494	\$ 4,358,038	0.51%	\$ -	10.29%	\$ 3,313	
2006	2,090,000	-	1,850,590	473,827	55,134	4,469,551	0.42%	43,735,854	9.02%	3,007	
2007	1,990,000	-	1,754,332	501,547	-	4,245,879	0.38%	42,715,457	7.99%	2,756	
2008	1,885,000	-	1,652,388	356,336	-	3,893,724	0.32%	51,329,103	8.72%	3,111	
2009	1,775,000	-	1,544,288	238,442	-	3,557,730	0.26%	60,979,545	9.40%	3,471	
2010	1,660,000	1,500,000	1,429,596	116,351	-	4,705,947	0.32%	64,123,773	9.39%	3,588	
2011	1,540,000	1,542,037	1,307,655	36,132	177,000	4,602,824	0.28%	63,615,370	8.65%	3,423	
2012	1,415,000	-	1,177,900	-	157,000	2,749,900	0.16%	60,722,045	7.67%	3,142	
2013	1,315,000	3,300,000	1,039,723	-	137,000	5,791,723	0.33%	73,011,617	8.57%	3,632	
2014	\$ 1,160,000	\$ 3,300,000	\$ 892,469	\$ -	\$ 102,750	\$ 5,455,219	0.30%	\$ 71,379,400	7.78%	\$ 3,414	

Fiscal Year Ended June 30	Business-Type Activities										Total Primary Government	Percentage of Personal Income	Per Capita
	Water and Sewer Revenue Bonds	Water and Sewer Bond Anticipation Notes	Contracts Payable	Notes Payable	Capital Leases	Total	Per Customer	Total Government	Percentage of Personal Income	Per Capita			
2005	\$ 36,983,100	\$ -	\$ 2,559,018	\$ -	\$ 488,775	\$ 40,030,893	\$ 4,628	\$ 44,388,931	10.29%	\$ 3,313			
2006	36,218,510	-	2,559,018	-	488,775	39,266,303	4,177	43,735,854	9.02%	3,007			
2007	35,421,785	-	2,559,018	-	488,775	38,469,578	3,612	42,715,457	7.99%	2,756			
2008	34,585,528	9,802,058	2,559,018	-	488,775	47,435,379	4,125	51,329,103	8.72%	3,111			
2009	29,164,136	25,204,727	2,582,934	-	470,018	57,421,815	4,785	60,979,545	9.40%	3,471			
2010	56,674,130	-	2,312,548	-	431,148	59,417,826	4,716	64,123,773	9.39%	3,588			
2011	56,590,385	-	2,031,761	-	390,400	59,012,546	4,539	63,615,370	8.65%	3,423			
2012	55,883,888	-	1,740,575	-	347,682	57,972,145	4,294	60,722,045	7.67%	3,142			
2013	55,496,545	10,000,000	1,723,349	-	-	67,219,894	4,621	73,011,617	8.57%	3,632			
2014	\$ 54,576,512	10,000,000	\$ 1,347,669	\$ -	\$ -	\$ 65,924,181	\$ 4,118	\$ 71,379,400	7.78%	\$ 3,414			

Note: Details regarding the Town of Lexington's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for personal income and population data.

TOWN OF LEXINGTON, SOUTH CAROLINA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended June 30	General Obligation Bonds	GO Bond Anticipation Note	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2005	\$ 2,185,000	\$ -	\$ -	\$ 2,185,000	0.3%	\$ 163
2006	2,090,000	-	-	2,090,000	0.2%	144
2007	1,990,000	-	-	1,990,000	0.2%	128
2008	1,885,000	-	-	1,885,000	0.2%	114
2009	1,775,000	-	-	1,775,000	0.1%	101
2010	1,660,000	1,500,000	-	3,160,000	0.2%	177
2011	1,540,000	1,542,037	-	3,082,037	0.2%	166
2012	1,415,000	-	-	1,415,000	0.1%	73
2013	1,315,000	3,300,000	-	4,615,000	0.3%	230
2014	\$ 1,160,000	3,300,000	\$ -	\$ 4,460,000	0.2%	\$ 213

Note: Details regarding the Town of Lexington's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. See the Schedule of Demographic and Economic Statistics for population data.

TOWN OF LEXINGTON, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2014

(Unaudited)

Political Subdivision	Assessed		Governmental Activities Debt Outstanding		
	Total	Assessed Value Within the Town	Debt Outstanding	Percentage Applicable to the Town	Town's Share of Debt
Direct:					
Town of Lexington	\$ 93,278,030	\$ 93,278,030	\$ 5,455,219	100.00%	\$ 5,455,219
Overlapping:					
Lexington County	1,149,450,560	93,278,030	49,595,965	8.12%	4,027,192
Lexington County School District One	505,019,810	92,949,320	443,632,000	18.41%	81,672,651
Lexington County School District Two	272,254,050	328,710	28,910,000	0.12%	34,692
Lexington County Recreation Commission	852,312,170	93,278,030	38,695,000	10.94%	4,233,233
Riverbanks Zoo	2,700,578,519	93,278,030	36,100,000	3.45%	1,245,450
Total Overlapping			<u>596,932,965</u>		<u>91,213,218</u>
Total			<u>\$ 602,388,184</u>		<u>\$ 96,668,437</u>

The Town's share of debt is determined by taking the Assessed Property Value within the Town divided by the Assessed Property Value of the overlapping entity multiplied by the outstanding debt of the overlapping entity.

TOWN OF LEXINGTON, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 3,796,267	\$ 4,588,350	\$ 4,834,723	\$ 5,134,062	\$ 5,778,779	\$ 6,265,414	\$ 6,943,265	\$ 7,175,411	\$ 7,285,711	\$ 7,462,242
Total Net Debt Applicable to Debt Limit	2,271,494	2,145,134	1,990,000	1,885,000	1,775,000	3,160,000	3,082,037	1,415,000	4,615,000	4,460,000
Legal Debt Margin	\$ 1,524,773	\$ 2,443,216	\$ 2,844,723	\$ 3,249,062	\$ 4,003,779	\$ 3,105,414	\$ 3,861,228	\$ 5,760,411	\$ 2,670,711	\$ 3,002,242
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	59.8%	46.8%	41.2%	36.7%	30.7%	50.4%	44.4%	19.7%	63.3%	59.8%

Legal Debt Margin Calculation for Fiscal Year 2014

Total Assessed Value	\$ 93,278,030
Debt Limit (8% of Total Assessed Value)	7,462,242
Amount of Debt Applicable to Debt Limit:	4,460,000
Legal Debt Margin	\$ 3,002,242

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 \$892,469 as of June 30, 2014 have not been included in the Town's computation of legal debt margin.

TOWN OF LEXINGTON, SOUTH CAROLINA
 PLEDGED REVENUE COVERAGE
 WATERWORKS AND SEWER SYSTEM REVENUE BONDS
 LAST TEN FISCAL YEARS

(Unaudited)

<u>Fiscal Year</u>	<u>Gross Revenues(1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage Ratio</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	\$ 11,490,064	\$ 5,192,492	\$ 6,297,572	\$ 970,000	\$ 1,471,839	\$ 2,441,839	2.58
2006	13,822,459	5,769,478	8,052,981	1,105,000	1,698,624	2,803,624	2.87
2007	15,812,360	5,878,361	9,933,999	1,125,000	1,712,982	2,837,982	3.50
2008	14,815,556	6,190,381	8,625,175	1,150,000	1,708,863	2,858,863	3.02
2009	11,637,716	6,696,632	4,941,084	795,000	1,963,719	2,758,719	1.79
2010	13,125,961	6,952,874	6,173,087	810,000	2,000,841	2,810,841	2.20
2011	12,989,178	6,956,386	6,032,792	825,500	2,752,331	3,577,831	1.69
2012	13,562,450	7,288,025	6,274,425	800,000	2,666,547	3,466,547	1.81
2013	14,438,362	8,287,257	6,151,105	975,000	2,378,989	3,353,989	1.83
2014	\$ 14,523,903	\$ 9,046,039	\$ 5,477,864	\$ 995,000	\$ 2,303,295	\$ 3,298,295	1.66

Notes: (1) Includes capital contribution fees (CCFs) but excludes non-cash capital contributions
 (2) Does not include depreciation and other non-cash related charges

	<u>CCF Revenue</u>	<u>% Increase (Decrease)</u>		<u>CCF Revenue</u>	<u>% Increase (Decrease)</u>
2005	3,859,914	44.60	2010	1,717,267	115.31
2006	4,852,853	25.72	2011	1,104,773	-35.67
2007	5,494,827	13.23	2012	1,227,458	11.10
2008	3,468,019	-36.89	2013	1,644,210	33.95
2009	797,570	-77.00	2013	1,425,782	-13.28

TOWN OF LEXINGTON, SOUTH CAROLINA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended June 30	Population	Personal Income	School Enrollment	Lexington County	
				Per Capita Personal Income	Unemployment Rate
	(1)	(2)	(3)	(4)	(5)
2005	13,400	\$ 431,332,600	\$ 32,189	18,688	4.80%
2006	14,547	484,633,305	33,315	19,091	5.10%
2007	15,500	534,455,500	34,481	19,705	4.10%
2008	16,500	588,834,156	35,688	20,458	4.70%
2009	17,570	648,981,982	36,937	21,228	8.60%
2010	17,870	683,170,100	38,230	21,756	8.00%
2011	18,585	735,363,366	39,568	22,097	8.80%
2012	19,328	791,547,365	40,953	22,367	7.30%
2013	20,101	852,014,550	42,386	22,935	6.90%
2014	20,905	\$ 917,108,338	\$ 43,870	23,363	4.80%

Data Sources and Notes:

- (1) Population based on 2000 Census, 2006 Special Census and 2010 Census, with other years estimated based on estimated growth rates.
- (2) Information provided by Central Midlands COG, Census Bureau, Office of Research and Statistics.
- (3) Information provided by Office of Research and Statistics through 2003. For Fiscal years 2004 - 2006, amount is estimated based on a 3.5% rate of annual growth.
- (4) Provided by Lexington County School District 1 and includes entire District.
- (5) Provided by SC Labor and Marketing for June 2014.

TOWN OF LEXINGTON, SOUTH CAROLINA

PRINCIPAL EMPLOYERS
CURRENT YEAR

(Unaudited)

Employer	2014			2013			2012			2011		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Lexington County	887	1	7.3%	854	1	7.7%	916	1	8.6%	813	1	8.0%
Lexington School District One	495	2	4.3%	472	2	4.3%	513	2	4.8%	487	2	4.8%
Wal-Mart	326	3	2.8%	317	3	2.9%	335	3	3.2%	353	3	3.5%
Town of Lexington	142	4	1.2%	148	6	1.3%	136	6	1.3%	133	6	1.3%
Target	140	5	1.2%	166	4	1.5%	140	5	1.3%	149	4	1.5%
Lowe's Home Centers	135	6	1.2%	133	7	1.2%	150	4	1.4%	140	5	1.4%
Kohl's Department Stores, Inc.	129	7	1.1%	152	5	1.4%	107	7	1.0%	118	7	1.2%
Avtec	119	8	1.0%	-	-	-	-	-	-	-	-	-
Food Lion	90	9	0.8%	81	8	0.7%	84	8	0.8%	88	8	0.9%
Honda Cars of Columbia	80	10	0.7%	75	10	0.7%	70	10	0.7%	85	9	0.8%
KMart Stores	-	-	-	78	9	0.7%	75	9	0.7%	75	10	0.7%
Home Depot	-	-	-	-	-	-	-	-	-	-	-	-
Henderson Chevrolet	-	-	-	-	-	-	-	-	-	-	-	-
IHOP	-	-	-	-	-	-	-	-	-	-	-	-
Ryan's Steakhouse	-	-	-	-	-	-	-	-	-	-	-	-
Totals	2,511	-	21.8%	2,478	-	22.4%	2,526	-	23.8%	2,441	-	23.9%
Estimated total employment	11,497.8	-	-	11,055.6	-	-	10,630.4	-	-	10,221.8	-	-

Employer	2010			2009			2008			2007		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Lexington County	819	1	8.3%	864	1	8.9%	870	1	9.6%	860	1	10.1%
Lexington School District One	450	2	4.6%	489	2	5.1%	500	2	5.5%	509	2	6.0%
Wal-Mart	323	3	3.3%	350	3	3.6%	330	3	3.6%	375	3	4.4%
Lowe's Home Centers	144	4	1.5%	130	6	1.3%	150	5	1.7%	140	5	1.6%
Town of Lexington	131	5	1.3%	128	7	1.3%	125	7	1.4%	120	6	1.4%
Target	129	6	1.3%	166	4	1.7%	170	4	1.9%	-	-	-
Kohl's Department Stores, Inc.	107	7	1.1%	-	-	-	-	-	-	-	-	-
Home Depot	98	8	1.0%	87	9	0.9%	94	8	1.0%	93	7	1.1%
Food Lion	75	9	0.8%	90	8	0.9%	90	9	1.0%	82	9	1.0%
KMart Stores	70	10	0.7%	85	10	0.9%	85	10	0.9%	85	8	1.0%
Kohl's Department Stores, Inc.	-	-	-	137	5	1.4%	140	6	1.5%	160	4	1.9%
Honda Cars of Columbia	-	-	-	-	-	-	-	-	-	-	-	-
Henderson Chevrolet	-	-	-	-	-	-	-	-	-	-	-	-
IHOP	-	-	-	-	-	-	-	-	-	-	-	-
Ryan's Steakhouse	-	-	-	-	-	-	-	-	-	-	-	-
Totals	2,346	-	24.0%	2,526	-	26.0%	2,534	-	28.1%	2,506	-	29.5%
Estimated total employment	9,828.5	-	-	9,663.5	-	-	9,075.0	-	-	8,525.0	-	-

TOWN OF LEXINGTON, SOUTH CAROLINA

PRINCIPAL EMPLOYERS
CURRENT YEAR

(Unaudited)

Employer	2006			Percentage of Total City Employment
	Number of Employees	Rank		
Lexington County				
Lexington School District One				
Walmart				
Lowe's Home Centers	525	2		6.6%
Target	536	1		6.7%
Town of Lexington	400	3		5.0%
Kohl's Department Stores, Inc.	154	4		1.9%
Food Lion	-	-		-
KMart Stores	117	6		1.5%
Honda Cars of Columbia	130	5		1.6%
Home Depot	95	7		1.2%
Hennion Chevrolet	86	9		1.1%
IHOP	-	-		-
Ryan's Steakhouse	-	-		-
Totals	87	8		1.1%
Estimated total employment	58	10		0.7%
	<u>2,188</u>			<u>27.4%</u>
	<u>8,000.0</u>			

Notes: Estimated total employment calculated by applying the 2004 county-wide ratio of labor force to population of 55% to the Town's population.

Data from 9 years ago not available.

TOWN OF LEXINGTON, SOUTH CAROLINA

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

(Unaudited)

Year	Residential Construction (Single & Multi-Family)		Commercial Construction		Other Building Related Permits Permits		Bank Deposits (x 1,000)
	# of Units	Value	# of Units	Value	# of Units	Value	
2005	318	\$ 27,612,515	13	\$ 15,821,341	297	\$ 10,716,018	\$ 798,302
2006	487	42,188,362	20	29,830,368	266	6,671,881	897,741
2007	366	26,717,874	41	66,518,910	325	10,822,539	999,770
2008	160	22,828,981	29	19,496,925	349	12,655,833	1,010,748
2009	287	16,791,187	16	14,287,237	383	7,827,039	1,160,141
2010	229	28,459,406	3	2,525,206	392	8,110,774	1,286,281
2011	250	27,227,943	7	8,680,606	381	7,638,674	1,242,023
2012	181	22,189,681	9	5,517,595	586	8,605,737	1,235,615
2013	159	20,450,176	9	6,755,300	755	14,502,984	1,241,592
2014	108	\$ 12,774,370	13	\$ 6,776,041	637	\$ 15,024,718	\$ 1,310,754

Source: Town of Lexington Building & Zoning Department, Lexington

Note: Construction valuations reflect only new construction costs. Other building permits includes all other commercial and residential building related permits including primarily additions, accessories, grading, HVAC, gas, electric, interior and exterior alterations, permanent signs & plumbing.

TOWN OF LEXINGTON, SOUTH CAROLINA

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

(Unaudited)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
General Government	32.0	30.0	33.5	28.5	30.0	39.0	37.0	39.0	40.0	41.0
Public Safety	34.0	37.0	38.0	41.5	43.5	44.5	44.0	45.0	45.0	46.0
Parks, Streets, and Sanitation	12.0	12.0	12.0	14.0	14.0	14.0	13.0	13.0	15.0	15.0
Victims' Assistance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Housing Rehabilitation	-	-	-	-	-	-	-	-	-	-
Tourism Related	-	-	-	-	-	-	-	-	-	-
Business-Type Activities										
Water and Sewer System	34.5	35.5	35.0	39.0	39.0	39.0	39.0	38.0	39.0	39.0
Total	113.5	115.5	119.5	124.0	127.5	137.5	134.0	136.0	140.0	142.0

Source: Town of Lexington, South Carolina Annual Budgets

TOWN OF LEXINGTON, SOUTH CAROLINA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

(Unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
<u>Building/Zoning</u>										
Building Permits Issued	541	461	524	522	534	649	577	794	944	880
Building Inspections Conducted	NA	2,420	2,898	2,787	2,371	3,527	2,786	3,083	2,975	2,558
Zoning Permits Issued	262	291	334	487	480	453	450	492	404	402
<u>Information Technology</u>										
Water/Sewer Customers (Online Transactions)	NA	6,935	9,113	11,872	14,772	18,859	24,137	28,422	30,369	36,460
Fines (Online Transactions)	NA	NA	NA	NA	NA	NA	NA	NA	991	NA
<u>Finance</u>										
Business Licenses Issued Intown/Renewals	NA	1,590	1,771	1,968	2,163	2,253	2,305	2,944	3,159	3,256
<u>Parks, Streets and Sanitation</u>										
Residential Solid Waste Customers	NA	4,699	4,850	4,995	5,159	5,390	5,597	5,799	5,987	6,121
<u>Public Safety - Police</u>										
Physical Arrests	NA	838	1,002	955	1,432	1,182	1,314	1,572	1,854	2,086
Parking Tickets	NA	110	93	69	68	20	18	22	34	55
Traffic Violations	NA	6,921	7,379	7,685	7,266	8,055	8,016	10,035	8,004	8,983
Business-Type Activities										
<u>Water and Sewer System</u>										
Average Daily Consumption of Water (MGD)	1.711	1.833	1.982	2.250	2.179	2.226	2.347	2.322	2.235	2.140
Average Daily Consumption of Sewer (MGD)	2.005	2.262	2.530	2.895	2.801	2.984	3.092	3.107	3.049	2.924
Capital Contribution Certificates sold	NA	2,972	3,604	833	7	142	10	123	232	219
Capital Contribution Certificates Outstanding	NA	4,488	3,213	2,146	2,108	1,898	1,787	1,677	1,439	1,298

Source: Town of Lexington, South Carolina

NA = Data not readily available
 MGD = Million gallons per day

TOWN OF LEXINGTON, SOUTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

(Unaudited)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Town Hall (Approx. Sq. Ft. Used)	60,100	60,100	60,100	60,100	60,100	60,100	63,251	63,251	63,251	63,251
Public Safety - Police										
Town Hall (Approx. Sq. Ft. Used)	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800
Number of Patrol Units	34	37	38	41	43	44	44	45	46	47
Parks, Streets and Sanitation										
Administrative Office Building	1	1	1	1	1	1	1	1	1	1
Workshop and Storage Building	1	1	1	1	1	1	1	1	1	1
Town Hall (Approx. Sq Ft Used)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Parks and Playgrounds	2	2	2	3	4	4	4	5	6	6
Streetskeeper	1	1	1	1	1	1	1	1	1	1
Victims' Assistance										
Vehicle	1	1	1	1	1	1	1	1	1	1
Housing Rehabilitation										
Tourism Related										
Roof House (Approx. Sq. Ft. Used)	-	-	-	-	-	-	-	-	-	-
Water and Sewer System										
Water Plants										
Sewer Treatment Plants	1	1	1	1	1	1	1	1	1	1
Sewer Capacity - all sources (MGD)	6.40	6.40	6.40	6.40	12.46	12.46	12.46	12.46	12.46	12.46
Water Capacity - all sources (MGD)	4.50	4.50	4.50	5.50	6.50	6.50	6.50	6.50	6.50	6.50
Water Lines (miles)	177	186	198	205	209	210	211	212	215	215
Sewer Lines (miles)	163	182	217	257	264	266	272	273	277	284

Source: Town of Lexington departmental records

MGD = Million Gallons per Day

**SUPPLEMENTARY GOVERNMENTAL AUDITING STANDARDS
REPORT**

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lexington, Lexington South Carolina, (hereafter referred to as the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

The Brittingham Group LLP

December 15, 2014

THE BRITTINGHAM GROUP, L.L.P.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Lexington, South Carolina's (hereafter referred to as the Town) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Lexington's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The Brittingham Group LLP

December 15, 2014

TOWN OF LEXINGTON
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Schedule 1

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
Other Programs		
US Department of Transportation Pass-Through Programs		
Passed-through SC Department of Public Safety		
SC Department of Public Safety State and Community Highway Safety	20.600	\$ 135,021
<i>Total State and Community Highway Safety</i>		<u>\$ 135,021</u>
<i>Total Passed-through SC Department of Public safety</i>		<u>\$ 135,021</u>
Passed-through SC Department of Transportation		
SC Department of Transportation Highway Planning and Construction	20.205	\$ 495,936
<i>Total Highway Planning and Construction</i>	Major Program	<u>\$ 495,936</u>
<i>Total Passed-through SC Department of Transportation</i>		<u>\$ 495,936</u>
Total US Department of Transportation		<u>\$ 630,957</u>
US Department of Housing and Urban Development Pass-Through Programs		
Passed-through Lexington County		
Lexington County Community Development Block Grants/Entitlement Grants	14.218	\$ 49,061
<i>Total Community Development Block Grants/Entitlement Grants</i>		<u>\$ 49,061</u>
<i>Total Passed-through Lexington County</i>		<u>\$ 49,061</u>
Total US Department of Housing and Urban Development		<u>\$ 49,061</u>
Total Expenditures of Federal Awards		<u>\$ 680,018</u>

See Accompanying Notes

Town of Lexington
Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2014

Note A—General

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") presents the activity of all federal awards of the Town of Lexington, for the year ended June 30, 2014.

Note B—Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit organizations*. Thus, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Town of Lexington
 Schedule of Findings and Questioned Costs
 Fiscal year Ended June 30, 2014

Schedule 2

Section 1-- Summary of Auditors' Results

Financial Statements

- 1 Type of auditors' report issued Unmodified
- 2 Internal Control over financial reporting:
 - A. Material weaknesses identified? None reported
 - B. Reportable conditions identified not considered to be material weaknesses? None reported
 - C. Noncompliance that is material to the financial statements? None reported

Federal Awards:

- 1 Internal controls over major programs:
 - A. Material weaknesses identified? None reported
 - B. Reportable conditions identified not considered to be material weaknesses? None reported
- 2 Type of Auditors' report issued on compliance for major programs? Unmodified
- 3 Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? None reported
- 4 Identification of major program:

CFDA Number	Name of Federal Program
20.205	Highway Planning and Construction
- 5 Dollar threshold used to distinguish between type A & B programs? \$300,000
- 6 Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? No

SECTION 2-- FINANCIAL STATEMENT FINDINGS None reported

SECTION 3--FEDERAL AWARD FINDINGS AND QUESTIONED COSTS None reported

There were no prior year audit findings.