

# TOWN OF LEXINGTON SOUTH CAROLINA



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

TOWN OF LEXINGTON, SOUTH CAROLINA

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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YEAR ENDED JUNE 30, 2004



Prepared by: Finance Department

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

TOWN OF LEXINGTON, SOUTH CAROLINA

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FINANCIAL REPORT

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**CONTENTS**

**INTRODUCTORY SECTION**

Letter of Transmittal .....	1
Certificate of Achievement for Excellence in Financial Reporting.....	7
List of Principal Officials.....	8
Organizational Chart.....	9

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**FINANCIAL SECTION**

Report of Independent Auditors.....	10
Management's Discussion and Analysis .....	12

**Basic Financial Statements**

Government-Wide

Statement of Net Assets .....	20
Statement of Activities .....	21

Governmental Activities

Balance Sheet .....	22
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds .....	24
Statement of Revenue, Expenditures and Changes in Fund Balances- Budget and Actual – General Fund.....	26
Statement of Revenue, Expenditures and Changes in Fund Balances- Budget and Actual – Hospitality Tax Fund .....	27

Business-Type Activities

Statement of Net Assets – Proprietary Fund .....	28
Statement of Revenue, Expenses and Changes in Net Assets – Proprietary Fund.....	29
Statement of Cash Flows – Proprietary Fund.....	30
Notes to Financial Statements.....	32

**Other Financial Information:**

Combining 'Non-Major' Governmental Financial Statements

Combining Balance Sheet – Non-Major Governmental Funds.....	68
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds.....	70

General Fund

Balance Sheet .....	72
Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual .....	73

- CONTINUED -

<u>Special Revenue Funds</u>	
Combining Balance Sheet .....	75
Combining Statement of Revenue, Expenditures and Changes in Fund Balances .....	77
<u>Debt Service Fund</u>	
Balance Sheet .....	79
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual .....	80
<u>Capital Projects Funds</u>	
Combining Balance Sheet .....	81
Combining Statement of Revenue, Expenditures and Changes in Fund Balances .....	82
<u>Enterprise Fund</u>	
Statement of Net Assets – Waterworks and Sewer System .....	83
Statement of Revenue, Expenses and Changes in Net Assets – Waterworks and Sewer System .....	84
Statement of Cash Flows – Waterworks and Sewer System .....	85
<u>Capital Assets Used in Operations of Governmental Funds</u>	
Comparative Schedule by Source .....	87
Schedule by Function and Activity .....	88
Schedule of Changes in by Function and Activity .....	89
<u>Other Supplementary Schedule</u>	
Schedule of Court Fines, Assessments, and Surcharges .....	90
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	91

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**STATISTICAL SECTION (UNAUDITED AND NOT COVERED BY THE REPORT OF  
INDEPENDENT AUDITORS)**

Government-wide Expenses by Function .....	92
Government-wide Revenues .....	93
General Governmental Expenditures by Function .....	94
General Governmental Revenues by Source .....	95
Property Tax Levies and Collections .....	96
Assessed and Estimated Actual Value of Property .....	97
Property Tax Rates - Direct and Overlapping Governments .....	98
Principal Taxpayers .....	99
Computation of Legal Debt Margin .....	100
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds .....	101
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita .....	102
Ratio of Annual Debt Service Expenditures - General Bonded Debt - Total General Governmental Expenditures .....	103
Revenue Bond Coverage - Waterworks and Sewer System Bonds .....	104
Demographic Statistics .....	105
Property Value, Construction and Bank Deposits .....	106
Miscellaneous Statistics .....	107

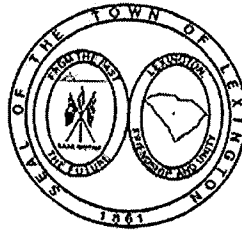
MAYOR  
T. Randall Halfacre

MAYOR PRO-TEM  
Hazel Leggett-Tyndall

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

# TOWN OF LEXINGTON

111 Maiden Lane



TOWN ADMINISTRATOR  
L.C. GREENE

MAILING ADDRESS  
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## Letter of Transmittal

January 28, 2005

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

Both local ordinances and polices and state statutes mandate that the Town of Lexington complete a set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the Town of Lexington for the year ended June 30, 2004, is hereby submitted. The report is divided into three distinct sections as follows:

- The Introductory Section contains this letter of transmittal, a list of Town officials and an organizational chart of the Town Government.
- The Financial Section includes the independent auditor's report, management's discussion and analysis, basic financial statements, notes to financial statements and other financial information.
- The Statistical Section, which is unaudited, includes selected general, financial and demographic information, presented on a multi-year comparative basis.

This report, in its entirety, was prepared by the staff of the Town's Finance Department and with the helpful assistance of our independent auditors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and all disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included. Management has established and maintains a system of internal controls to provide for this assurance.

Contained in this report is information for the use of all those interested in the Town's finances, including the taxpayers and citizens, members of Town Council, and potential investors and creditors that will have, or have had, a relationship with the Town of Lexington. The organization, form, and content of this report, and the accompanying financial reports and

statistical tables, were formulated according to the principles prescribed by the Governmental Accounting Standards Board and the Government Finance Officers Association of the United States and Canada.

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

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

## PROFILE OF THE GOVERNMENT

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

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

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

## FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

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

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

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





## BUDGETARY CONTROLS

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

## SAXE GOTHA PUBLIC FACILITIES

The Saxe Gotha Public Facilities Corporation is a separate reporting entity of the Town of Lexington, but is accounted for as a blended component unit. In 1994, the Corporation completed the construction of the original wing of the Municipal Complex from the proceeds of the issuance of Certificates of Participation. In exchange for the use of the original wing of the Municipal Complex, the Town has assumed responsibility for the annual debt service payments associated with the facility. As a result of the relationship between the Town of Lexington and the Saxe Gotha Public Facilities Corporation, the obligations are being reported in the Government-wide Statement of Net Assets.

## DEBT ADMINISTRATION

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

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

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

The Town's available legal debt margin was \$1,148,352 as of June 30, 2004. This amount excludes outstanding certificate of participation bonds that were issued during Fiscal Year 1994. An operating transfer from General Fund revenues to the Debt Service Fund are utilized to pay the outstanding bonds related to the municipal complex and general obligation bonds issued to fund major capital improvements.

## **CASH MANAGEMENT**

The Town maintains cash and cash equivalents which consist of cash deposit accounts with a maturity of three months or less from purchase and other short term, highly liquid investments that are readily convertible to known amounts of cash. The Town of Lexington invests other available resources in accordance with the Town's investment policies. This has included investments in certificates of deposit with maturities of less than two years, Treasury Notes and other high-grade securities. Working capital has been invested in various money market funds and overnight repurchase agreements. Substantial portions of the Town's cash and cash equivalents at June 30, 2004, were invested in the Local Government Investment Pool administered by the State Treasurer. The mix of deposit and investment accounts is periodically evaluated to optimize return and ensure compliance with the Town's investment policies. All funds are collateralized in accordance with requirements of South Carolina law.

## **RISK MANAGEMENT**

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

## **AWARDS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the year ended June 30, 2003. This was the sixth consecutive year that the Town has received this prestigious award. In order to be awarded the Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both the generally accepted accounting principles and applicable legal requirements.



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

### ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



Stuart W. Ford, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Lexington,  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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



*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director

# TOWN OF LEXINGTON

SOUTH CAROLINA

## LIST OF PRINCIPAL OFFICIALS

### MAYOR

T. Randall Halfacre

### MAYOR PRO-TEM

Hazel Leggett-Tyndall

### COUNCIL MEMBERS

Constance Caractor Flemming

Kathy Maness

Ted Stambolitis

Richard D. Thompson

### TOWN ADMINISTRATOR

L.C. Greene

### MUNICIPAL CLERK

Becky Hildebrand

### TOWN ATTORNEY

Brad Cunningham

### DEPARTMENT HEADS

Donna Smith, Economic Development

Joe Boles, Building/Zoning

Dan Walker, Parks, Streets, & Sanitation

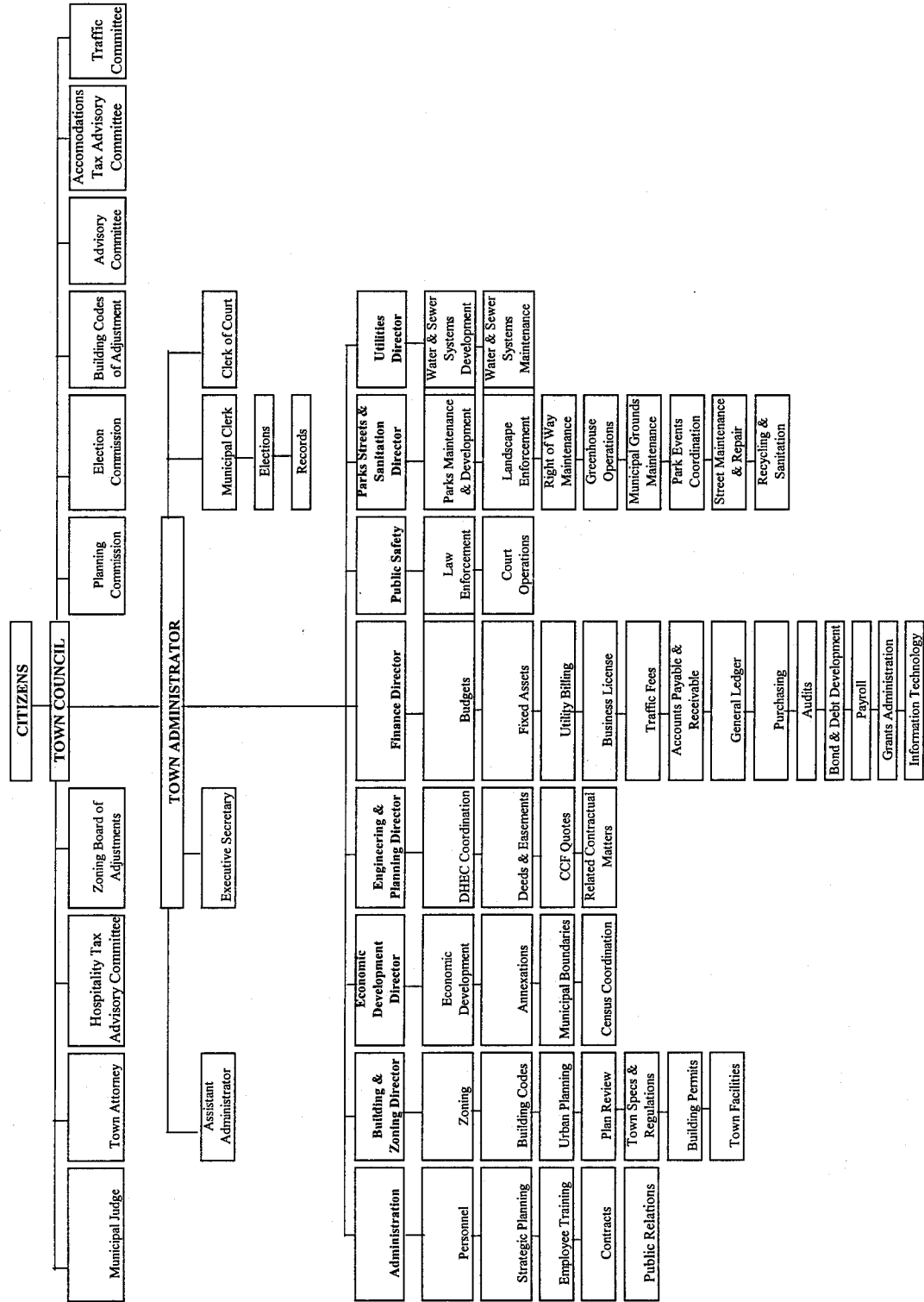
Chief Stace Day, Police Department

Gene Edwards, Engineering & Planning

Allen Lutz, Utilities

Stuart W. Ford, Finance

# TOWN OF LEXINGTON, SOUTH CAROLINA ORGANIZATIONAL CHART



TOWN OF LEXINGTON, SOUTH CAROLINA

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

Members:  
American Institute of  
Certified Public Accountants

South Carolina Association of  
Certified Public Accountants

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

IN ASSOCIATION WITH  
Kenneth S. Sexton, CPA

## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

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



In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2005 on our consideration of the Town, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

*Brittingham, Brown, Pince & Hancock*

January 25, 2005

