

TOWN OF LEXINGTON, SOUTH CAROLINA**NOTICE WITH RESPECT TO DISCLOSURE OF CERTAIN FINANCIAL
AND OPERATING INFORMATION OF THE TOWN'S COMBINED WATERWORKS
AND SEWER SYSTEM FOR THE YEAR ENDED JUNE 30, 2012**

The Town of Lexington, South Carolina (the "Town") makes this Consolidated Notice of and reference with respect to disclosure of certain Financial and Operating Information (Referenced Financial and Operating Information) of the Town's Combined Waterworks and Sewer System. The Referenced Financial and Operating Information, which satisfies certain requirements of the Town's Continuing Disclosure Undertakings, is contained in sections titled "THE SYSTEM" and "FINANCIAL FACTORS" of the Official Statement (2013 Official Statement) for the Town's \$7,800,000 Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2013 (2013 BANs) (CUSIP # 529616 CT9). The 2013 Official Statement was filed on the Municipal Securities Rulemaking Board's EMMA information repository on January 11, 2013 and can be accessed by going to the EMMA website and entering the CUSIP number for the 2013 BANs in the "Quick Search" dialog box.

Affected Issues

Outstanding bonds of the Town of Lexington that are affected by this Consolidated Notice include:

1. (Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001A of the Issuer, dated October 30, 2001 (the "2001A Bonds"),
2. Combined Waterworks and Sewer System Revenue Bonds, Series 2009 of the Town, dated December 15, 2009 (the "2009 Bonds"),
3. Combined Waterworks and Sewer System Revenue Bonds, Series 2010 of the Town, dated April 14, 2010 (the "2010 Bonds"),
4. Combined Waterworks and Sewer System Revenue Refunding Bonds, Series 2011 of the Town, dated March 30, 2011 (the "2011 Bonds"), and
5. Combined Waterworks and Sewer System Revenue Refunding Bonds, Series 2012 of the Town, dated August 1, 2012 (the "2012 Bonds").

This notice is based on the best information available at the time of dissemination and is not guaranteed as to accuracy or completeness. Any questions regarding this notice should be directed to:

TOWN OF LEXINGTON, SOUTH CAROLINA

**NOTICE WITH RESPECT TO DISCLOSURE OF CERTAIN FINANCIAL
AND OPERATING INFORMATION OF THE TOWN'S COMBINED WATERWORKS
AND SEWER SYSTEM FOR THE YEAR ENDED JUNE 30, 2012**

Town of Lexington
111 Maiden Lane
Lexington, South Carolina 29071

Att: Ms. Kathy Roberts - Finance Director
tel: (803) 951-4657
email: KRoberts@lexsc.com

or to the Town's Financial Advisor, as follows:

Municipal Advisors Group of Boston, Inc.
P.O. Box 389
North Scituate, Massachusetts 02060

Att: Mr. John Canney
Managing Director
tel: (781) 383-8883
email: advisor@bostonmuni.com

OFFICIAL STATEMENT

NEW ISSUE; BOOK-ENTRY ONLY

Ratings: Moody's: MIG 1
S&P: SP-1+
(See "MISCELLANEOUS - Ratings")

In the opinion of Howell Linkous & Nettles, LLC, Bond Counsel to the Town, under existing law and assuming compliance by the Town with certain covenants described herein, interest on the 2013 BANs is excludable from gross income for federal and South Carolina income tax purposes. In the further opinion of Bond Counsel, interest on the 2013 BANs is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no other opinions with regard to federal tax consequences arising from ownership of the 2013 BANs. See "LEGAL MATTERS - Tax Exemption" herein for a more complete discussion of the tax status of interest on the 2013 BANs.

\$7,800,000
TOWN OF LEXINGTON, SOUTH CAROLINA
COMBINED WATERWORKS AND SEWER SYSTEM
REVENUE BOND ANTICIPATION NOTES, SERIES 2013

Dated: Date of Delivery Interest Rate: 0.75% Yield (Price) 0.55% * (100.090) CUSIP: 529616CT9 Due: December 2, 2013
*Priced to the first optional call date of July 1, 2013.

The Town of Lexington, South Carolina (the "Town") is issuing its Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2013 ("2013 BANs") as fully-registered notes in denominations of \$5,000 or any integral multiple thereof. The 2013 BANs will be initially registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the 2013 BANs will be made. Individual purchases of 2013 BANs will be made in book-entry form only. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2013 BANs, references herein to the holders of the 2013 BANs or registered owners of the 2013 BANs shall mean Cede & Co. and shall not mean the beneficial owners of the 2013 BANs. So long as Cede & Co. is the registered owner of the 2013 BANs, the principal and interest (based on a 360-day year of twelve 30-day months) on the 2013 BANs are payable to Cede & Co. as nominee for DTC, which in turn will remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the 2013 BANs. See "THE 2013 BANs-Book-Entry Only System" herein.

The 2013 BANs will be issued: (i) to provide funds for the Project (as defined herein) and other costs of the System (as defined herein), pending the issuance of Combined Waterworks and Sewer System Revenue Bonds by the Town; and (ii) to pay the costs of issuance of the 2013 BANs.

THE 2013 BANs ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE PROCEEDS TO BE DERIVED FROM THE SALE OF COMBINED WATERWORKS AND SEWER SYSTEM REVENUE BONDS TO BE ISSUED AS PARITY BONDS UNDER THE TOWN'S GENERAL BOND ORDINANCE OR, IF THE BONDS ARE NOT ISSUED PRIOR TO THE MATURITY OF THE 2013 BANs, FROM THE SALE OF AN ISSUE OF RENEWAL OR REFUNDING BOND ANTICIPATION NOTES. THE 2013 BANs DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE TOWN OR A PLEDGE OF THE FAITH, CREDIT, OR TAXING POWERS OF EITHER THE TOWN OR THE STATE OF SOUTH CAROLINA NOR ARE THE 2013 BANs SECURED BY A PLEDGE OF REVENUES DERIVED FROM THE OPERATION OF THE TOWN'S COMBINED WATERWORKS AND SEWER SYSTEM. SEE "SECURITY FOR THE 2013 BANs" HEREIN.

Interest on the 2013 BANs is payable from their dated date on their maturity. U.S. Bank National Association, Columbia, South Carolina, will serve as paying agent for the 2013 BANs.

The 2013 BANs are subject to optional redemption on and after July 1, 2013 as described herein.

Investment in the 2013 BANs involves certain risks and investment considerations. See "RISKS AND INVESTMENT CONSIDERATIONS" herein.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2013 BANs are offered when, as, and if issued and accepted by the Underwriter, subject to the unqualified approving opinion as to legality of Howell Linkous & Nettles, LLC, Charleston, South Carolina, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Town by the Town Attorney, Brad Cunningham, Esq., Lexington, South Carolina. Municipal Advisors Group of Boston, Inc. has served as financial advisor to the Town. It is expected that delivery of the 2013 BANs in definitive form will be made through the facilities of DTC on or about January 17, 2013, against payment therefor.

OPPENHEIMER & CO. INC.

Dated January 4, 2013

CUSIP, as used herein, is a copyrighted symbol of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the 2013 BANs and the Town makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2013 BANs as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2013 BANs.

This Official Statement does not constitute an offering of any security other than the original offering of the 2013 BANs identified on the cover. No person has been authorised to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorised. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2013 BANs by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Except for information with respect to U.S. Bank National Association (the "Paying Agent"), the Paying Agent has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the 2013 BANs, or (iii) the tax exempt status of the interest on the 2013 BANs.

The 2013 BANs are not registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the 2013 BANs for sale.

IN CONNEXION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILISE OR MAINTAIN THE MARKET PRICE OF THE 2013 BANS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILISING MAY BE DISCONTINUED AT ANY TIME.

CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY HAVE BEEN OBTAINED FROM SOURCES OTHER THAN RECORDS OF THE TOWN AND, WHILE BELIEVED TO BE RELIABLE, IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE TOWN SINCE THE DATE THEREOF.

Reference herein to laws, rules, regulations, agreements, reports, and other documents, do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made therein. Where full texts have not been included as appendices to the Official Statement, they will be furnished upon request made to Municipal Advisors Group of Boston, Inc. (the "Financial Advisor").

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

This Official Statement contains statements which should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the use of the future tense or by terms such as “may,” “intend,” “will,” “expect,” “forecast,” “project,” “anticipate,” “estimate,” “plan,” “budget,” “believe,” “should,” “strategy,” “position,” or the negative of such terms or variations of such words or similar expressions. In particular, any statements, express or implied, concerning future operating results or the ability to generate Revenues or cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the Town’s management believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. Those forward-looking statements, including forecasts, projections, and estimates, are based on currently available information, expectations, estimates, assumptions, and projections and management’s judgment about the water and wastewater utility industries and general economic conditions. The forward-looking statements are not guarantees of future performance. Actual results may vary materially and adversely from what is contained in a forward-looking statement. Factors which may cause results different from those expected or anticipated include, among others, changes in the municipal bond market or other credit markets, tightening of credit availability, changes in federal tax treatment of interest on governmental obligations, new legislation, increases in suppliers’ prices, increases in the price of wastewater treatment and other cost associated with the operation of the System, changes in environmental compliance requirements, acquisitions, changes in customer water usage and wastewater generation patterns, natural disasters, the impact of weather on operating results, general economic and business conditions, changes in political, social, and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation, and various other events, conditions, and circumstances, many of which are beyond the control of the Town. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially and adversely from any results indicated or suggested by those assumptions. Such forward-looking statements are included in, among other portions of this Official Statement, “FINANCIAL FACTORS – Forecasted Net Revenues and Debt Service Coverage,” “- Debt Service on System’s Bonds and Indebtedness,” “- Anticipated Issuance of Additional Bonds,” and “THE SYSTEM – Capital Improvements Plan.”

Although the Town believes in making any such forward-looking statement, and its expectations are based on assumptions considered reasonable by the Town, any such forward-looking statement involves uncertainties and is qualified in its entirety by reference to factors both identified within this Official Statement and from publicly available sources about the water and wastewater business, regulation and regulatory authorities for that business, and the locale that could cause the actual results of the Town to differ materially and adversely from those contemplated in such forward-looking statements.

Any forward-looking statement speaks only as of the date such statement is made, and the Town undertakes no obligation to update any forward-looking statement in this Official Statement to reflect events or circumstances after the date of this Official Statement or to reflect the occurrence of unanticipated events. New factors arise or emerge from time to time and it is not possible for the Town to predict all of such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially and adversely from those contained in any forward-looking statement.

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SUMMARY STATEMENT

The following Summary Statement is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Official Statement and the Appendices hereto (collectively, the “Official Statement”). The offering of the 2013 BANs to potential investors is made only by means of this entire Official Statement, and no person is authorised to detach this Summary Statement from the Official Statement or to otherwise use it without the entire Official Statement.

Issuer	The Town of Lexington, South Carolina (the “Town” or the “Issuer”) was incorporated in 1861 pursuant to South Carolina law and is governed by a Mayor and a six-member Town Council who are elected for four-year terms. See “THE TOWN” herein for a more complete description of the Town.
2013 BANs	Town of Lexington, South Carolina, Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2013 (the “2013 BANs”) are being issued as fully-registered notes, in denominations of \$5,000, and integral multiples thereof, and are initially issued in book-entry-only form and mature on December 2, 2013. See “THE 2013 BANs” herein for a more complete description of the 2013 BANs.
Date of Issue and Delivery	The 2013 BANs will be dated and bear interest (based on a 360-day year of twelve 30-day months) from their date of delivery. It is expected that the 2013 BANs will be available for delivery through the facilities of The Depository Trust Company on or about January 17, 2013.
Interest Payments	Interest on the 2013 BANs is payable at maturity or prior redemption.
Optional Redemption	The 2013 BANs are subject to optional redemption prior to their maturity on and after July 1, 2013, at a price of par plus accrued interest.
Security	The 2013 BANs are secured by a pledge of the net proceeds derived from the sale of combined waterworks and sewer system revenue bonds (the “Bonds”) issued as parity bonds under the Town’s General Bond Ordinance or, if the Bonds are not issued prior to the maturity of the 2013 BANs, from the sale of an issue of renewal or refunding bond anticipation notes. Neither the 2013 BANs nor any renewal or refunding bond anticipation notes of the Town will constitute a general obligation of the Town or a pledge of the faith and credit of the Town or the State of South Carolina nor are the 2013 BANs secured by a pledge of revenues derived from the operation of the Town’s Combined Waterworks and Sewer System. The Town Council expressly reserve the right to issue additional bond anticipation notes secured by a pledge of the proceeds of the Bonds on a parity with the pledge securing the 2013 BANs so long as the total outstanding principal amounts of bond anticipation notes secured by a pledge of the proceeds of the Bonds (including the 2013 BANs) do not exceed \$10,000,000. On January 4, 2013, the Town is scheduled to issue \$2,200,000 of its Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2012 (the “2012 BANs”) secured by a pledge of the proceeds of the Bonds on a parity with the pledge securing the 2013 BANs. See “SECURITY FOR THE 2013 BANs” herein for a more complete description of security for the 2013 BANs.
Purpose of the Issue	The 2013 BANs will be issued: (i) to provide funds for the Project (as defined herein) and other costs of the System, pending the issuance of Combined Waterworks and Sewer System Revenue Bonds by the Town; and (ii) to pay the costs of issuance of the 2013 BANs. See “PLAN OF FINANCING AND SOURCES AND USES OF FUNDS” herein for a more complete description of the financing of the Project.

Tax Status of Interest on the 2013 BANs	In the opinion of Howell Linkous & Nettles, LLC, Bond Counsel to the Town, under existing law and assuming compliance by the Town with certain covenants described herein, interest on the 2013 BANs is excludable from gross income for federal and South Carolina income tax purposes. In the further opinion of Bond Counsel, interest on the 2013 BANs is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. For a more complete discussion of such opinion and certain other tax consequences of owning the 2013 BANs, including certain exceptions to the exclusion of the interest on the 2013 BANs from gross income, see “LEGAL MATTERS -Tax Exemption” herein. The form of Bond Counsel’s opinion is included in this Official Statement as Appendix B.
Continuing Disclosure	The Town has undertaken for the benefit of holders of the 2013 BANs to provide certain financial information and operating data relating to the Town and the System and to provide notices of the occurrence of certain enumerated events, if deemed by the Town to be material, as described in “MISCELLANEOUS - Continuing Disclosure” herein.
Financial Statements	The Comprehensive Annual Financial Report for the Town for the Fiscal Year Ending June 30, 2012, including the Report of the Town’s Independent Auditors, has been prepared by Brittingham, Brown, Prince & Hancock, CPA’s, and is attached hereto as Appendix A.
General	<p>This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. Copies of the Official Statement and other relevant documents and information regarding the documents are available from Municipal Advisors Group of Boston, Inc., Post Office Box 389, North Scituate, Massachusetts 02060, (781) 383.3117. The Official Statement, including the cover page and the attached Appendices, contains specific information relating to the 2013 BANs, the Town, and other information pertinent to this issue.</p> <p>All information included herein has been provided by the Town except where attributed to other sources. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report, or other instrument.</p>

\$7,800,000
TOWN OF LEXINGTON, SOUTH CAROLINA
COMBINED WATERWORKS AND SEWER SYSTEM
REVENUE BOND ANTICIPATION NOTES, SERIES 2013

INTRODUCTION

This Official Statement of the Town of Lexington, South Carolina (the “Town”), which includes the cover page and the appendices, provides information relating to the Town and its \$7,800,000 Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2013 (the “2013 BANs”). All summaries of the documents described herein are qualified by reference to such documents in their entirety.

THE 2013 BANs

Purpose of and Security for the 2013 BANs

Pursuant to an ordinance (the “BAN Ordinance”) enacted by the Town Council (the “Town Council”) of the Town on September 4, 2012, and in accordance with the provisions of Title 11, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the “BAN Statute”) the Town has determined that it is advantageous to the Town to issue the 2013 BANs. See “Appendix C – Summary of the BAN Ordinance.” The 2013 BANs will be issued: (i) to provide funds for the Project, as defined under “PLAN OF FINANCING AND SOURCES AND USES OF FUNDS - Project Description” and other improvements to the Town’s wastewater treatment system (the “System”), pending the issuance of Combined Waterworks and Sewer System Revenue Bonds by the Town to provide permanent financing for the Project; and (ii) to pay the costs of issuance of the 2013 BANs.

The 2013 BANs are issued pursuant to the BAN Statute and the BAN Ordinance, and are secured by a pledge of the net proceeds derived from the sale of combined waterworks and sewer system revenue bonds (the “Bonds”) in anticipation of which the 2013 BANs are being issued or, if the Bonds are not issued prior to the maturity of the 2013 BANs, from the sale of an issue of renewal or refunding bond anticipation notes. In compliance with the BAN Statute, the Town has covenanted to issue the Bonds in an amount and at the time necessary to pay principal and interest on the 2013 BANs when due. See “SECURITY FOR THE 2013 BANs – Conditions to the Issuance of Bonds -Additional Parity Bonds” herein for a description of the requirements which the Town must meet in order to issue the Bonds as parity bonds under the Town’s Amended and Restated General Bond Ordinance enacted on October 18, 1993 (the “Bond Ordinance”). Neither the 2013 BANs nor any renewal or refunding bond anticipation notes of the Town will constitute a general obligation of the Town or a pledge of the faith and credit of the Town or the State of South Carolina nor are the 2013 BANs secured by a pledge of revenues derived from operation of the Town’s Combined Waterworks and Sewer System. All capitalised terms not otherwise described herein shall have the meanings ascribed to such terms in Appendix C hereto.

Form and Denomination

The 2013 BANs will be dated their date of delivery, will pay interest (based on a 360-day year of twelve 30-day months) at their maturity on December 2, 2013 and will bear interest at the rate of 0.75% per annum. The 2013 BANs will be issued as fully-registered notes in principal amounts of \$5,000 and integral multiples thereof, and each will be registered in the name of the registered owners (the “Holders”) as set forth on the registry book maintained at the designated corporate trust office of U.S. Bank National Association, as Registrar (the “Registrar”).

Optional Redemption

The 2013 BANs are subject to redemption at the option of the Town, in whole or in part, on any day on and after July 1, 2013, at a price of par plus accrued interest to the date of redemption.

Notice of Redemption

Notice of redemption will be given by the Town by mailing it by first class mail, not less than 30 days nor more than 60 days prior to redemption date, to the registered owner of each 2013 BAN or portion thereof called for redemption. Interest on the 2013 BANs or portion thereof to be redeemed shall cease to accrue from and after the redemption date, unless the Town defaults in making due provision for the payment of the redemption price thereof.

Book-Entry Only System

The 2013 BANs will be available to purchasers under the book-entry system maintained by The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2013 BANs. Purchasers will not be entitled to receive physical delivery of the 2013 BANs. For so long as any purchaser is a beneficial owner of a 2013 BAN, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant in order to receive payment of principal of and interest on such 2013 BANs. See "Appendix D – DTC and Book-Entry Only System" herein for a more complete description of the Book-Entry Only System for the 2013 BANs.

Payment Details of the 2013 BANs

For so long as the 2013 BANs are held in book-entry only form by DTC, the payment of principal of, redemption premium, if any, on and interest on the 2013 BANs will be made to Cede & Co., which will in turn make payment to the Participants and Beneficial Owners as described in "-Book-Entry Only System."

Payment of Principal of the 2013 BANs. Principal of the 2013 BANs is payable on the maturity date, or earlier redemption. If the Book-Entry Only System is discontinued, principal of the 2013 BANs will be payable on the maturity date upon presentation and surrender thereof at the corporate trust office of U.S. Bank National Association, as paying agent (the "Paying Agent"), in Columbia, South Carolina.

Payment of Interest on the 2013 BANs. Interest on the 2013 BANs is payable on the maturity date, or earlier redemption. If the Book-Entry Only System is discontinued, interest on the 2013 BANs will be paid to the person in whose name each 2013 BAN is registered as of the close of business on the 15th day of the calendar month immediately preceding the interest payment date (the "Record Date"), whether or not a business day.

Registration, Transfers, and Exchanges

For so long as a Book-Entry Only System for the 2013 BANs is in place, the registration, transfer and exchange of the 2013 BANs will be made as described in "- Book-Entry Only System."

See Appendix C for a description of the registration, transfer, and exchange procedures for the 2013 BANs if the Book-Entry Only System is discontinued.

Mutilated, Lost, Stolen, or Destroyed 2013 BANs

See Appendix C for a description of the procedures with regard to mutilated, lost, stolen, or destroyed 2013 BANs if the Book-Entry Only System is discontinued.

PLAN OF FINANCING AND SOURCES AND USES OF FUNDS

General

The Town's Plan of Finance includes issuance of two series of BANs, the 2013 BANs and the 2012 BANs (defined below) to fund costs of construction of the Project and related costs.

The Town will use the proceeds of the 2013 BANs, along with proceeds of the 2012 BANs: (i) to provide funds for the Project (defined below) and other costs of the System, pending the issuance of Combined Waterworks and Sewer System Revenue Bonds by the Town to provide permanent financing for the Project and other improvements to the System; and (ii) to pay the costs of issuance of the 2013 BANs.

The costs of the Project are anticipated to be paid by the Town from the proceeds derived from the sale of approximately \$10 million principal amount of future Town of Lexington Combined Waterworks and Sewer System Revenue Bonds ("Future Bonds"). The 2013 BANs and the 2012 BANs will be secured by a pledge of and payable solely from a portion of the proceeds derived from the sale of the Future Bonds.

Project Description

The Project consists of the construction and acquisition of the Highway 378 Regional Pump Station, 14 Mile Creek Force Main upgrades, and various other capital improvements identified in the Capital Improvement Plan for the System (collectively, the "Project"), as explained in more detail below.

Highway 378 Regional Pump Station and 14 Mile Creek Force Main Upgrades

The Project will include a pump station which will operate with a maximum capacity of 2,800 gallons per minute ("GPM"). The majority of the force main will be ductile iron pipe and comprised of 9,837 linear feet ("LF") of 12-inch diameter pipe from the pump station along Highway 378 to the intersection of Highway 204 within the System's service area. From Highway 204 down Highway 378 to the intersection of Fourteen Mile Creek will be 9,924 LF of 18-inch diameter ductile iron. Additionally, 1,080 LF of high density polyethylene ("HDPE") pipe will be installed under Wise Ferry Road and under the entrance to Mariners Creek and Cambridge Place subdivisions.

12/14 Mile Creek Upgrade - Phase III: Division I

Phase III, Division I of the Twelve/Fourteen Mile Creek Regional Force Main System consists of the installation of new 30-inch and 24-inch sewer force main from Methodist Park Road near Highway 1 to Old Dunbar Road near I-26, generally running parallel to the Town's existing 24-inch force main along the same route. Division I consists of the installation of approximately 21,500 LF of 30-inch force main and 5,600 LF of 24-inch force main. Additionally, Division I includes the installation of a wastewater sampling and flow metering station along Methodist Park Road near Highway 1. Division I is anticipated to increase the capacity of the Town's Twelve/Fourteen Mile Creek Regional Force Main System to an average daily flow of 6.45 MGD.

Other Improvements to the System

The Town anticipates that a portion of the proceeds of the BANs will be used to fund the costs of various other capital improvements to the System. These improvements are identified in the Town's Capital Improvement Plan for the System. See "THE SYSTEM – Capital Improvements Plan" herein.

The Project is expected to cost approximately \$10 Million, which will be paid from proceeds of the sale of bond anticipation notes and Bonds of the Town. It is anticipated that the issuance of the 2013 BANs will provide approximately \$7.8 Million to be applied to the interim financing of costs of the Project pending issuance of Bonds to provide permanent financing. The Town has also issued its Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2012 (the “2012 BANs”), in the principal amount of approximately \$2,200,000, on January 4, 2013, to provide additional interim financing of costs of the Project pending issuance of Bonds to provide permanent financing. The pledge of Bond proceeds securing the 2012 BANs will be on a parity with the pledge securing the 2013 BANs.

The Town Council expressly reserve the right to issue additional bond anticipation notes secured by a pledge of the proceeds of the Bonds on a parity with the pledge securing the 2013 BANs so long as the total outstanding principal amounts of bond anticipation notes secured by a pledge of the proceeds of the Bonds do not exceed \$10,000,000.

Estimated Sources and Uses of Funds

The proceeds of the 2013 BANs are expected to be used as follows:

Sources of Funds

Principal Amount	\$	7,800,000
Net Original Issue Premium		<u>7,020</u>
TOTAL SOURCES†	\$	<u>7,807,020</u>

Uses of Funds

Deposit to Construction Fund	\$	7,690,300
Costs of Issuance and Miscellaneous*		<u>116,720</u>
TOTAL USES†	\$	<u>7,807,020</u>

*Includes fees and expenses of the Underwriter, legal counsel, financial advisor, rating agencies, Trustee, and other costs of issuance.

†Totals may not add due to rounding.

SECURITY FOR THE 2013 BANs

Pledge of Net Proceeds of Sale of Bonds or Renewal/Refunding Bond Anticipation Notes

In the BAN Ordinance, the Town has covenanted to issue its combined waterworks and sewer system revenue bonds (the “Bonds”), as parity bonds under the Town’s Bond Ordinance, in an amount sufficient to retire the 2013 BANs prior to the maturity of the 2013 BANs on December 2, 2013 or, if the Bonds are not issued prior to the maturity of the 2013 BANs, to issue renewal or refunding bond anticipation notes in an amount sufficient to retire the 2013 BANs prior to the maturity of the 2013 BANs on December 2, 2013. The 2013 BANs are secured by a pledge of the proceeds derived from the sale of the Bonds. Neither the 2013 BANs nor any renewal or refunding bond anticipation notes of the Town will constitute a general obligation of the Town or a pledge of the faith, credit, or taxing powers of the Town or the State of South Carolina. Neither Net Revenues of the System nor other revenues of the Town are pledged to the payment of the 2013 BANs. See “RISKS AND INVESTMENT CONSIDERATIONS” herein.

The Town Council expressly reserve the right to issue additional bond anticipation notes secured by a pledge of the proceeds of the Bonds on a parity with the pledge securing the 2013 BANs so long as the total outstanding principal amounts of bond anticipation notes secured by a pledge of the proceeds of the Bonds

(including the 2013 BANs) do not exceed \$10,000,000. The pledge of Bond proceeds securing the 2013 BANs will be on a parity with the pledge securing the 2012 BANs, which the Town intends to issue on January 4, 2013 in the amount of \$2,200,000, and any additional BANs issued by the Town.

Conditions to the Issuance of Bonds

Pursuant to the terms of the Bond Ordinance, the Town is authorised to issue parity Bonds or Junior Bonds secured by the Net Earnings of the System and Other Pledged Funds for the purpose of either financing the costs of improvements to the System or refunding other obligations secured by the Revenues of the System.

Additional Parity Bonds

The Town may issue Bonds under the Bond Ordinance which are secured by a pledge of the Net Earnings of the System and Other Pledged Funds on parity with the pledge of Net Earnings of the System and Other Pledged Funds securing the then Outstanding Bonds upon satisfaction of certain conditions as described below:

- (i) (a) There shall be filed with the Council a certificate of the Trustee stating (1) either (A) that no Default exists in the payment of the principal of, premium, if any, or interest on any Bonds or Junior Bonds, and all mandatory redemption requirements, if any, required to have been made or satisfied shall have been made or satisfied, or (B) that the application of the proceeds of sale of the Series of Bonds to be issued as required by the Supplemental Ordinance authorising their issuance will cure the Default or permit the making or satisfaction of the redemption requirements, and (2) either (A) that to the knowledge of the Trustee, the Town is not in Default under the terms and provisions of the Bond Ordinance in any manner properly within the purview of the Trustee, or (B) setting forth the circumstances of each Default known to the Trustee.
- (b) There shall be filed with the Trustee a certificate of the Mayor of the Town stating (1) either (A) that no Default exists in the payment of the principal of, premium, if any, or interest on, any Bonds or Junior Bonds and all mandatory redemption requirements, if any, required to have been made or satisfied shall have been made or satisfied, or (B) that the application of the proceeds of the sale of the Series of Bonds to be issued as required by the Supplemental Ordinance authorising their issuance will cure all Defaults or permit the making or satisfaction of the redemption requirements, and (2) either (A) that to the best of the knowledge of the Mayor, the Town is not in Default in the performance of any other of its covenants and agreements contained in the Bond Ordinance, or (b) setting forth the circumstances of each Default known to him.
- (ii) If such certification by the Town and the Trustee states that the Town is in Default under the Bond Ordinance, then there shall be filed with the Trustee an opinion of Bond Counsel that such Default does not deprive the Bondholders of the security of the Bond Ordinance in any material respect;
- (iii) There shall be filed with the Trustee a report of an independent certified public accountant, as to whether forecasted Net Earnings of the System for the next three succeeding full Fiscal Years will be not less than 120% of the highest Principal and Interest Requirements in any succeeding Fiscal Year on all Bonds to be Outstanding, taking into account the Principal and Interest Requirements on the Bonds proposed to be issued;
- (iv) There shall be filed with the Trustee a report from an independent certified public accountant, stating that Net Earnings of the System for any twelve (12) successive months during the 18 months immediately preceding the issuance of the proposed Bonds have not been less than 120% of the highest Principal and Interest Requirements in the Fiscal Year; and

- (v) There shall be on deposit in the Debt Service Reserve Fund cash and securities having an aggregate value not less than the Debt Service Reserve Fund Requirement with respect to each Series of Bonds Outstanding and the Bonds proposed to be issued.

The Town has reserved the right to issue Bonds under the Bond Ordinance for the purpose of refunding other Bonds issued under the Bond Ordinance without compliance with the provisions described above as long as the present value of Principal and Interest Requirements on all Bonds to be Outstanding under the Bond Ordinance after the issuance of the refunding Bonds shall not be greater than would have been the present value of the Principal and Interest Requirements were the refunding not to occur.

Junior Bonds

Pursuant to the terms of the Bond Ordinance, the Town has reserved the right to issue Junior Bonds in any amount as it may from time to time determine, payable from the Revenues; provided that such Junior Bonds are issued to secure funds to defray the cost of improving, extending, enlarging, or repairing the System, some part thereof, including the acquisition of any system which may be combined with or consolidated into the System pursuant to law, or to refund Bonds, Junior Bonds, or any notes, bonds, or other obligations issued to finance or to aid in financing the acquisition, construction, or improvement of the System; and provided further that the pledge of revenues securing Junior Bonds shall at all times be subordinate and inferior to the pledge securing the Bonds. Junior Bonds shall be payable from Revenues held in the Revenue Fund after provision has been made for all payments required to be made hereunder with respect to the Bonds.

The Town currently has no Junior Bonds outstanding and does not anticipate issuing any in the future.

Net Revenues Pledged to the Payment of Bonds

The Bonds, together with the interest thereon, are payable from and secured by a pledge of the Revenues derived from the operation of the System after provision has been made for the payment of the Expenses of Operating and Maintaining the System (the "Net Earnings") and by a pledge of moneys and securities held in certain funds established pursuant to the Bond Ordinance ("Other Pledged Funds").

As long as any Bonds remain outstanding, all Revenues of the System shall be received by the Town and, as required by Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended (the "Act"), shall be held in trust for the benefit of the Holders of the Bonds from time to time Outstanding, and applied only as provided in the Bond Ordinance. The Revenues shall be accounted for separately from all other moneys of the Town on its books of records and accounts. Revenues of the System are not pledged to the payment of debt service on the 2013 BANs.

Net Revenues and Other Pledged Funds are not pledged as security for the 2013 BANs. See "- Pledge of Net Proceeds of Sale of Bonds or Renewal/Refunding Bond Anticipation Notes" under this section.

Rate Covenant

In the Bond Ordinance the Town has covenanted to operate the System in an efficient and economical manner and to establish, levy, maintain, revise, and collect all fees, rentals, rates, and other charges in connexion therewith as may be necessary or proper, which fees, rates, rentals and other charges, together with other Revenues, shall at all times be at least sufficient after making due and reasonable allowances for contingencies (a) to pay all current Expenses of Operating and Maintaining the System, (b) to produce at least 120% of the annual Principal and Interest Requirements on the Outstanding Bonds (less payments made from the proceeds of the Bonds), to be funded from Revenues during the Fiscal Year with respect to which the rates are being established, (c) to maintain the Debt Service Reserve Fund Requirement in the Debt Service Reserve Fund, (d) to build up any reserve for depreciation and to build up any reserve for improvements, betterments and extensions to the System, (e) to comply in all respects with the terms of the Act and the Bond Ordinance or any other contract or agreement with the Holders of the Bonds, and (f) to meet any other obligations of the Town which are charges, liens, or encumbrances upon the Revenues.

Funds Established by the Bond Ordinance; Flow of Funds

Debt Service Reserve Fund

The Bond Ordinance provides for the establishment of a reserve fund (the “Debt Service Reserve Fund”) to be used for the timely payment of the principal of and interest on Bonds, to provide for the redemption of Bonds prior to their stated maturity and/or to effect the retirement of Bonds through purchase under certain conditions. A separate account within the Debt Service Reserve Fund is to be established for each Series of Bonds. In lieu of the deposit of moneys into the Debt Service Reserve Fund, the Town may cause to be so credited a surety bond or an insurance policy payable to, or letter of credit in favor of, the Trustee for the benefit of the Holders of the Bonds in an amount which, together with other moneys on deposit in the Debt Service Reserve Fund, is equal to the Debt Service Reserve Fund Requirement as more particularly set forth in, and subject to the limitations of, the Bond Ordinance.

Moneys in the Debt Service Reserve Fund shall be used only for the purposes of (i) preventing a default in the payment of principal of and interest on the Bonds by reason of a deficiency in the Debt Service Fund created pursuant to the Bond Ordinance, (ii) paying the principal of, interest on, and redemption premium, if any, on Bonds in the event that all Outstanding Bonds are to be redeemed as a whole, (iii) effecting partial redemption of the Bonds, provided that the redemption be undertaken in accordance with the provisions of the Bond Ordinance permitting a partial redemption of Bonds and the balance remaining in the Debt Service Reserve Fund following such partial redemption shall not be less than the Debt Service Reserve Fund Requirement, and (iv) effecting the retirement of Bonds through purchase under the conditions prescribed in the Bond Ordinance.

Moneys held in the Debt Service Reserve Fund are not available to pay debt service on the 2013 BANs.

Flow of Funds

The Bond Ordinance establishes a Revenue Fund into which all Revenues of the System are to be deposited and allocation therefrom shall be made on or before the 15th day of each month in the following order of priority:

(a) First, there shall be transferred to the Operation and Maintenance Fund a sum sufficient to provide for the Expenses of Operating and Maintaining the System for the ensuing month in accordance with the Annual Budget.

(b) Second, provision shall be made for the payment of principal of and interest on the all Bonds then Outstanding, all without priority of any Bonds over others. To that end:

(i) On or before the fifteenth day of each month there shall be deposited into the Interest Account of the Debt Service Fund, that amount which, together with equal, successive, monthly deposits in the same amount, will, together with any other funds on deposit therein to be applied to the next interest payment, provide sufficient funds to pay the aggregate amount of interest to become due on the Bonds on the next Interest Payment Date.

(ii) On or before the fifteenth day of the month which precedes the first principal payment date on any Serial Bond by twelve (12) months, or if the first installment of principal shall become due in less than twelve (12) months from the date on which such Series of Bonds were issued and delivered, then or before the fifteenth day of the month immediately succeeding the month in which such Series of Bonds were issued and delivered, and in any event prior to the date upon which the installment of principal falls due, on or before the fifteenth day of each succeeding month thereafter, there shall be deposited into the Principal Account of the Debt Service Fund, that amount which, together with equal, successive, monthly deposits in the same amount, will, together with any other funds on deposit therein to be applied to the next payment of principal to become due, provide sufficient funds to pay the aggregate amount of principal to become due on the Bonds on the next principal payment date.

(iii) On or before the fifteenth day of the twelfth month prior to the date upon which a mandatory redemption requirement of any Term Bond falls due, or if the first mandatory redemption requirement shall fall due in less than twelve (12) months from the date on which such Series of Bonds were issued and delivered, then or before the fifteenth day of the month immediately succeeding the month in which such Series of Bonds were issued and delivered, and in any event prior to the date upon which mandatory redemption requirement falls due, on or before the fifteenth day of each succeeding month thereafter, there shall be deposited into the Bond Redemption Account of the Debt Service Fund, an amount such that, if the same amount were credited to the Bond Redemption Account on the fifteenth day of each month thereafter and prior to the next date upon which a mandatory redemption requirement falls due on such Bonds, the aggregate of the amount so credited to the Bond Redemption Account, would on the latter date be equal to the amount (excluding accrued interest) required to redeem the principal amount of those Term Bonds required by the sinking fund installment then falling due on the Term Bonds.

(iv) If, on any occasion when the payments required by paragraphs (i), (ii) or (iii) above are to be made, the sum total of the payments required by paragraphs (i), (ii) or (iii) above, plus previous monthly payments and the remaining payments to be made prior to the next succeeding interest or principal and interest payment date, will not provide, together with other funds in the Debt Service Fund to be applied to the payment of principal and interest, sufficient funds to meet the payment of the next succeeding installment of either principal (whether due at stated maturity or by mandatory redemption) or interest, or both, as the case may be, there shall be added to such payments, a sum equal to the deficiency, to ensure that moneys in the Debt Service Fund, the Debt Service Reserve Fund, and the Revenue Fund be applied equally and ratably to the payment of Bonds, without priority between Series.

(c) Third, unless the Debt Service Reserve Fund contains at the time of valuation in cash and securities an amount at least equal to Debt Service Reserve Fund Requirement as required by the Bond Ordinance, there shall be deposited on or before the fifteenth day of each month into the Debt Service Reserve Fund that amount which, together with equal, successive, monthly deposits in the same amount, will provide cash and securities in the Debt Service Reserve Fund of a value not less than the Debt Service Reserve Fund Requirement within twelve (12) months next succeeding the determination of such deficiency.

(d) Fourth, provision shall be made for the payment of any other indebtedness which is junior and subordinate to the Bonds in the order of priority contemplated by the proceedings authorising their issuance.

(e) Fifth, unless amounts on deposit in the Renewal and Replacement Fund equal to the greater of (i) \$100,000 or (ii) an amount recommended by the Consulting Engineer, as required by the Bond Ordinance to provide for the renewal and replacement of capital assets of the System in accordance with the terms thereof, there shall be transferred from the Revenue Fund to the Renewal and Replacement Fund on or before the fifteenth day of each month, after required transfers have been made into Operations and Maintenance Fund, the Debt Service Fund, the Debt Service Reserve Fund and with respect to any Junior Bonds, that amount which, together with equal, successive, monthly deposits in the same amount, will provide the amount required to be held in the Renewal and Replacement Fund as stated above within twelve (12) months next succeeding the determination of such deficiency.

(f) Sixth, all moneys remaining after making the payments described above may be disposed of for any lawful purpose in such manner as the Town shall from time to time determine.

RISKS AND INVESTMENT CONSIDERATIONS

An investment in the 2013 BANs involves certain risks, including the risk of nonpayment of interest, principal or redemption price due to 2013 BAN holders. The risks associated with investing in the 2013 BANs include, but are not limited to, the following factors which should be considered by prospective investors, along with the other information presented in this Official Statement, in judging the suitability of an investment in the 2013 BANs.

Failure to Issue Bonds

In the event the Town cannot satisfy the conditions set forth in the Bond Ordinance for the issuance of Additional Bonds, the Bonds contemplated as a source of funding for the repayment of the 2013 BANs cannot be issued. See “SECURITY FOR THE 2013 BANs – Conditions to Issuance of Bonds” for a more detailed discussion of the conditions to the issuance of Bonds by the Town. Even if the Town can satisfy the conditions required for the issuance of additional Bonds, there is no guarantee of a market for those Bonds at the time necessary to pay debt service on the 2013 BANs.

Bond Proceeds or Proceeds of Renewal BANs as Sole Security

The sole security for the 2013 BANs is a pledge of the net proceeds of the sale of Bonds issued as parity Bonds under the Town’s Bond Ordinance or, if the Bonds are not issued prior to the maturity of the 2013 BANs, from the sale of an issue of renewal or refunding bond anticipation notes. The 2013 BANs are not secured by a pledge of the Net Earnings of the System or by a pledge of other revenues of the Town.

In addition, the Town Council expressly reserve the right to issue additional bond anticipation notes secured by a pledge of the proceeds of the Bonds on a parity with the pledge securing the 2013 BANs so long as the total outstanding principal amounts of the bond anticipation notes secured by a pledge of the proceeds of the Bonds (including the 2013 BANs, the 2012 BANs (defined below), and any additional BANs issued by the Town) do not exceed \$10,000,000. On January 4, 2013, the Town intends to issue \$2,200,000 of its Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2012 (the “2012 BANs”) secured by a pledge of the proceeds of the Bonds on a parity with the pledge securing the 2013 BANs. See “PLAN OF FINANCING AND SOURCES AND USES OF FUNDS – Project Description” herein for a more detailed explanation of the plan to issue addition BANs.

Financial Performance of the System

The System’s operations are subject to all the risks inherent in a business enterprise, and the likelihood of success of the System must be considered in light of the expenses, difficulties, and delays encountered in connexion with any business enterprise. There can be no assurance that the Town's plans for the operation of the System will be successful or that the System will be profitable.

Enforceability of Certain Contractual Provisions

Under various agreements, the Town has contracted for services to be provided and sales to be made by various providers of services and sellers of assets. There is no guaranty that any such third party contractor will perform in a timely manner.

Environmental and Regulatory

The operation of the System is subject to extensive regulations by means of federal, state, and local environmental laws and permitting requirements relating to the treatment and delivery of potable water and the collection and treatment of wastewater. The Town expects that it will continue to operate the System in compliance in all material respects with existing laws and regulations, and will be able to timely obtain all requisite permits. Nevertheless, the failure to comply with current or future regulations could result in an alteration or cessation of System operations, or could require the Town to acquire expensive remediation equipment or to incur substantial expenses to comply with the regulation. Further, failure to obtain required permits could result in the alteration or cessation of System operations. The Town cannot predict the nature, scope or effect of legislation or regulatory requirements that could be imposed on, or how existing or future laws or regulations will be administered or interpreted with respect to, the operation of the System. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by the Town, and could adversely affect the results of the operations of the System. (See also, “THE SYSTEM-Environmental Matters” for discussion of certain environmental matters specific to the System.)

THE TOWN

General Description

In 1733, the colonists of South Carolina created the Congaree District as an inland buffer to protect Charleston from hostile Indians. This was a large tract of land along the Congaree River now thought of as the State's Midlands area. In 1735, the developers of the district changed the name to *Saxe Gotha* in an attempt to lure the Swiss and Germans to the area. The name was given in honour of the marriage of the Prince of Wales to the Princess Augusta of the German state of Saxe Gotha. After the Revolutionary War, patriotism was high, and in 1785, the name of the district was changed to Lexington in the honour of the Colonial victory over the British in Lexington, Massachusetts. Thereafter, the State of South Carolina changed districts to counties and created Lexington County from the old Lexington district and a portion of the Orangeburgh district. The State moved the courthouse to Granby (now the City of Cayce), but malaria was common in the swampy lowland area along the Congaree River. On January 20, 1829, the State bought land at the northwest corner of what is now U.S. #1 and S.C. 6 in the county's central highlands and the county seat was moved from Granby. Although a small, rural community began to grow around the new courthouse, the Town of Lexington was not incorporated until January 28, 1861. In 1927, the municipal water system began operation by serving the current residents of the one square mile area. The Town of Lexington is located in the central part of the State of South Carolina approximately 12 miles from Columbia, the State Capital. The Town is in close proximity to Lake Murray, a 50,000-acre lake utilised for recreational purposes, water supply and power generation. 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. The Town is the county seat of Lexington County (the "County") and is part of the greater Columbia Metropolitan Statistical Area ("CMSA").

Annexation

The Town's corporate limits initially included one square mile, and were later expanded by annexation to ten square miles. Over time, the area of the Town of Lexington has continued to grow through annexation.

In recent years, the Town has chosen to pursue a strategy of growth through selective annexation. Just outside the current Town limits are large tracts of undeveloped or under-developed land that the Town has the necessary infrastructure to serve. As this property is developed it is annexed, providing business license and property tax income. These annexations are mainly commercial in nature, but neighborhoods under development are also annexed.

Because of the concentration of growth along US Highway 378 to the east of Town, the majority of recent annexations in terms of acreage have occurred there. Additionally, annexation continues along the US Highway number 1 corridor. Some recent annexation activity to the west of Town along Industrial Boulevard, however, has also positioned the Town favourably for future annexations of industrial properties in that area.

Population

In part as the result of annexations, population growth has been constant, as shown in the following table.

<u>Year</u>	<u>Town Population</u>
1970	969
1980	2,131
1990	4,046
2000	9,793
2010	17,870

Source: U.S. Bureau of the Census.

Per Capita Income

The per capita income for the Town for census year 2010 was \$28,927, compared to \$34,456 for Lexington County as a whole and \$32,462 for South Carolina. Median household income in the Town, according to the 2010 census records, was \$58,800, and 11.1% of individuals were below the poverty line.

Per capita personal income statistics for Lexington County, the State, and the United States are set forth below.

<u>Year</u>	<u>Lexington County</u>	<u>State</u>	<u>United States</u>
2002	\$29,040	\$25,370	\$30,795
2003	29,618	25,880	31,466
2004	30,528	27,090	33,090
2005	31,575	28,285	34,471
2006	33,645	29,992	36,744
2007	34,240	31,653	38,846
2008	34,456	32,462	39,937
2009	34,240	31,653	38,846
2010	34,456	32,462	39,937
2011	35,211	33,388	41,560

Source: U.S. Department of Commerce, Bureau of Economic Analysis, regional economic accounts, S.C. Office of Research and Statistics of Economic Research.

Retail Sales

The following table shows total gross sales in the Town and in Lexington County and net taxable sales in Lexington County for the calendar years 2006-2011.

<u>Calendar Year</u>	<u>Town Total Gross Sales*</u>	<u>County Total Gross Sales**</u>	<u>County Net Taxable Sales***</u>
2006	\$555,762,471	\$8,402,786,521	\$3,354,457,754
2007	548,115,645	9,072,447,364	3,548,381,675
2008	682,958,252	10,174,406,943	3,413,654,631
2009	694,091,423	9,131,289,559	3,010,737,056
2010	761,161,945	8,530,651,852	2,899,413,014
2011	880,155,510	8,913,177,995	2,988,875,419

Source: South Carolina Department of Revenue.

* Includes only sales within the Town.

** Includes all sales within Lexington County, including all municipalities within the County.

*** Includes all sales within Lexington County, including all municipalities within the County, but excludes all sales (or portions thereof) exempt from sales tax.

Building Permits and Bank Deposits

The table below sets forth information regarding new construction in the Town of Lexington as well as the amount of bank deposits of bank branches located in the Town for the past ten fiscal years.

<u>Year</u>	<u>Estimated Actual Real Property Value</u>	<u>Residential Construction</u>		<u>Commercial Construction</u>		<u>Bank Deposits (x 1,000)</u>
		<u># of Units</u>	<u>Value</u>	<u># of Units</u>	<u>Value</u>	
2003	\$613,465,420	313	\$27,591,523	11	\$12,417,501	581,493
2004	668,795,610	270	19,336,607	6	5,340,122	673,226
2005	718,734,147	318	27,612,515	13	15,821,341	798,302
2006	927,724,390	487	42,363,362	20	30,277,161	897,741
2007	973,175,071	366	26,717,874	41	66,518,910	999,770
2008	1,071,640,833	160	25,238,137	29	19,496,925	1,010,748
2009	1,200,208,137	114	22,032,471	16	14,287,237	1,160,141
2010	1,311,047,439	229	35,024,038	3	2,525,206	1,286,281
2011	1,469,218,111	174	32,405,692	7	8,680,606	1,242,023
2012	1,500,776,722	180	27,805,220	9	5,517,595	1,235,615

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

Education

Lexington County School District #1 (the "School District") serves residents of the Town as well as contiguous portions of Lexington County. For 2011-2012, the School District operated 28 public schools with an enrollment of approximately 22,400. This enrollment places the School District in the top 10 by enrollment in the State. Enrollment has been growing rapidly in recent years. In the past ten years, the student enrollment has grown on average by more than 500 students annually. Since 2003, the School District has built nine new schools, and currently has a high school under construction. Additionally, numerous additions and renovations have been completed. This growth is due in large part to the School District's excellent reputation, which is demonstrated by the fact that the School District's 2012 high school graduates earned \$28.3 million in scholarships, 72% of the School District's 2011 graduates went on to college, and for 20 consecutive years the SAT scores of the School District's seniors have exceeded both State and national SAT score averages.

According to the U.S. Census Bureau, education attainment for residents of the Town over the age of 25 in the year 2009 is set forth in the following table.

<u>No. of Years Completed</u>	<u>Number</u>	<u>Percentage</u>
High school graduates (includes equivalency)	2,313	23.3%
Some college, or associates degree	3,018	30.4
Bachelor's degree	2,531	25.5
Master's, professional or doctorate degree	1,330	13.4

Higher Education

The University of South Carolina, Midlands Technical College, and Columbia College, as well as several other colleges, are within easy commuter distance from Lexington.

Transportation

The Town is served by U.S. Highways 1 and 378 and numerous state highways. Interstates 20, 26 and 77 are easily accessible from the Town.

Railroad freight service is provided to the Town area by all general carload freight services with the exception of piggyback service. Piggyback service could be offered where traffic warranted the investment. Amtrak passenger rail service is available in nearby Columbia, South Carolina.

The Midlands area of South Carolina, including Lexington County, is served by the Columbia Metropolitan Airport which is located approximately eight miles from the Town of Lexington. Airlines operating at the Columbia Metropolitan Airport include American Eagle, Delta, United, and US Airways. Columbia Metropolitan Airport also serves as the southeastern hub for United Parcel Service. The airport serves more than 1.2 million passengers annually and processes more than 168,000 tons of air cargo.

Utilities

Water and sewer services in the Town are primarily provided by the Town's utility department, with limited areas served by other providers. Electric and natural gas service is provided by South Carolina Electric and Gas Company.

Medical Services

Hospital facilities within six miles of the Town include the Lexington Medical Center, a general acute-care hospital located just off Interstate 26 and Highway 378. The facility's 414 rooms are all private, carpeted, and equipped with private baths, cable television, and wireless internet. The hospital offers a wide array of services from general surgery, radiation oncology, and a cardiovascular center to maternity services and a special care nursery. The cardiovascular center is the region's first and only Duke Heart Center-affiliated heart center. Lexington Medical Center patients can count on not only receiving fast treatment, but also among the most advanced treatments and protocols medicine has to offer. The hospital's emergency room is open to the public, 24 hours per day. Lexington Medical Center also operates a \$24,000,000, 110,000 square feet, urgent care facility within the Town. In nearby Columbia, additional hospital facilities are provided by Palmetto Richland Memorial Hospital, Palmetto Health Baptist Hospital, and Providence Hospital, among others.

News Media

The Lexington County Chronicle and The Dispatch News, with a circulation of 9,500, is the area's local newspaper. It focuses on social, cultural, and historical features and is published weekly. In addition, The State newspaper published in nearby Columbia is daily with large State-wide circulation.

Television news and other programming are provided by several stations in Columbia, including ABC affiliate WOLO-TV, Fox affiliate WACH-TV, PBS affiliate South Carolina ETV, NBC affiliate WIS-TV, and CBS affiliate WLTX-TV, among others. Cable and satellite television is provided in the Town by several competing providers. There are many radio stations in the Lexington and Columbia area, providing a wide variety of listening choices.

Recreational and Cultural Facilities

In addition to serving as a reservoir for the Town's water system, nearby Lake Murray also serves as the area's major recreation attraction. The 50,000-acre, man-made lake provides many recreational opportunities including boating, fishing, and other water sports and also fuels the local economy. A number of State and local parks also offer recreational opportunities for visitors. These include Dreher Island State Park, a 348-acre island on Lake Murray which offers camping, picnicking, fishing and swimming, and boating, and Peachtree Rock Preserve in southern Lexington County, which attracts visitors to see its large, unique sandstone formations and cascading waterfall.

Riverbanks Zoo and Garden, a 170-acre site located on the northern border of Lexington County, is home to more than 2,000 animals and a substantial botanical garden. The attraction draws visitors from across the State and beyond.

The Town has several municipal parks, including the Virginia Hylton Park adjacent to the Town's municipal complex, Corley Street Park, Gibson Pond Park, Willie B. Caractor Park, and the Palmetto Collegiate Institute. These parks offer residents the opportunity to stroll their walking trails, gather in their picnic shelters, or relax under a shady oak tree or in a gazebo. Features of these parks include playgrounds, horseshoe pits, barbeque grills, a spray pool, butterfly gardens, flower gardens, a koi pond, and public restrooms. The Town and County of Lexington, working in conjunction with the Lexington Beautification Foundation, recently completed the Lexington Square Park in the heart of downtown. The park, in addition to being the location of memorials to fallen officers and other public servants, will be the location for many community events.

A number of other recreational, cultural, and sports opportunities are present in nearby Columbia, the State Capital. These include several museums, many sports events, and concerts, speakers, conferences, and other events associated with the University of South Carolina, Allen University, and Benedict College.

GOVERNMENT STRUCTURE

Government of the Town

The Town has a council form of government, and is governed by a Mayor and six-member Town Council who are elected for four-year terms. The Mayor is T. Randall Halfacre, who is the executive director of a professional association, and a retired State government Human Resource manager. Mayor Halfacre has served as a Council Member since 1994 and as Mayor since 2004. Current Council members are:

<u>Name</u>	<u>Occupation</u>	<u>Years of Service</u>
Hazel Livingston, Mayor Pro-Tem	Sales/Customer Relations Representative	14
Steve MacDougall	Restaurant Operations Director	1
Kathy Maness	Executive Director of a Professional Association	8
Danny Frazier	Construction Management and Development	7
Ted Stambolitis	Property Development/Restaurateur	8
Todd Shevchik	Magazine Publisher	6

The Town Council employs an Administrator who serves as the administrative head of the Town government, and is directly responsible to the Mayor and Town Council for the operation of all Town departments, and the enforcement of all laws and ordinances. It is the responsibility of the Administrator to prepare a recommended budget for Council's action, serve as Council's chief advisor in making necessary recommendations on administrative matters, recruit and hire government's staff and process citizen's complaints and requests. The Town Administrator ensures that the Council's programs are implemented. Regularly scheduled Council meetings are held on the first Monday of each month.

Britt Poole has served as Town Administrator since May, 2010. Mr. Poole has worked for the Town since 2003. Stuart Ford, CPA has served as Assistant Town Administrator since January, 2009, and previously served as the Town's Finance Director from 2001 until 2006. Kathy Roberts, CPA is the Finance Director and has served in such capacity since June, 2007. Allen Lutz serves as the Director of Utilities and has served in such capacity since March, 1998.

The Town's department heads and departments are as follows:

John Hanson, Planning, Building, and Technology
Dan Walker, Parks, Streets, & Sanitation
Chief Terrence Green, Police Department
Allen Lutz, Utilities
Kathy Roberts, Finance

The Town currently has approximately 140 full-time employees and one part-time employee. Of these, 46 are full-time police officers and three are civilian police staff.

Services Provided

The Town provides a broad range of local services to its residents, commuters, business visitors, and tourists. These local functions are in addition to the substantial services provided in the Town by the State and federal governments, and other local government entities.

The Town operates and maintains various programs which are funded from taxes, fees, and other revenues, as reflected in its annual budget for fiscal year 2012-2013; these programs include:

- 1) Legislative;
- 2) Judicial;
- 3) Executive;
- 4) Elections;
- 5) Financial Administration;
- 6) Other General Government;
- 7) Public Safety;
- 8) Public Works;
- 9) Health and Social Services;
- 10) Culture and Recreation;
- 11) Conservation of Natural Resources;
- 12) Economic Opportunity and Development;
- 13) Wastewater Collection and Treatment; and
- 14) Water Distribution.

Many of the above services are funded by the Town out of its general operating ad valorem tax levy. The Town currently has no plans for increasing the above level of services or providing services in addition to those described above.

Utility Services

The Town provides water and sewer services within the entire incorporated limits of the Town to approximately 8,174 water customers and 12,760 sewer customers.

THE SYSTEM

General

The System provides water and sewer services to customers both inside the political boundaries of the Town and in adjacent unincorporated portions of Lexington County. With approximately 212 miles of water lines and approximately 274 miles of sewer lines, the System provides water services to approximately 8,000 water customers and sewer services to approximately 13,000 sewer customers in a combined service area that covers approximately 100 square miles.

System Components – Water

Water Lines	212 miles
Tanks, elevated	3
Tanks, ground	2
Capacity, purchased	6.5 MGD
Hydrants	1,010
Capacity Flow (Hydrant Flow)	500 – 1,600 GPM*

*Gallons per minute (“GPM”)

System Components – Sewer

Sewer Lines	274 miles
Pump Stations	74
Capacity, owned	1.95 MGD*
Capacity, purchased	12.462 MGD
Manholes	3,923

*To be decommissioned upon completion of construction of New Cayce Plant related connections.

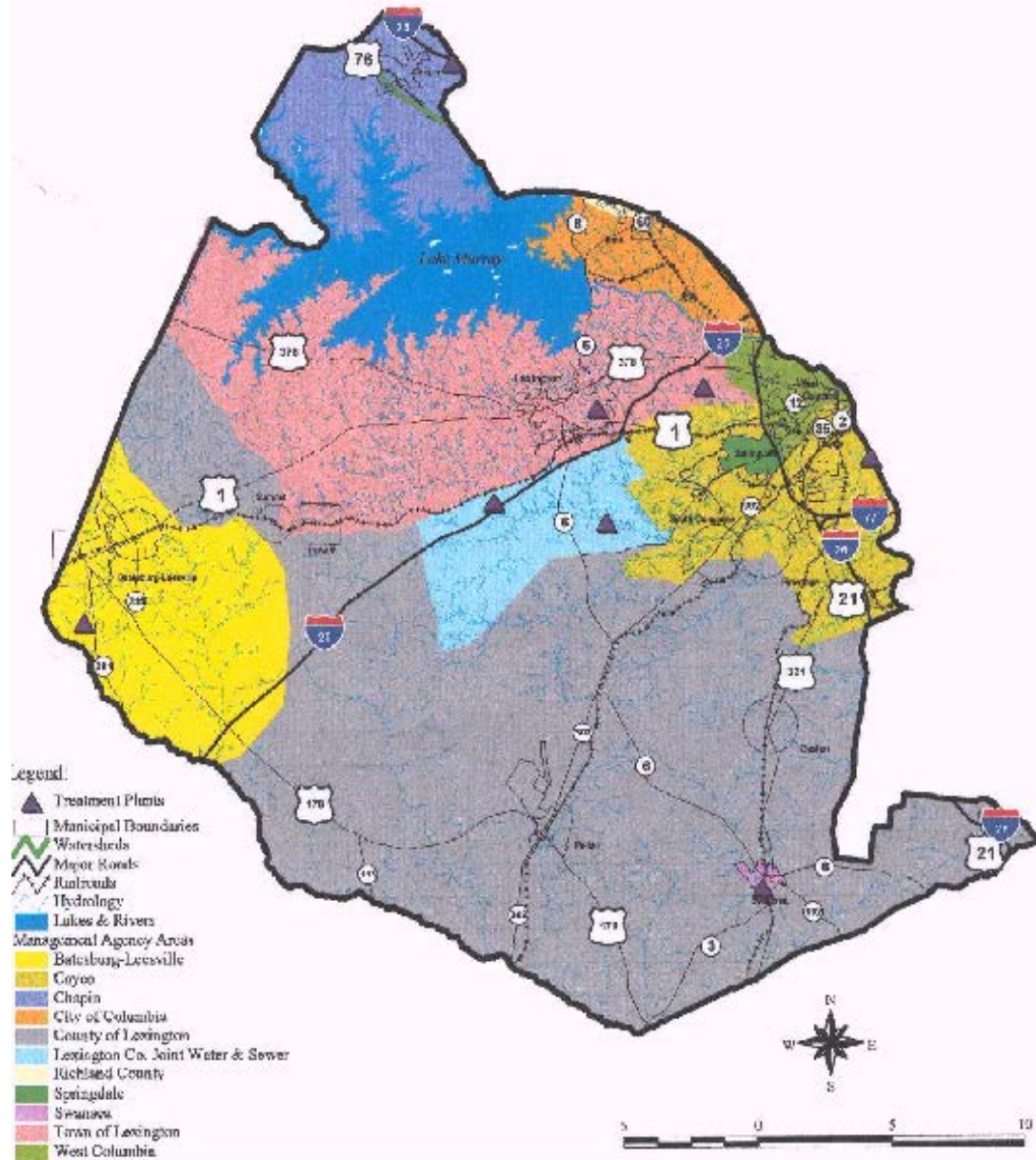
General Discussion of Service Area; Other Service Providers

The System’s service area for water and sewer services extends beyond the Town limits and is primarily defined by its designated wastewater management area (the “Management Area”) which currently covers approximately 100 square miles, with a population estimated at 100,000. The Town’s Management Area is designated by the Central Midlands Council of Governments (“CMCOG”) under the amended water quality management plan for the CMCOG planning area pursuant to Section 208 of the Federal Water Pollution Control Act of 1972 for the purpose of promoting a regional solution for local wastewater flows. The Section 208 Plan does not designate providers of potable water. The Town provides sewer service in all, and water services in the greater part, of its Management Area.

As further discussed in “THE SYSTEM – Description of the Sewer System,” the Town provides sewer service in the 12 and 14 Mile Creek Basins. Both basins were viewed by the Town as suitable for residential and commercial development and are likely to be developed because of their proximity to Columbia and Lake Murray. Over the past five years, residential and commercial development in these two basins has been substantial. However, limitations were placed on wastewater discharges into the Saluda River basin by DHEC. Growth has been confined to certain areas of the basin where sewer treatment services exist. The Town’s Regional Sewer System was created to provide wastewater management to these areas to allow continued development.

Water and sewer service within these basins has historically been provided by the Town, the City of West Columbia and the Joint Municipal Water and Sewer Commission (formerly the Lexington County Joint Municipal Water and Sewer Commission, and referred to herein as the “Commission”). Additionally, several private utilities provide water and sewer service within these basins, including Carolina Water System, Inc. (also known as Utilities, Inc.) (“CWS”) and Midlands Utilities, Inc.

Management Agency Areas Lexington County, S.C.



Description of the Water System

The Town provides water service directly to all of the residences within the incorporated Town limits except for a few small areas that the Town's Public Utilities Department has determined to be impractical to serve. The Town's water service area also includes adjoining unincorporated areas outside the Town. The water system is expected to grow to the north and northeast over the next ten years. With the expansion of the Town's water system, the present water service area will be expanded both geographically and in customer base within currently served areas.

There are no wholesale customers of the Town's water system. However, the Town provides wholesale services to Carolina Water Service and the Commission for emergency backup.

The Town obtains water from West Columbia's water plant on nearby Lake Murray. Lake Murray, with a water reservoir in excess of 50,000 acres, forms one of the boundaries of the Town's Management Area and has available capacity far exceeding the foreseeable needs of the Town and the other communities withdrawing water from it. Lake Murray can provide a more than adequate water supply for decades to come. Approval to withdraw water from Lake Murray must be received from its owner, South Carolina Electric and Gas Company, and any increases must be permitted by the Federal Energy Regulatory Commission. Pursuant to its contracts with West Columbia for water supply, the Town makes monthly payments based on a formula designed to allocate the costs of the water system pro rata based on usage.

The System's water meters were replaced in 2001, and those meters have an expected life of approximately 15 years. The average age of meters in the System is approximately seven years. The System's water loss rate is less than 10%.

The following table sets forth the average daily flow for the water system in each of the last five Fiscal Years.

Lake Murray Water Treatment Facility

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>
2008	2.449
2009	2.304
2010	2.226
2011	2.347
2012	2.322

Description of the Sewer System

Service Area

The Town provides sewer service directly to all residences within the Town's incorporated limits, except for a few small areas, which are not feasible to serve, as well as to significant portions of the County outside the boundaries of the Town. The Town provides sewer service in the 12 and 14 Mile Creek Basins, north of the 14 Mile Creek Basin to Lake Murray and the Saluda River, and in the area from Leaphart Road just west of the City of West Columbia to the Saluda County line. The Town expects its customer base to continue to increase significantly due to projected growth north, northeast, and west of the Town's limits.

Cayce Wastewater Treatment Plant

In June, 1996, the Town entered into an agreement with the City of Cayce for the purchase of 2.462 MGD of capacity in Cayce's existing wastewater treatment plant. This agreement was in accordance with the Section 208 Plan, which identifies Cayce's treatment plant as the regional treatment facility for Cayce, the Town, and the

Commission to serve the central and southern portions of Lexington County. At that time, Cayce's plant had a permitted capacity of 8.0 MGD of capacity, with permit to expand to a total 12.0 MGD of capacity. In 2001, the permitted capacity was increased to 9.5 MGD.

In 2001, the Town purchased an additional 2.0 MGD of capacity in the Cayce wastewater treatment plant and the Commission also purchased additional capacity. With the purchase of this capacity, Cayce determined to expand its treatment plant beyond the 12.0 MGD previously planned. Although Cayce received the necessary permits and amendments to the Section 208 Plan to expand its treatment plant, further purchases of capacity by the Town (2.0 MGD in 2004) and the Commission, and requests by both entities for additional capacity beyond those purchases, Cayce redesigned the proposed expansion and received the necessary permits and Section 208 Plan amendments to expand to 25.0 MGD capacity by early 2008.

Subsequently, Cayce determined that the proposed expansion of the existing plant to 25.0 MGD capacity was not feasible, and proposed to build the New Cayce Plant with 25.0 MGD of capacity. On August 28, 2009, Cayce, the Town, and the Commission entered into a Wastewater Services Agreement to provide for the financing, construction, and operation of the New Cayce Plant. Pursuant to the Wastewater Services Agreement, Cayce substantially completed construction of the New Cayce Plant in October, 2012. The Town will acquire 12.462 MGD and the Commission will acquire 4.626 MGD, respectively, of capacity in the New Cayce Plant. The Town and the Commission have agreed to meet all wastewater treatment requirements of their respective collection systems exclusively from the New Cayce Plant at rates established by Cayce in accordance with the terms of the Wastewater Services Agreement. The Wastewater Services Agreement has a stated term of 30 years, with two 10-year renewal terms by mutual agreement.

Given the large assimilative capacity of the Congaree River, Cayce should be able to obtain necessary permits over the next 20 years to expand the New Cayce Plant to capacities much in excess of those required by current wastewater dischargers utilizing the Congaree River.

Pursuant to the Wastewater Services Agreement, the Town will make monthly payments to Cayce based on a modified rate methodology which is designed to allocate costs to treatment parameters based primarily on flows and permitted flow strengths for biological oxygen demand, total suspended solids, and ammonia. The rate per thousand gallons used in the Town's financial projections on page 31 is based upon Cayce's initial budget projections and rate methodology for Fiscal Year 2013, the Town's anticipated modified permitted flow strengths, and anticipated flows; the projections also incorporate an estimate for surcharges and other charges. The actual rate for any fiscal year will be set by action of Cayce City Council and may differ from the assumptions contained in the financial projections but will be in accordance with the adopted rate methodology. The Town intends to pursue all necessary means to ensure fair and equitable rates are maintained as contemplated under the Wastewater Services Agreement.

Payments to be made by the Town to Cayce for operation and maintenance expenses for wastewater treatment services will be made from Revenues on the same priority as Expenses of Operating and Maintaining the System. Consequently, such payments will be made on a current basis prior to deposits into the Debt Service Fund to pay principal and interest on the Bonds. The payment of capital charges and depreciation charges by the Town from Revenues to Cayce will be made at the priority accorded deposits into the Renewal and Replacement Fund. See "SECURITY FOR THE 2013 BANS – Flow of Funds" herein for a description of the priority of deposits of Revenues into the Funds under the Bond Ordinance.

Coventry Woods WWTP

The Town currently owns and operates one wastewater treatment plant, the Coventry Woods Wastewater Treatment Plant (the "Coventry Woods WWTP"). This plant currently meets or exceeds the requirements of its National Pollutant Discharge Elimination System Permit ("NPDES"). The Coventry Woods WWTP, constructed in 1975, is located just south of US Highway 378 within the Coventry Woods Subdivision and discharges into 12 Mile Creek. It is located in the eastern portion of the Management Area. This facility is an extended aeration wastewater treatment plant permitted for a maximum capacity of 1.95 MGD average daily flow. As of November, 2012, the Coventry Woods WWTP was operating at approximately 51% of its permitted capacity.

This facility's NPDES Permit dictates that it be decommissioned upon the availability of regional sewer service. The CMCOG approved an amendment ("Amendment") of the Section 208 Plan, the effect of which is to allow the Town to continue to operate the Coventry Woods WWTP for five years beyond the originally approved March 1, 2001 decommissioning deadline. The extension was intended to allow time for the expansion of the Cayce Wastewater Treatment Plant to provide additional capacity. A portion of the 12.462 MGD of treatment capacity in the New Cayce Plant will be used to offset the loss of treatment capacity that will occur on the decommissioning of the Coventry Woods WWTP, and thereby comply with the Section 208 Plan Amendment.

Sewage Treatment

The following tables set forth the average daily flow for the sewer system and the peak daily flow for Coventry Woods WWTP in each of the last five Fiscal Years. Peak daily flow data is not available for the Cayce Wastewater Treatment Plant.

Coventry Woods WWTP			Cayce Wastewater Treatment Plant			Combined	
Fiscal Year	Average Daily Flow (MGD)	Peak Flow (MGD)	Fiscal Year	Average Daily Flow (MGD)	Peak Flow (MGD)	Fiscal Year	Average Daily Flow (MGD)
2008	0.951	1.490	2008	1.340	N/A	2008	2.291
2009	0.984	1.710	2009	1.504	N/A	2009	2.488
2010	1.128	2.450	2010	1.660	N/A	2010	2.788
2011	0.996	1.610	2011	1.567	N/A	2011	2.563
2012	0.934	1.240	2012	1.705	N/A	2012	2.639

Customers

Set forth below are the historical number of water and sewer customers (measured by number of accounts) of the System and the growth during the period of Fiscal Year 2003 through Fiscal Year 2012.

Historical Customer Accounts

<u>Fiscal Year</u>	<u>Water</u>	<u>% Increase</u>	<u>Sewer</u>	<u>% Increase</u>
2003	4,943	6.3	6,457	10.1
2004	5,383	8.9	7,220	11.8
2005	5,881	9.2	8,049	11.5
2006	6,206	5.5	8,728	8.4
2007	6,724	8.3	9,868	13.1
2008	7,122	5.9	10,706	8.5
2009	7,414	4.1	11,278	5.3
2010	7,685	3.7	11,848	4.8
2011	7,965	3.6	12,285	3.7
2012	8,174	2.6	12,760	3.9

Source: Town of Lexington Finance Department.

Since 2003, the Town's water customer census has grown by approximately 65% and the Town's sewer customer census has grown by approximately 98% as new homes and businesses have been constructed or connected to the System.

Largest Customers

Set forth below is information relating to the ten largest water and sewer customers of the System for the 12 months ending June 30, 2012.

Ten Largest Water Customers (For the 12 Months Ending June 30, 2012)

<u>Customer</u>	<u>Product/Use</u>	<u>Approximate Annual Water Consumption (Gallons [000's])</u>	<u>% Fiscal Year 2012 Water Consumption</u>	<u>Total Cost</u>
Lexington County	Government	29,015	3.42%	\$104,226
Morgan Overlook	Apartments	8,326	0.98%	29,724
The Reserve at Mill	Apartments	13,483	1.59%	48,134
Lullwater at Saluda Point	Apartments	13,213	1.56%	47,169
Cedar Crest Apartments	Apartments	12,159	1.43%	43,407
Chimney Ridge Apartments	Apartments	11,334	1.34%	40,463
Thornhill Apartments	Apartments	9,250	1.09%	33,023
Lexington Medical Center	Hospital	8,426	0.99%	30,081
Waterway Apartments	Apartments	6,882	0.81%	24,570
Lexington School District 1	School	<u>10,671</u>	<u>1.26%</u>	<u>16,752</u>
	Total	122,759	14.47%	\$417,549

Ten Largest Sewer Customers (For the 12 Months Ending June 30, 2012)

<u>Customer</u>	<u>Product/Use</u>	<u>Approximate Annual Consumption (Gallons [000's])</u>	<u>% Fiscal Year 2012 Sewer Consumption</u>	<u>Total Cost</u>
Lexington County	Government	27,720	2.44%	\$129,255
Lexington School District One	School	18,069	1.59%	42,249
The Reserve at Mill	Apartments	13,483	1.19%	60,943
Chimney Ridge Apartments	Apartments	9,562	0.84%	43,218
Thornhill Apartments	Apartments	9,250	0.82%	41,810
Victorian Lakes	Mobile Home Park	9,097	0.80%	72,595
Lullwater at Saluda Point	Apartments	8,964	0.79%	40,517
Cedar Crest Apartments	Apartments	8,754	0.77%	39,568
Morgan Overlook	Apartments	8,326	0.73%	37,634
LMC Extended Care	Medical Facility	<u>6,477</u>	<u>0.57%</u>	<u>51,686</u>
	Total	119,702	10.55%	\$559,474

Source: Town of Lexington Finance Department.

Rate Making

Water and sewer rates are established each year by the Council on or before June 30. The Council's rate setting is not subject to any review or approval by other bodies.

The Town recovers the costs of operating the System from its customers according to System usage. The methodology used in designing the rates for the Town incorporated the rate calculation methods recommended by the American Water Works Association and the EPA for water and sewer, respectively. Because the Town's water and sewer facilities are managed as an enterprise fund, the rates are designed to meet revenue requirements and to allocate costs according to use of the water and sewer systems by customer classes. Rates are designed to recover costs and are not designed to return a profit to the Town.

The Town has consistently maintained a policy of full cost recovery in setting its rates for water and sewer services. The Town has set its utility rates at levels which have resulted in (i) full coverage of bonded debt service out of customer revenues and interest earnings on bond proceeds, and (ii) payment of cost of capacity purchases and achievement of debt service coverage covenants out of capital contribution fees ("CCFs") during the period of intensive construction and assimilation activities of its expanded System.

Set forth below are the historical CCF revenues collected during the period of Fiscal Year 2003 through Fiscal Year 2012:

CCF Revenue	
2003	\$1,941,348
2004	2,669,455
2005	3,859,914
2006	4,852,853
2007	5,494,827
2008	3,468,019
2009	797,570
2010	1,717,267
2011	1,104,773
2012	1,227,458

Source: Town Finance Department.

Water System

Revenue requirements for the water system are allocated among the Town's operational expenses to derive equitable rates. These expenses are:

- Customer Service
- Supply and Treatment
- Transmission and Distribution

These expenses are then reallocated to two types of charges:

- **Customer Service Charge** – This charge is designed to recover the Town's customer service costs. This is a monthly "base" charge and includes no water consumption.
- **Volume Charge** – The supply, treatment, transmission and distribution costs are most fairly recovered each month as a rate per thousand gallons ("Kgal") of metered water. Equitable volume rates are related to the customers' usage of the water system. Since each customer cannot have a unique rate, it is an accepted practice in the utility industry to classify customers into reasonably homogenous groups, or classes, according to their existing demand

characteristics. Unique volume rates can then be developed for each class to penalize the behavior of the group. This process helps penalize subsidies among classes.

Customer Service Charges

Water system customer service charges, as shown in the following table, are designed to recover the costs of water system operation from users, in proportion to their potential demands on the water system. Customer service charges are consistent within customer classes. Meter size is used as the determinant of customer service charges per customer account. The water meter serves as a physical control on the demands that a customer can place on the water system. Consequently, it provides an effective means of distinguishing among customers. The monthly customer service charge does not include any water consumption.

Water System Charges

	<u>Inside Town</u>	<u>Outside Town</u>
<i>Customer Service Charge/Meter</i>		
¾"	\$ 7.08	\$ 11.66
1"	13.04	21.41
1½"	17.71	29.16
2"	35.41	58.31
3"	92.04	151.60
4"	169.96	279.87
6"	222.69	366.96
<i>Volume Charge/Kgal</i>		
Residential	3.94	7.37
Commercial	3.68	6.91
Industrial	3.68	6.91

Source: Town of Lexington Water System Rate Schedule, effective July 1, 2012.

Volume Charges

The Town's rate structure is designed to reflect the cost of service for each class of customers. The Town's residential class has the highest peak demands, therefore, residential rates are higher than the other classes. The commercial and industrial customers are less expensive for the Town to serve due to their relatively level water demands throughout the year. Therefore, these rates are lower than those for the residential class.

Sewer System

The Town's Revenue requirements for the sewer system are also allocated to four types of charges:

Sewer Customer Service and Volume Charges

- **Customer Service Charge** – The costs of maintaining customer accounts, such as office labor, office space, billing and accounting. These costs, as with the water system, are best recovered as a flat rate per month, regardless of usage.
- **Volume Charge** – The costs related to handling the quantity of wastewater that comes through the Town's sewer system. These costs are recovered through a volume charge per Kgal of water returned to the sewer. Because customers do not have sewer meters, the metered water usage is used as a proxy for levying wastewater flow charges. The Town's residential rates reflect actual metered water consumption, with a cap set at a maximum sewer use of 10,000 gallons per month, regardless of the amount of water consumption. The Town sets sewer usage equal to water consumption for commercial and industrial customers.

Sewer customer service charges and volume charges are shown in the following table. The Town's physical and operational characteristics, along with the data available on customer flows, indicate that there is no need for different customer service charges or volume charges for each customer class. Certain areas are charged flat rates due to unavailability of meters in these areas or under terms of agreements when customers were acquired.

Sewer System Charges

	<u>Inside Town</u>	<u>Outside Town</u>
<i>Customer Service Charge</i>	\$6.72	\$ 8.94
<i>Flat Rate – Non-metered service</i>		53.63
<i>Volume Charge/Kgal</i>	4.66	8.22

Note: Residential sewer charges are capped at 10,000 gallons per month.

Source: Town of Lexington Sewer System Rate Schedule, effective July 1, 2012.

Tap Fees

In addition to water and sewer charges, the Town collects tap, water meter, and CCFs in order to allow growth to pay for growth. The tap fee schedule only includes the Town's direct costs of performing and administering tapping services. The water meter fee recovers the Town's costs of providing water meters for new customers. All capital related costs are to be recovered through the CCFs for water and sewer. The CCFs serve to recover the bulk of the capital improvement costs represented by the old tap fees prior to the institution of CCFs. The Town collected tap fees of approximately \$103,150, \$92,686, and \$104,030 in Fiscal Years 2010, 2011, and 2012, respectively. CCFs collected were approximately \$1,717,267, \$1,104,773, and \$1,227,458 in Fiscal Years 2010, 2011, and 2012, respectively.

The following table gives a summary of the tap fees, water meter fees and CCFs. Tap and meter fees reflect the Town's actual costs related to these services and are the same for customers inside or outside the Town. Recommended CCFs for inside Town customers reflect the cost analyses documented in the Rate Study (hereinafter defined). For outside Town customers, the CCF charge is the inside Town rate multiplied by a factor of approximately 1.78 for water and 1.95 for sewer.

Water and Sewer System Connection Fees

<u>Type</u>	<u>Charge</u>	<u>Type</u>	<u>Charge</u>
<i>Tap Fees</i>		<i>CCF/Residential Equivalent Unit</i>	
Water	\$640	<u>Inside Town</u>	
		Water	\$1,150
Sewer	510	Sewer	1,900
<i>Water Meter Fees</i>			
<i>(Fees vary by meter size)</i>		<u>Outside Town</u>	
¾"	\$270		
1"	350	Water	\$2,050
1½"	480	Sewer	3,700
2"	600		
3"	1,440		
4"	1,800		
6"	2,640		

Source: Town of Lexington Tap Fee Rate Schedule, effective July 1, 2012.

Water Service for Irrigation Purposes

	<u>Inside Town</u>	<u>Outside Town</u>
<i>Existing 3/4"</i>	\$455	\$655
<i>New Tap 3/4"</i>	520	770
<i>New Tap 1"</i>	650	1,000
<i>New Tap 1½"</i>	1,105	1,755
<i>New Tap 2"</i>	1,560	2,610

Source: Town of Lexington Tap Fee Rate Schedule, effective July 1, 2012.

Ancillary Charges

Revenues received from ancillary charges for water and sewer service are relatively small because the related services performed represent a cost to the System that should be borne by those who cause the service to be performed, not by customers who are in compliance with the rules and regulations of the System. The charges serve to enforce the rules and regulations of the System and penalize those who do not comply. The Town requires payment of water and sewer bills by the 24th of the month. A past due penalty of \$5.00 is added to the bill after that date. An additional administration fee of \$30.00 is added to all bills not paid before the 15th of the month following the due date. A total late payment penalty of \$35.00 becomes due for any customer that is late up to the point of disconnection, whether or not the Town actually has to disconnect service. These fees are shown in the following table. All new service requires a non-refundable service fee of \$20.00.

Ancillary Charges

<u>Type</u>	<u>Adopted Charge</u>
New Service Fee	\$20.00
Penalty for Past Due Bills	5.00
Administration Fee – Past Due thru Cut-off Date	30.00
Plan Review and Inspection Fee (1% of utility construction cost)	
Minimum	74.00
Maximum	1,150.00
Stormwater Plan & Inspection Fee (3% of stormwater construction cost)	
Minimum	74.00
Maximum	1,150.00
Sewer Inspection Fee	75.00
Sewer Re-Inspection Fee	50.00

Source: Town of Lexington Ancillary Charge Rate Schedule, effective as of July 1, 2012.

Fire Protection Charges

Fire Protection Charges are shown in the following table:

Fire Protection Charges

	<u>Rate</u>
<u>Inside Town</u>	
Sprinkler Minimum (\$/mo.)	\$4.61
Additional over 60 heads (\$/head/mo.)	0.07
Commercial Fire Hydrant (\$/mo)	9.59
<u>Outside Town</u>	
Sprinkler Minimum (\$/mo.)	9.20
Additional over 60 heads (\$/head/mo.)	0.16
Commercial Fire Hydrant (\$/mo.)	19.16

Source: Town of Lexington Fire Protection Rate Schedule, effective July 1, 2012.

History of Rate Increases

The table below sets forth the rate increases to the water and sewer rate schedules approved by the Town Council since 1991. All of the rate increases applied only to the recurring charges, such as the Service Charge and the Volume Charge. They did not apply to one-time charges, such as connection fees (tap fees and CCFs), inspection fees, and late charges. Rates were increased by the same percentages for both the inside Town and outside Town customers.

Adopted Rate Increases

<u>Fiscal Year</u>	<u>% of Increase</u>	
	<u>Water</u>	<u>Sewer</u>
1991	0	0
1992	58	50
1993	0	0
1994	0	0
1995	0	0
1996	0	0
1997	14	14
1998	6	6
1999	6	6
2000	6	6
2001	12	12
2002	5	5
2003	5	5
2004	5	5
2005	5	5
2006	0	0
2007	0	0
2008	0	0
2009	0	0
2010	3	3
2011	3	3
2012	3	3
2013	3	3

Source: Town of Lexington Finance Department

In a rate study dated December 3, 2008 (the “Rate Study”), which is the most recent rate study prepared for the Town by its consulting engineers, Jordan, Jones & Goulding of Norcross, Georgia, recommended a series of 3% annual rate increases through Fiscal Year 2014. The recommended rate increase would apply only to recurring charges such as the Sewer Charge and the Volume Charge. The Council has implemented four of the recommended rate increases by enacting 3% rate increases effective July 1, of each year 2009 through 2012. Implementation of the recommended rate increases for Fiscal Year 2014 will require affirmative action of Town Council for that year. The forecasted net revenues and debt service coverage shown on pages 30 and 31 hereof assume that the recommended rate increases will be implemented. The Town reserves the right, however, to forego future recommended rate increases not actually required to meet the rate covenants under the Bond Ordinance.

Regulation of Rates

The Town’s water and sewer rates are not subject to prior approval by any administrative body other than its Town Council. Such rates and rate setting procedures are subject to judicial review upon action of a ratepayer.

Rate Comparison with Surrounding Communities

An estimate of how the Town’s monthly charge for a typical residential customer’s water and sewer bill compares with other local water and sewer service providers is shown below. A typical residential customer’s water consumption and sewer usage are assumed to be 7,500 gallons per month.

Residential Water and Sewer Rate Comparison

<u>Provider</u>	<u>Water</u>	<u>Wastewater</u>
Batesburg-Leesville		
In	\$44.78	\$56.03
Out	63.23	80.10
Cayce		
In	29.09	21.57
Out	58.17	43.13
Columbia		
In	18.65	32.47
Out	30.24	58.38
Chapin		
In	44.46	17.00
Out	44.46	30.00
Joint Municipal Water & Sewer Commission		
	45.15	50.33
Newberry County	67.51	60.32
Town of Lexington		
In	35.60	40.42
Out	65.02	68.23
West Columbia		
In	18.40	10.81
Out	36.10	17.66

Source: Service Provider Rate Schedules as of June 1, 2012.

Capital Improvements Plan

The Town has developed a capital improvements program (the “CIP”) for the ten-year planning period for Fiscal Years 2013 through 2022. Although the CIP identifies capital projects to be constructed or installed at certain times, the Town expects that some of the capital projects identified in the CIP may be postponed or accelerated depending upon need and priority. The Consulting Engineers developed the Rate Study described in “*History of Rate Increases*” above based in part on the assumption that the CIP for the Fiscal Years 2009-2018 would be implemented and funded in accordance with the CIP, as estimated at the time of study. Since the date of the Rate Study, the Town has updated and extended the CIP on an annual basis. Set forth in the table below is a summary of the currently estimated CIP expenditures by project and Fiscal Year.

Over the next five Fiscal Years, the Town anticipates debt financing to fund a portion of the projects in the CIP, as follows: the Town plans to issue approximately \$10,000,000 of bond anticipation notes in Fiscal Year 2013 for projects, which will be permanently financed with Additional Bonds in Fiscal Year 2016; and the Town plans to issue approximately \$12,000,000 of bond anticipation notes in Fiscal Year 2016 for projects, which will be permanently financed with Additional Bonds in Fiscal Year 2018. All other projects to be funded during such period are expected to be funded from CCFs and internally generated funds.

Capital Equipment		
<u>Fiscal Year</u>	<u>Estimated Costs</u>	<u>Project Description</u>
2013	\$324,053	Capital Equipment
2014	330,534	Capital Equipment
2015	337,145	Capital Equipment
2016	343,888	Capital Equipment
2017	350,765	Capital Equipment
2018	357,781	Capital Equipment
2019	364,936	Capital Equipment
2020	372,235	Capital Equipment
2021	379,680	Capital Equipment
2022	<u>387,273</u>	Capital Equipment
Subtotal	<u>\$3,548,290</u>	

Sewer Projects		
<u>Fiscal Year</u>	<u>Estimated Costs</u>	<u>Project Description</u>
2013	\$14,482,000	Sewer Line Replacements and Extensions; Pump Station Upgrades; Coventry Woods Decommissioning
2014	-0-	
2015	-0-	
2016	6,433,000	Pump Station Additions and Upgrades; Sewer Line Extensions
2017	6,708,000	Pump Station Additions and Upgrades; Sewer Line Extensions
2018	5,448,200	Shore Road Pump Stations; Sewer Line Extensions
2019	2,234,000	Sewer Line Replacements and Extensions
2020	5,875,000	Force Main Extensions and Improvements; Future Sewer System Improvements
2021	3,875,000	Force Main Extensions and Improvements; Future Sewer System Improvements
2022	<u>4,766,667</u>	Sewer Line Replacements and Extensions
Subtotal	<u>\$49,821,867</u>	

Water Projects		
<u>Fiscal Year</u>	<u>Estimated Costs</u>	<u>Project Description</u>
2013	\$1,660,000	Water Main Replacements; Storage Facility for Utilities
2014	-0-	
2015	-0-	
2016	-0-	
2017	1,026,875	
2018	846,691	Water Main Replacements and Extensions and Other Water Projects
2019	973,592	Water Main Replacements and Extensions and Other Water Projects
2020	660,737	Water Main Replacements and Extensions and Other Water Projects
2021	695,292	Water Main Replacements and Extensions and Other Water Projects
2022	<u>695,292</u>	Water Main Replacements and Extensions and Other Water Projects
Subtotal	<u>\$ 6,558,479</u>	
Total	<u>\$59,928,636</u>	

The Town includes a cost escalation factor in the CIP of 2.5% compounded annually through 2022. As a result, adjusted CIP through 2022 totals approximately \$66,150,000.

Environmental Matters

The EPA and DHEC have made a special priority of protecting Lexington County's lower Saluda River from the effects of treated sewage outflows. Achievement of this goal was sought through the decommissioning of several wastewater treatment plants which discharged into the Saluda River and its tributaries. DHEC discharge permits held by wastewater treatment plants in the Management Area (as depicted on page 17) required decommissioning upon availability of the Regional Sewer System to be operated by the City of Cayce.

The State Governor delegated responsibility for planning of the Regional Sewer System to the CMCOG. In the Section 208 Plan, as prepared by the CMCOG and adopted February 27, 1997, as amended, CMCOG designated the Town's Management Area.

Coventry Woods WWTP

The Town currently anticipates decommissioning the Coventry Woods WWTP by January 1, 2014, at a cost of approximately \$3,000,000, including construction of a sewer line to divert sewage flows from the plant to the New Cayce Plant. Funding for the cost of this project is expected to be provided from retained earnings of the System. See also "LEGAL MATTERS – Litigation" for a discussion of litigation involving the Coventry Woods WWTP.

Other Considerations

There are numerous septic tanks serving existing single family residences throughout the future sewer service area. The septic tanks are installed at dwellings located on single land tracts and, in some cases, subdivisions. Many of these septic tank installations are failing due to poor soil conditions. The Town expects to add some number of new customers when existing septic tanks fail and homeowners choose to connect to the Regional Sewer System.

FINANCIAL FACTORS

Historical Net Revenues and Debt Service Coverage

The following table sets forth the historical operating results of the System for Fiscal Years 2008 through 2012, together with the coverage of debt service in each year (Fiscal Year 2012 results are estimated).

	2008 <u>(000's)</u>	2009 <u>(000's)</u>	2010 <u>(000's)</u>	2011 <u>(000's)</u>	2012 <u>(000's)</u>
SYSTEM REVENUES*					
Water Charges	\$3,968	\$3,846	\$4,163	\$4,402	\$4,610
Sewer Charges	5,869	5,993	6,503	6,839	7,163
Interest Income	894	457	201	179	62
Other Income	617	544	541	464	500
CCFs	<u>3,468</u>	<u>798</u>	<u>1,717</u>	<u>1,105</u>	<u>1,227</u>
	\$ 14,816	\$ 11,638	\$13,125	\$12,989	\$13,562
EXPENSES OF OPERATING AND MAINTAINING THE SYSTEM ⁽¹⁾ *	(\$6,190)	(\$6,697)	(\$6,953)	(\$6,956)	(\$7,288)
Net Earnings*	8,625	4,941	6,172	6,033	6,274
Total Debt Service ⁽²⁾	2,859	2,502	2,636	3,897	3,801
Debt Service Coverage Ratio ⁽³⁾	3.02	1.97	2.34	1.55	1.65

* As this term is defined in the Bond Ordinance.

⁽¹⁾ Net of depreciation and amortization expense.

⁽²⁾ Principal and Interest Requirements on all Bonds and other debt payable from Revenues (including Capacity Payments and Capital Leases [defined below]).

⁽³⁾ Inclusive of discretionary allocation of administrative overhead and without capitalized interest.

Forecasted Net Revenues and Debt Service Coverage

The table on the following page shows the forecasted Revenues, Expenses of Operating and Maintaining the System, debt service payments, and debt service coverage for the System as prepared by the Town for each of the Fiscal Years ending 2013 through 2015. Projections contained in this Table are derived from analysis of current trends and actual results of operations and depend, in part, on anticipated rate increases for Fiscal Year 2014 which have been recommended by the Town's Consulting Engineers but not yet adopted by Town Council.

Combined Waterworks and Sewer System Financial Projections

	FY 2013 (Projected)	FY 2014 (Projected)	FY 2015 (Projected)
REVENUES			
<i>Water Service</i>			
Base Charges ⁽¹⁾	\$ 1,098,428	\$ 1,148,691	\$1,166,266
Volumetric Charges ⁽¹⁾	3,780,713	3,979,416	4,066,565
<i>Sewer Service</i>			
Base Charges ⁽¹⁾	1,624,031	1,702,610	1,733,002
Volumetric charges ⁽¹⁾	6,134,919	6,540,131	6,769,035
Interest income	100,000	100,000	100,000
Other Income ⁽²⁾	<u>523,000</u>	<u>533,460</u>	<u>544,129</u>
TOTAL REVENUES	\$13,261,091	\$14,004,308	\$14,378,997
EXPENSES OF OPERATING AND MAINTAINING THE SYSTEM			
Personnel Total ⁽³⁾	\$ 3,905,925	\$ 4,130,516	\$4,368,020
Total Other Operating ⁽⁴⁾	2,184,468	2,103,580	2,020,669
Water Treatment – West Columbia (cost of service) ⁽⁵⁾	1,015,000	1,062,604	1,112,440
Sewer Treatment – Cayce (cost of service) ⁽⁶⁾	<u>1,478,600</u>	<u>1,951,407</u>	<u>2,477,333</u>
TOTAL EXPENSES	\$8,583,993	\$9,248,107	\$9,978,462
OPERATING COVERAGE INCOME	\$4,677,098	\$4,756,201	\$4,400,535
CAPITAL CONTRIBUTION FEES⁽⁷⁾	<u>1,200,000</u>	<u>1,225,000</u>	<u>1,250,000</u>
NET EARNINGS	<u>\$ 5,877,098</u>	<u>\$ 5,981,201</u>	<u>\$5,650,535</u>
DEBT SERVICE AND OTHER INDEBTEDNESS			
Outstanding Bonds	\$ 3,353,989	\$3,437,302	\$3,440,002
West Columbia Contract (non-cost of service payments)	<u>423,110</u>	<u>422,287</u>	<u>301,627</u>
Total Amount Debt Service on Outstanding Bonds and other Indebtedness	<u>\$3,777,099</u>	<u>\$3,859,589</u>	<u>\$3,741,629</u>
Annual Debt Service on Outstanding Bonds (excludes West Columbia Contract Payments)	<u>\$3,353,989</u>	<u>\$3,437,302</u>	<u>\$3,440,002</u>
Maximum Annual Debt Service (MADS) on Outstanding Bonds ⁽¹⁰⁾	<u>\$3,740,238</u>	<u>\$3,740,238</u>	<u>\$3,740,238</u>
Annual Debt Service Coverage on total Indebtedness ⁽⁸⁾			
Operating Coverage ⁽⁹⁾	1.24	1.23	1.18
Full Coverage ⁽¹⁰⁾	1.56	1.55	1.51
Annual Debt Service Coverage on Outstanding Bonds ⁽¹¹⁾			
Operating Coverage ⁽⁹⁾	1.39	1.38	1.28
Full Coverage ⁽¹⁰⁾	1.75	1.74	1.64
Maximum Annual Debt Service Coverage on Outstanding Bonds ⁽¹²⁾			
Operating Coverage ⁽⁹⁾	1.25	1.27	1.18
Full Coverage ⁽¹⁰⁾	1.57	1.60	1.51

Source: Town of Lexington.

Notes:

-The Town's contract with West Columbia requires payments for cost of service for the provision of water to the Town. Recurring monthly payments for water from West Columbia are reflected as Water Treatment in Expenses of Operating and Maintaining the System under the Bond Ordinance. The Town's contract with West Columbia also requires payments for capacity rights, retail distribution rights, and acquisition of water lines. These obligations are defined as Indebtedness, but not Outstanding Bonds, under the Bond Ordinance. See "FINANCIAL FACTORS - Current Debt Structure of the System – West Columbia Contract Payments" for a discussion of payments due under the contract with West Columbia.

-The Town's contract with Cayce requires payments for the cost of service of sewer treatment for the Town. Recurring monthly payments for sewer treatment from Cayce are reflected as Sewer Treatment in Expenses of Operating and Maintaining the System under the Bond Ordinance.

-Revenues reflect 3% annual across the board rate increase effective July 1 of each Fiscal Year 2013 and 2014. The future rate increase for 2014 has not yet been adopted by Town Council, but is anticipated to be adopted with the Fiscal Year 2014 budget.

-Revenues also reflect growth in customers and consumption based upon three-year average for 2010, 2011, and 2012 (estimated on YTD May 2012 growth).

-Expenses baseline for personnel and other operating is the 2013 budget.

⁽¹⁾ Three-year average growth rate discounted by 15% (base charges discount an additional 50% to account for customers coming on-line throughout the year).

⁽²⁾ Budgeted 2013 amount increased by 2.0% annually.

⁽³⁾ Reflects Cost of Living Adjustments, merit, and bonuses with an inflation factor of 2.5%.

⁽⁴⁾ Inflation factor of 2.5% annually. Estimated O&M impact of closure of Coventry Woods WWTP included in 2014 and 2015.

⁽⁵⁾ Consumption growth plus an inflation factor of 2.5% annually.

⁽⁶⁾ Consumption growth, including anticipated closure of Coventry Woods WWTP, plus an inflation factor of 2.5% annually. New Cayce Plant anticipated to be fully operational in Fiscal Year 2013, at which time a new rate methodology will be implemented. Estimates of resulting new rate have been incorporated into these cost estimates. See "THE SYSTEM – Description of the Sewer System - Cayce Wastewater Treatment Facilities" for a discussion of the current status of the rate setting methodology for Sewer Service.

⁽⁷⁾ Moderate growth in CCFs based primarily upon continuation of current trends in build out of subdivisions under existing Sanitary Sewer Agreements and commercial development.

⁽⁸⁾ Coverage of annual debt service on total Indebtedness (includes West Columbia Contract Payments).

⁽⁹⁾ Operating coverage income does not include CCF revenue.

⁽¹⁰⁾ Net earnings coverage includes CCF revenue.

⁽¹¹⁾ Coverage of Annual Debt Service on Outstanding Bonds, as defined in the Bond Ordinance (excludes West Columbia Contract Payments).

⁽¹²⁾ Coverage of Maximum Annual Debt Service of Outstanding Bonds, as defined in the Bond Ordinance (excludes West Columbia Contract Payments).

Current Debt Structure of the System

The current debt structure of the System consists of the following issues of Bonds, contract payments to the City of West Columbia, and capital leases, a brief description of each of which follows. All of the Town's outstanding debt bears interest at fixed rates.

Bonds

Series 1993 Bonds

The Town issued its \$6,640,000 Combined Waterworks and Sewer System Revenue Bonds, Series 1993 ("Series 1993 Bonds") to (i) refinance two prior issues of System revenue bonds, (ii) finance improvements to the System, fund the Debt Service Reserve Fund, and (iv) pay costs of issuance. As of the date of this Official Statement, principal of the Series 1993 Bonds in the amount of \$195,000 remained outstanding. Scheduled debt service payments on these Bonds are shown in the table that follows.

Series 2001A Bonds

In 2001, the Town issued its \$27,475,000 Combined Waterworks and Sewer System Revenue Bonds, Series 2001A ("Series 2001A Bonds") and Combined Waterworks and Sewer System Revenue Bonds, Series 2001B ("Series 2001B Bonds") to (i) refinance a portion of the Series 1993 Bonds, (ii) refinance the Town's Series 1997 Bonds, (iii) refinance a portion of the Town's contractual obligation to West Columbia for water capacity and water distribution rights, (iv) fund the Debt Service Reserve Fund, and (v) pay costs of issuance. As of the date of this Official Statement, principal of the Series 2001A Bonds in the amount of \$1,340,000 remained outstanding. Scheduled debt service payments on the Series 2001A Bonds which remain Outstanding are shown in the table that follows.

Series 2004 Bonds

In 2004, the Town issued its \$7,865,000 Combined Waterworks and Sewer System Revenue Bonds, Series 2004 ("Series 2004 Bonds") to (i) refinance the Town's then outstanding bond anticipation notes ("2003 BANs"), (ii) fund the Debt Service Reserve Fund, and (iii) pay costs of issuance. The 2003 BANs refinanced prior bond anticipation notes that were issued to finance capital projects of the System. As of the date of this Official Statement, principal of the Series 2004 Bonds in the amount of \$6,320,000 remained outstanding. Scheduled debt service payments on these Bonds are shown in the table that follows.

Series 2009 Bonds

In December, 2009, the Town issued its \$11,405,000 Combined Waterworks and Sewer System Revenue Bonds, Series 2009 ("Series 2009 Bonds") to (i) refund the Town's Combined Waterworks and Sewer System Revenue Bond Anticipation Notes of 2008, Series B; (ii) fund the Debt Service Reserve Fund with respect to the Series 2009 Bonds; and (iii) pay the costs of issuance, including the financial guaranty insurance policy premium, for the Series 2009 Bonds. As of the date of this Official Statement, principal of the Series 2009 Bonds in the amount of \$11,405,000 remained outstanding. Scheduled debt service payments on these Bonds are shown in the table that follows.

Series 2010 Bonds

In April, 2010, the Town issued its \$16,665,000 Combined Waterworks and Sewer System Revenue Bonds, Series 2010 ("Series 2010 Bonds") to (i) provide permanent financing for the Town's acquisition of treatment capacity in the City of Cayce's new wastewater treatment plant; (iii) fund the Debt Service Reserve Fund with respect to the Series 2010 Bonds; and (iv) pay the costs of issuance, including the financial guaranty insurance policy premium, for the Series 2010 Bonds. As of the date of this Official Statement, principal of the Series 2010 Bonds in the amount of \$16,665,000 remained outstanding. Scheduled debt service payments on these Bonds are shown in the table that follows.

Series 2011 Bonds

In March, 2011, the Town issued its \$14,145,000 Combined Waterworks and Sewer System Revenue Refunding Bonds, Series 2011 (“Series 2011 Bonds”) to (i) currently refund a portion of the Town’s Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001A; (ii) fund the Debt Service Reserve Fund with respect to the Series 2011 Bonds; and (iii) pay the costs of issuance for the Series 2011 Bonds. As of the date of this Official Statement, principal of the Series 2011 Bonds in the amount of \$13,960,000 remained outstanding. Scheduled debt service payments on these Bonds are shown in the table that follows.

Series 2012 Bonds

In August, 2012, the Town issued its \$7,650,000 Combined Waterworks and Sewer System Revenue Refunding Bonds, Series 2012 (“Series 2012 Bonds”) to (i) currently refund a portion of the Town’s Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001A; (ii) fund the Debt Service Reserve Fund with respect to the Series 2012 Bonds; and (iii) pay the costs of issuance for the Series 2012 Bonds. As of the date of this Official Statement, principal of the Series 2012 Bonds in the amount of \$7,650,000 remained outstanding. Scheduled debt service payments on these Bonds are shown in the table that follows.

Bond Anticipation Notes

On January 4, 2013, the Town issued its \$2,200,000 Combined Waterworks and Sewer System Revenue Bond Anticipation Notes of 2012 (“2012 BANs”) (i) to provide funds for the Project and other costs of the System, pending the issuance of Combined Waterworks and Sewer System Revenue Bonds by the Town to provide permanent financing for the Project and other improvements to the System; and (ii) to pay the costs of issuance of the 2012 BANs. The 2012 BANs mature December 2, 2013.

West Columbia Contract Payments

The Town is liable to the City of West Columbia for payments (the “West Columbia Contract Payments”) as shown in the table that follows payable through Fiscal Year 2019 for water capacity rights at West Columbia’s surface water treatment facility, retail distribution rights, and acquisition of water lines. These obligations are defined as Indebtedness, but not Outstanding Bonds, under the Bond Ordinance. The sum of the West Columbia Contract Payments (and certain capital lease payments described below) was \$2,358,066 as of the date of this Official Statement.

In addition to the West Columbia Contract Payments described above, the Town is liable to the City of West Columbia, pursuant to contract, for recurring monthly payments for water and water treatment (the “Water Cost of Service Payments”). The Water Cost of Service Payments are characterised as Expenses of Operating and Maintaining the System under the Bond Ordinance, and are not shown in the table that follows related to Debt Service on Bonds and Indebtedness.

Capital Leases

The Town’s capital leases include the purchase of lines from the City of West Columbia. The lease payments on all capital leases are included in West Columbia Contract Payments described above and in the debt service table that follows.

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Debt Service on System's Bonds and Indebtedness

Debt service on the Bonds and other obligations payable from Net Earnings of the System is as follows:

Fiscal Year	Total Debt Service on Bonds	West Columbia Contract Payments	Projected Debt Service on Future Bonds†	Combined Total†
2013	\$ 3,353,989	\$423,110	\$ -0-	\$3,777,099
2014	3,437,302	422,287	-0-	3,859,589
2015	3,440,002	301,627	-0-	3,741,629
2016	3,412,152	303,093	-0-	3,715,245
2017	3,416,232	307,118	378,293	4,101,642
2018	3,435,407	308,401	378,293	4,122,100
2019	3,438,657	292,430	378,293	4,109,379
2020	3,735,182	-0-	378,293	4,113,474
2021	3,737,257	-0-	378,293	4,115,549
2022	3,735,270	-0-	378,293	4,113,562
2023	3,735,332	-0-	378,293	4,113,624
2024	3,739,107	-0-	378,293	4,117,399
2025	3,736,301	-0-	378,293	4,114,593
2026	3,738,301	-0-	378,293	4,116,593
2027	3,740,088	-0-	378,293	4,118,380
2028	3,740,238	-0-	378,293	4,118,530
2029	3,739,088	-0-	403,293	4,142,380
2030	3,738,926	-0-	402,330	4,141,256
2031	3,734,513	-0-	406,368	4,140,881
2032	3,734,588	-0-	760,213	4,494,801
2033	3,440,488	-0-	740,213	4,180,701
2034	3,441,163	-0-	740,613	4,181,776
2035	3,441,513	-0-	740,413	4,181,926
2036	3,441,288	-0-	744,613	4,185,901
2037	3,444,863	-0-	738,013	4,182,876
2038	3,442,588	-0-	739,950	4,182,538
2039	3,439,463	-0-	746,038	4,185,501
2040	3,445,263	-0-	741,063	4,186,326
2041	3,441,325	-0-	740,450	4,181,775
2042	-0-	-0-	2,678,988	2,678,988
2043	-0-	-0-	2,679,225	2,679,225
Totals	\$103,495,878	\$2,358,066	\$18,541,288	\$124,395,231

Notes: Totals may not add due to rounding.

†It is anticipated that the Town will issue the Future Bonds to provide permanent financing for the 2012 BANs and 2013 BANs upon their maturity, or upon the maturity of future issues of BANs issued to refund the 2012 BANs and 2013 BANs. Debt service on Future Bonds is estimated based on current bond market conditions, and subject to change.

Debt Payment Record

The Town has not defaulted in the payment of principal or interest or in any other material respect with respect to any of its securities at any time within the past 25 years, nor has the Town within that time issued any refunding bonds for the purpose of preventing a default in the payment of principal or interest on securities (bonds, notes, or other certificates of indebtedness) then outstanding. The Town has not used the proceeds of any bonds for current operating expenses at any time within the last 25 years.

Anticipated Issuance of Additional Bonds

The Town expects to issue Additional Bonds in the approximate amounts of \$10,000,000 and \$12,000,000 during Fiscal Year 2016 and Fiscal Year 2018, respectively, to permanently finance the cost of capital improvements to the System as provided in the CIP. Prior to the issuance of Additional Bonds as described above, the Town plans to issue bond anticipation notes in the approximate amounts described above, in Fiscal Year 2013 and Fiscal Year 2016, to provide funds for projects. These bond anticipation notes are anticipated to be paid from the proceeds of the Additional Bonds described above. See “THE SYSTEM – Capital Improvements Plan” herein.

THE CONSULTING ENGINEERS

Jordan Jones & Goulding, Norcross, Georgia, have served as Consulting Engineers to the Town. The Consulting Engineers were retained by the Town to advise the Town regarding engineering and strategic aspects of the System.

THE FINANCIAL ADVISOR

Municipal Advisors Group of Boston, Inc., Boston, Massachusetts has served as Financial Advisor to the Town. The Financial Advisor was retained by the Town to advise the Town in structuring its capital financing plan.

THE PAYING AGENT

The Paying Agent, U.S. Bank National Association has its corporate trust offices in Columbia, South Carolina. It is a national banking association and is authorised to exercise corporate trust powers in the State of South Carolina.

LEGAL MATTERS

Litigation

There is no litigation of any nature now pending or threatened to restrain or enjoin the sale, execution, issuance, or delivery of the 2013 BANs or in any way contesting the validity of the 2013 BANs or any proceedings of the Town taken with respect to the authorisation, sale, or issuance of the 2013 BANs or the pledge or application of any moneys provided for the payment of or security for the 2013 BANs.

As part of the System, the Town owns and operates the Coventry Woods WWTP. The plant’s NPDES permit required that the Coventry Woods WWTP be decommissioned by March 1 2001, as part of a plan to regionalise sewer service. The deadline was subsequently extended by five years. Although the deadline extension has been challenged by DHEC, to date the courts have ruled in the Town’s favor and the plant remains in operation. Although there is still a court case pending, Town officials expect that the final resolution in this case would take several years, by which time the Town expects Cayce to have expanded its treatment capacity and the Town would have decommissioned the Coventry Woods WWTP. On August 28, 2009, the Town entered into a Wastewater Services Agreement with Cayce to provide for such expansion of treatment capacity. The New Cayce Plant was substantially completed in October, 2012. Upon completion of the connecting sewer lines, the eventual decommissioning of the Coventry Woods WWTP will occur. See “THE SYSTEM – Description of the Sewer System – *Cayce Wastewater Treatment Plant*” for additional information regarding the Wastewater Services Agreement.

The Town has commenced the process of closing the Coventry Woods WWTP through efforts to acquire the easements required to construct a sewer line necessary to divert the flow of effluent from the Coventry Woods WWTP. Those efforts include a condemnation action filed by the Town against a property owner to gain the necessary easement to construct the sewer line across a golf course. In response, the property owner has filed a challenge action to the condemnation. The case is expected to go to trial within a few months, but a trial date is not set at this time. This litigation is not expected to delay the opening of the New Cayce Plant, but it is uncertain whether it will delay the decommissioning of the Coventry Woods WWTP and, if so, by how long. Such a delay will not materially affect the Town's ability to repay the 2013 BANs.

Legal Proceedings

The legal proceedings relating to the issuance of the 2013 BANs were prepared by Howell Linkous & Nettles, LLC, attorneys and counsellors at law, Charleston, South Carolina, whose approving opinion will be furnished without charge to the purchaser of the 2013 BANs at the time of their delivery. The form of Bond Counsel's opinion is set forth as Appendix B to this Official Statement. Howell Linkous & Nettles, LLC also served as Disclosure Counsel to the Town with regard to the issuance of the 2013 BANs. Certain matters will be passed upon for the Town by Brad Cunningham Esq., Town Attorney.

The various legal opinions to be delivered concurrently with the delivery of the 2013 BANs express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

United States Bankruptcy Code

The undertakings of the Town should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. 901, *et seq.*, as amended, and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a state that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under the Chapter operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors or each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

Tax Matters

Federal Tax Treatment

In the opinion of Howell Linkous & Nettles, LLC, Charleston, South Carolina, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions, and assuming compliance by the Town with certain covenants, the interest on the 2013 BANs is excludable from gross income for purposes of federal income taxation, except as discussed below. The proposed form of the opinion of Bond Counsel with respect to the 2013 BANs is set forth in Appendix C. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and

law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by re-circulation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Bond Counsel is of the further opinion that interest on the 2013 BANs is not treated as a preference item in calculating minimum taxable income for the purposes of the alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”), on individuals and corporations. The Code provides, however, that a portion of the adjusted current earnings of certain corporations not otherwise included in alternative minimum taxable income will be included for purposes of calculating alternative minimum taxable income for such year. The adjusted current earnings of a corporation will include the amount of any income received that is otherwise exempt from taxes, such as interest on the 2013 BANs.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal and South Carolina income tax purposes of interest on obligations such as the 2013 BANs. The Town has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the 2013 BANs will not be included in gross income for federal income tax purposes. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2013 BANs being included in gross income for federal and South Carolina income tax purposes, possibly from the date of original issuance of the 2013 BANs. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2013 BANs may adversely affect the value of, or the tax status of interest on, the 2013 BANs. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon, in connexion with any such actions, events, or matters.

The following is a brief discussion of certain federal income tax matters with respect to the 2013 BANs under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to the particular owner of 2013 BANs. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2013 BANs.

Interest on the 2013 BANs must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code. Prospective owners of the 2013 BANs should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income tax credit.

Not Bank Qualified

The 2012 BANs have not been designated as “qualified tax-exempt obligations” by the Town for the purpose of Section 265(b) of the Code.

Future Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2013 BANs to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realising the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2013 BANs. Prospective purchasers of the 2013 BANs should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

South Carolina Tax Exemption

Bond Counsel is further of the opinion that interest on the 2013 BANs will be excludable from gross income for South Carolina income tax purposes. Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in South Carolina a fee or franchise tax computed at the rate of 4½% of the entire net income of such bank. Regulations of the South Carolina Department of Revenue require that the term “entire net income” includes income derived from any source whatsoever including interest on obligations of any state or political subdivision thereof. Interest on the 2013 BANs will be included in such computation.

Limitations on Bond Counsel and Other Legal Opinions

The opinions of Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Bond Counsel’s judgment as to the proper treatment of the 2013 BANs for federal income tax purposes. They are not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Town, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Town has covenanted, however, to comply with the requirements of the Code.

The opinions to be delivered concurrently with the delivery of the 2013 BANs express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Counsel’s engagement with respect to the 2013 BANs ends with the issuance of the 2013 BANs, and, unless separately engaged, Bond Counsel is not obligated to defend the Town or the Beneficial Owners regarding the tax-exempt status of the 2013 BANs in the event of an audit examination by the IRS. Under current procedures, parties other than the Town and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connexion with an audit examination of municipal obligations is difficult, obtaining an independent review of IRS positions with which the Town legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2013 BANs for audit, or the course or result of such audit, or any audit of bonds or notes presenting similar tax issues may affect the market price for, or the marketability of, the 2013 BANs, and may cause the Town or the Beneficial Owners to incur significant expense.

Bond Counsel expresses no other opinion with respect to the tax consequences of owning the 2013 BANs. Bond Counsel has not undertaken to determine (or inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2013 BANs may affect the tax status of interest on the 2013 BANs.

In rendering their opinion, Bond Counsel will rely upon certificates of officials of the Town with respect to certain material facts solely within their knowledge relating to the application of the proceeds of the 2013 BANs.

Original Issue Premium

The 2013 BANs have been sold at an initial public offering price which is greater than the amount payable at maturity (the “Premium Bonds”). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such 2013 BANs. A purchaser of a Premium Bond must amortize any premium over such Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such 2013 BAN prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2013 BANs at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of

premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2013 BANs.

Enforceability of Remedies

The remedies available to the owners of the 2013 BANs upon an event of default are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified by the Bankruptcy Code, and the 2013 BANs may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2013 BANs (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganisation, insolvency, or other similar laws affecting the rights of credits enacted before or after such delivery.

MISCELLANEOUS

Financial Statements

The Comprehensive Annual Financial Report for the Town of Lexington for the Year Ended June 30, 2012 (the "2012 Financial Statements"), is included in this Official Statement as Appendix A. The 2012 Financial Statements have been audited by Brittingham, Brown, Prince & Hancock, CPA's, LLC, Certified Public Accountants, as set forth in its report dated December 26, 2012. Brittingham, Brown, Prince & Hancock, CPA's, LLC, has consented to the inclusion of its report in Appendix A, but has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness, or fairness of the statements made in this Official Statement, and no opinion is expressed by Brittingham, Brown, Prince & Hancock, CPA's, LLC, with respect to any event subsequent to its report dated December 26, 2012.

With respect to evaluating the ability of the Town to make timely payment of debt service on the 2013 BANs based on information contained in the 2012 Financial Statements, no representation is made that such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance. The 2012 Financial Statements represent a comprehensive report of the Town's finances and include funds, accounts, and revenues that are not pledged to the payment of debt service on the 2013 BANs. This Official Statement should be considered in its entirety and no one factor considered more or less important than any other solely by reason of its location herein.

Ratings

As noted on the cover page of this official statement, Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned the 2013 BANs the ratings of "MIG 1" and "SP-1+," respectively. Any desired explanation of the significance of such ratings should be obtained from Moody's and S&P. Such ratings reflect only the views of Moody's and S&P, and an explanation of the significance of such ratings may be obtained from Moody's or S&P, respectively. The Town makes no representation as to the appropriateness of the ratings. The Town has furnished to Moody's and S&P certain information and materials regarding the 2013 BANs. Generally, Moody's and S&P base ratings on such information and materials and on investigations, studies, and assumptions furnished to and obtained and made by Moody's and S&P. There is no assurance that such ratings will remain unchanged for any given period of time or that such ratings may not be lowered or withdrawn entirely by Moody's or S&P, if in their judgment circumstances warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2013 BANs.

Underwriting

The 2013 BANs are being purchased for reoffering by Oppenheimer & Co. Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2013 BANs at an aggregate purchase price of \$7,777,063.00, which amount is the par amount of the 2013 BANs less underwriter's discount of \$29,250.00 and underwriter's expenses of \$707.00, plus net original issue premium of \$7,020.00. The initial offering price is set forth on the cover page of this Official Statement. The Underwriter may offer and sell the 2013 BANs to certain dealers and others (including sales

for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at a price lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter without prior notice. The Underwriter is obligated to purchase all of the 2013 BANs, if any are purchased, such obligation being subject to certain conditions.

Continuing Disclosure

Rule 15c2-12. Pursuant to the requirements of Section (b)(5)(i)(c) and (d)(3) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, Section 240.15c2-12) (the “Rule”), the Town has agreed, in a Disclosure Dissemination Agent Agreement (the “Disclosure Dissemination Agreement”) with Digital Assurance Certification, L.L.C. (“DAC”), under which the Town has designated DAC as Disclosure Dissemination Agent, to provide to the MSRB through its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org for the benefit of the Holders of the 2013 BANs (i) annually certain financial information and operating data with respect to the Town, including the audited financial statements of the Town, prepared in accordance with accounting principles generally accepted in the United States of America and (ii) notice of the occurrence of certain enumerated events as provided in the Rule and within the time frame provided by the Rule. The Disclosure Dissemination Agreement will be executed and delivered substantially in the form attached to this Official Statement as Appendix D. Currently, the only “obligated person” (within the meaning of the Rule) with respect to the 2013 BANs is the Town. No other person or entity is obligated to provide, or is expected to provide, any continuing disclosure information with respect to the Rule. The Town has not in the previous five years failed to comply, in any material respects, with any previous undertaking pursuant to the Rule.

State Law Requirement. Pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, the Town has covenanted to file with a central repository for availability in the secondary bond market, when requested, an annual independent audit, within 30 days of its receipt of the audit, and event specific information within 30 days of an event adversely affecting more than five (5%) percent of the revenues of the Town.

CUSIP Numbers

The Town shall assume no obligation for the assignment of CUSIP numbers for the 2013 BANs or for the correctness of any such numbers printed thereon, but the Town will permit such printing to be done at the expense of the successful bidder, provided that such printing does not result in any delay of the date of delivery of the 2013 BANs. Neither the failure to print such numbers on any 2013 BANs nor shall any error with respect thereto constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the 2013 BANs.

Concluding Statement

The execution and delivery of this Official Statement have been duly authorised by the Town.

TOWN OF LEXINGTON, SOUTH CAROLINA

By: /s/ T. Randall Halfacre

Its: Mayor

APPENDIX A

**Comprehensive Annual Financial Report of the Town of Lexington
for the Year Ended June 30, 2012**

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TOWN OF
Lexington
BUILDING PARTNERSHIPS
SC



Comprehensive Annual Financial Report
Year Ended June 30, 2012

TOWN OF LEXINGTON, SOUTH CAROLINA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012



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, 2012

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MAYOR
T. Randall Halfacre

TOWN OF LEXINGTON

TOWN ADMINISTRATOR
D. Britt Poole

MAYOR PRO-TEM
Hazel Livingston

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Post Office Box 397
Lexington, SC 29071

COUNCIL
Danny Frazier
Steve MacDougall
Kathy Maness
Todd Shevchik
Ted Stambolitis

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Letter of Transmittal

December 14, 2012

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 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, 2012, 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 Brittingham, Brown, Prince & Hancock, LLC. 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, 2012, 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, now estimated to be greater than 19,000, will likely exceed 20,000 by 2015. 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 odd 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 nine new schools, and currently has a high school under construction. 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 274 miles of sewer lines and 212 miles of water lines and serves approximately 8,200 water accounts and 12,800 sewer accounts (over 13,000 individual residential and commercial customers).

During the year, approximately 181 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 180 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, 2011. This was the fourteenth-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 fifteenth-year Comprehensive Annual Financial Report.

Respectfully submitted,



Kathy S. Roberts, 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, 2011

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.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

TOWN OF LEXINGTON

SOUTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

MAYOR

T. Randall Halfacre

MAYOR PRO-TEM

Hazel Livingston

COUNCIL MEMBERS

Danny Frazier

Steve MacDougall

Kathy Maness

Todd Shevchik

Ted Stambolitis

TOWN ADMINISTRATOR

D. Britt Poole

MUNICIPAL CLERK

Becky Hildebrand

TOWN ATTORNEY

Brad Cunningham

DEPARTMENT HEADS

Stuart Ford, Assistant Town Administrator

Dan Walker, Parks, Streets, & Sanitation

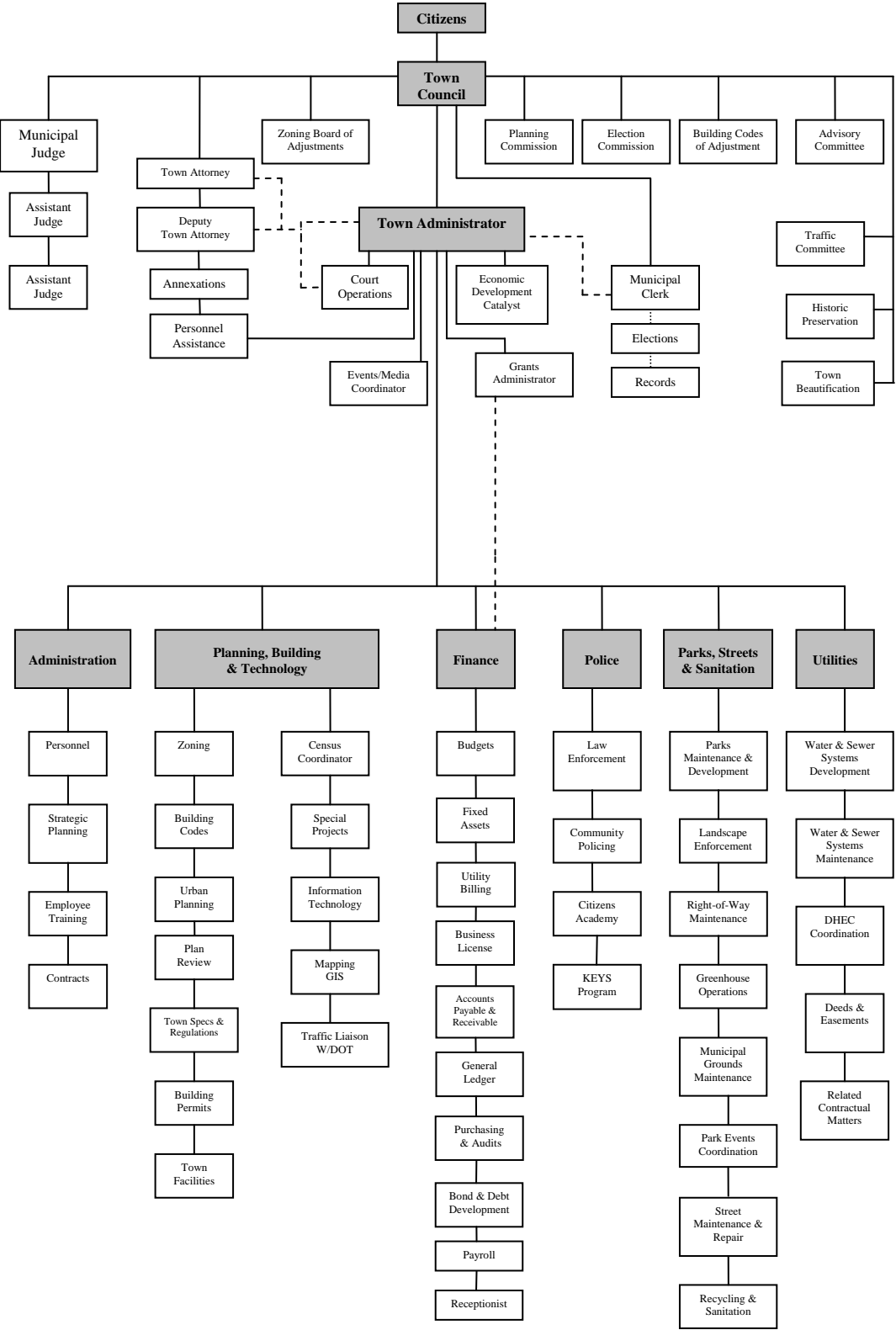
Chief Terrence Green, Police Department

Allen Lutz, Utilities

Kathy S. Roberts, Finance

John D. Hanson, Planning, Building & Technology

Town of Lexington Organization Chart



Revised June 30, 2012

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Brittingham, Brown, Prince & Hancock, LLC

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and 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, South Carolina (hereafter referred to as the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town. Our responsibility is to express an opinion 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 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, the aggregate remaining fund information, of the Town as of June 30, 2012, 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.

James T. Brittingham, C.P.A. (1924-1995) · Kerry R. Brown, C.P.A. · Kenneth E. Prince, C.P.A. · James T. Brittingham, Jr., C.P.A. · William H. Hancock, C.P.A. /
Jessica Laney, CPA

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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.

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 combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section 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.

Brittingham, Brown, Prince & Hancock

December 26 , 2012

Town of Lexington, South Carolina
Management's Discussion and Analysis
Year Ended June 30, 2012

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, 2012. 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, 2012 by \$96,937,532 (*net assets*). Of the total net assets at June 30, 2012, \$14,349,580 was unrestricted and available to meet the ongoing obligations and operations of the Town.
- The Town's total net assets increased by \$4,127,051, as revenues of \$24,538,924 exceeded expenses of \$20,411,873. Governmental Activities contributed \$673,177 and Business-type activities contributed \$3,453,874 of the overall increase in net assets.
- Governmental funds reported combined ending fund balances at June 30, 2012, of \$4,046,859, a decrease of \$204,996, compared to the prior year. Approximately \$2,513,990, or approximately 62 percent of the ending fund balance, is available for spending at the government's discretion (*unassigned fund balance*).
- General Fund unassigned fund balance at June 30, 2012, was \$3,926,382 or approximately 46 percent of total fund expenditures.
- The Town had \$60,722,045 in bonds, notes, contracts and capital leases payable at year end, a decrease of \$2,893,326 from the prior year. The decrease occurred due to principal repayments plus paying off the General Obligation Bond Anticipation Note of \$1,542,037. This note will be reissued in FY 2013 to reimburse the General Fund for this payment until permanent financing can be completed.
- Capital assets totaled \$128,145,061 at June 30, 2012, an increase of \$14,067,587 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 Assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the Government-Wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government; public safety; parks, streets and sanitation; victim's assistance; and tourism related. The business-type activities of the Town include a Combined Waterworks and Sewer 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, total assets exceeded total liabilities by \$96,937,532 at year end June 30, 2012.

Below is a 'condensed' Statement of Net Assets, which depicts the major components of the Town's assets, liabilities, and net assets at June 30, 2012 and 2011:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Cash and cash equivalents:						
Unrestricted	\$3,430,656	\$5,717,059	\$ 7,587,917	\$11,302,291	\$11,018,573	\$17,019,350
Restricted	752,101	733,826	5,790,020	13,410,429	6,542,121	14,144,255
Investments	-	-	560,146	560,146	560,146	560,146
Other current assets	506,439	477,214	4,241,749	4,254,855	4,748,188	4,732,069
Deferred charges, net	-	-	2,393,279	2,523,634	2,393,279	2,523,634
Capital assets, net	23,888,255	23,261,074	113,875,646	100,648,121	137,763,901	123,909,195
Total assets	<u>\$28,577,451</u>	<u>\$30,189,173</u>	<u>\$134,448,757</u>	<u>\$132,699,476</u>	<u>\$163,026,208</u>	<u>\$162,888,649</u>
Liabilities and Net Assets:						
Current liabilities	\$ 1,242,088	\$ 3,204,584	\$ 2,284,154	\$ 2,588,899	\$ 3,526,242	\$ 5,793,483
Current liabilities payable						
From restricted assets	68,721	73,931	3,393,298	3,774,614	3,462,019	3,848,545
Non-current liabilities	2,656,626	2,973,819	56,443,789	57,462,321	59,100,415	60,436,140
Total liabilities	<u>3,967,435</u>	<u>6,252,334</u>	<u>62,121,241</u>	<u>63,825,834</u>	<u>66,088,676</u>	<u>70,078,168</u>
Net invested in capital assets	21,138,355	18,671,416	58,355,456	52,046,172	79,493,811	70,717,588
Restricted	791,947	646,729	2,302,194	1,964,536	3,094,141	2,611,265
Unrestricted	2,679,714	4,618,694	11,669,866	14,862,934	14,349,580	19,481,628
Total net assets	<u>24,610,016</u>	<u>23,936,839</u>	<u>72,327,516</u>	<u>68,873,642</u>	<u>96,937,532</u>	<u>92,810,481</u>
Total liabilities and net assets	<u>\$28,577,451</u>	<u>\$30,189,173</u>	<u>\$134,448,757</u>	<u>\$132,699,476</u>	<u>\$163,026,208</u>	<u>\$162,888,649</u>

By far the largest portion of the Town's net assets (\$79,493,811, 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 assets (\$3,094,141, or 3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,349,580, or 15 percent) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

The Town's components of changes in net assets for Fiscal Years 2012 and 2011 are illustrated in the following table:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 2,031,054	\$ 1,980,571	\$12,272,844	\$11,705,190	\$14,303,898	\$13,685,761
Operating grants and contributions	348,780	141,947	-	-	348,780	141,947
Capital grants and contributions	1,246,751	1,615,008	1,512,554	2,566,082	2,759,305	4,181,090
General Revenue:						
Property taxes	3,168,186	3,110,860	-	-	3,168,186	3,110,860
Business license taxes	3,515,175	3,785,323	-	-	3,515,175	3,785,323
State aid not restricted	357,512	373,356	-	-	357,512	373,356
Unrestricted						
Investment earnings	5,436	14,326	62,148	179,215	67,584	193,541
Miscellaneous	18,484	(104)	-	-	18,484	(104)
Total revenue	<u>10,691,378</u>	<u>11,021,287</u>	<u>13,847,546</u>	<u>14,450,487</u>	<u>24,538,924</u>	<u>25,471,774</u>
Expenses:						
General government	2,160,110	2,101,340	-	-	2,160,110	2,101,340
Public safety	4,592,481	4,296,328	-	-	4,592,481	4,296,328
Parks, streets, and sanitation	2,946,943	2,658,291	-	-	2,946,943	2,658,291
Victim's assistance	58,844	57,155	-	-	58,844	57,155
Tourism related	191,767	114,127	-	-	191,767	114,127
Interest on long-term debt	68,056	110,855	-	-	68,056	110,855
Water and sewer	-	-	10,393,672	11,086,772	10,393,672	11,086,772
Total expenses	<u>10,018,201</u>	<u>9,338,096</u>	<u>10,393,672</u>	<u>11,086,772</u>	<u>20,411,873</u>	<u>20,424,868</u>
Increase in net assets before transfers	<u>673,177</u>	<u>1,683,191</u>	<u>3,453,874</u>	<u>3,363,715</u>	<u>4,127,051</u>	<u>5,046,906</u>
Transfers	-	(6,841)	-	6,841	-	-
Change in net assets	<u>673,177</u>	<u>1,676,350</u>	<u>3,453,874</u>	<u>3,370,556</u>	<u>4,127,051</u>	<u>5,046,906</u>
Beginning net assets	<u>23,936,839</u>	<u>22,260,489</u>	<u>68,873,642</u>	<u>65,503,086</u>	<u>92,810,481</u>	<u>87,763,575</u>
Ending net assets	<u>\$24,610,016</u>	<u>\$23,936,839</u>	<u>\$72,327,516</u>	<u>\$68,873,642</u>	<u>\$96,937,532</u>	<u>\$92,810,481</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, 2012. 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.

	(Expenses)	NonCapital Program Revenue	Net (Expense) Revenue	% Funded by Program Revenues	% Required to be Funded by General Revenues
General government	\$ (2,160,110)	\$ 402,097	\$ (1,758,013)	19%	81%
Public safety	(4,592,481)	546,333	(4,046,148)	12%	88%
Parks, streets, and sanitation	(2,946,943)	1,200,980	(1,745,963)	41%	59%
Victim's assistance	(58,844)	40,394	(18,450)	69%	31%
Tourism related	(191,767)	190,030	(1,737)	99%	1%
Interest on long-term debt	(68,056)	-	(68,056)	-	100%
Totals	<u>\$ (10,018,201)</u>	<u>\$ 2,379,834</u>	<u>\$ (7,638,367)</u>	24%	76%

General Revenues by Source – Governmental Activities

	2012	2011
Property taxes	\$3,168,186	\$3,110,860
Business license taxes	3,515,175	3,785,323
Unrestricted state aid	357,512	373,356
Unrestricted investment earnings	5,436	14,326
Miscellaneous	18,484	(104)
Total	<u>\$7,064,793</u>	<u>\$7,283,761</u>

Revenue and Expenses – Governmental Activities – Significant factors effecting governmental activities revenue and expenses during the year ended June 30, 2012, included the following:

- Charges for services increased 2.5% due primarily to increased fines and accommodations tax collections offset by a decrease in alcohol permit collections. Revenues from fines increased 5% in 2012 as continued efforts have been made to increase court cases and reduce the number of cases outstanding.
- Grants and contributions decreased \$161,424 this year. This decrease was partly due to fewer developer contributions of streets, storm drains, and wetlands as well as the completion of several sidewalk projects. These reductions were offset in part by an increase in public safety grants, specifically a new highway safety grant.
- Property tax revenue was relatively stable (up 1.8%) in 2012.
- Business license revenue decreased 7% in 2012. This fluctuation is related to fees for insurance companies. A large settlement related to an insurance company received in Fiscal Year 2011 (approximately \$366,000) combined with a delayed collection of some insurance fees for Fiscal Year 2012 (approximately \$180,000) caused a dip in business license revenue for Fiscal Year 2012.
- Unrestricted state revenue decreased 4% as the State of South Carolina once again cut expenditures due to revenue shortfalls.
- Because of the falling interest rates and the limited number and types of investments available to the Town, interest income has been reduced another 62%.
- General government; Public safety; and Parks, streets and sanitation expenses increased due primarily to the addition of three new positions as well as budgeted salary increases along with general inflation.
- Interest on long-term debt has decreased as the principal on long term debt has been retired.

Expenses and Program Revenues – Business-type Activities – The Town operates the Combined Waterworks and Sewer System Enterprise Fund that comprise its business-type

activities. The Enterprise Fund is used for all resources associated with supplying water and providing sewer services to domestic, business, and industrial customers within the Town limits and in the Town's service area in some surrounding unincorporated areas of Lexington County.

Business-type activities increased the Town's net assets by \$3,453,874, accounting for 84% of the total gain in net assets. Operating revenues increased 5% in 2012 while expenses also increased 5%. Capital Contributions decreased 41%. The significant factors related to the changes are as follows:

- Charges for services increased \$567,654, or 5%. The Town's customer base has increased approximately 4% in 2012. Also Town Council approved a rate increase of 3% effective July 1, 2011.
- Operating expenses increased \$331,639, or 5%. Salaries and benefits increased 4.5% due to budgeted raises. Materials and supplies increased by 15% due to extra repair work required during the year. The cost of electricity increased 14% as new pump stations have been added thus increasing usage in addition to a general rate increase from our provider.
- Capital contributions decreased \$1,053,528. Of this amount \$1,176,213 were decreases in developer contributions of system capital assets, while capital contribution fees actually increased \$122,685. Although the economy is improving in some areas, construction continues to be slow. Subdivisions begun before the recession are being built out but new projects have not picked up substantially.
- Because of low interest rates, the limited number and types of investments available to the Town, and the drawdown of cash for the construction of the new sewer plant; interest income has been reduced 65%.

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 \$4,046,859, a decrease of \$204,996. The General Fund decreased \$362,095 while the Other Governmental Funds increased \$157,099. General Fund fund balance of \$147,536 was budgeted as a road improvement grant match. Additionally, \$200,000 was designated to be used for streets and infrastructure. General Fund revenues were under budget by \$470,100 mostly due to business licenses and property taxes coming in lower than expected. The fluctuation in business licenses is related to fees for insurance companies. A large settlement related to an insurance company received in Fiscal Year 2011 (approximately \$366,000) combined with a delayed collection of some insurance fees for Fiscal Year 2012 (approximately \$180,000) caused a dip in business license revenue for

Fiscal Year 2012. The dip in property tax revenue was caused by increased collection percentages for Fiscal Year 11 that were not maintained for Fiscal Year 12. Total operating expenditures were less than budget by \$327,735. This savings was due to conservative management.

Of the \$4,046,859 governmental fund balances, approximately \$2,513,990 constitutes *unassigned fund balance*, which is available for spending. A portion of the fund balance has been committed by the Town for streets and infrastructure (\$200,000), electrical utility improvement match (\$330,000), special projects (\$79,308) and capital improvement (\$100,000). Commitments of fund balance indicate the Town's intended or planned future use of that portion of its fund balance. Nonspendable fund balance of \$464 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 \$3,926,382 or 46% of total fund expenditures.

The non-major funds report fund balances totaling \$(509,987). The major cause of the deficit was the purchase land to be used for downtown parking originally funded with a General Obligation Bond Anticipation Note that came due June 30, 2012. The BAN was paid in full but will be refinanced with a Bond Anticipation Note in Fiscal Year 2013 and eventually refinanced by a General Obligation Bond. The remaining fund balance in the non-major funds totals \$1,035,910. Approximately 43% of this balance will be used for infrastructure capital projects, including roadways and sidewalks. 21% will be used for debt service and an additional 35% will be used for tourism related projects.

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 assets was \$3,453,874 resulting in ending net assets of \$72,327,516.

General Fund Budgetary Highlights – General Fund revenues were less than budgeted by \$470,100. General Fund total expenditures were less than the final budget by \$327,735. The revenue excess was mostly due to lower business licenses 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 slow economy.

The Town's original budget shows an excess of revenue under expenditures of (\$8,360) which equals the amount of budgeted use of fund balance less the amount of budgeted reserve for contingencies. The final budget has an additional revenue under expenditures as additional appropriations were made using contingency reserve to fund possible additional professional services.

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, 2012, amounts to \$128.1 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 \$327,140, related to several sidewalks under construction as well as a gateway beautification project.
- Acquisition of equipment for governmental operations of \$98,193,
- Acquisition of vehicles totaling \$299,465 for the Police Department, \$39,134 for General Government, and \$149,001 for the Utilities Department,
- Donation of storm drains, streets and wetlands totaling \$1,130,040,
- Completion of \$22,657 of water and sewer system improvements,
- Acquisition of equipment for water and sewer system improvements totaling \$129,818
- Construction in progress in business-type activities totaled \$43,679,471, related to construction and extension of water and sewer lines as well as construction of the new waste water treatment plant with the City of Cayce, and
- Developer contributions of water and sewer capital assets of approximately \$285,096.

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, 2012, the Town had total indebtedness outstanding of \$60,722,045. Debt secured by the full faith and credit of the Town represented \$2,592,900. The total and bonded debt secured by the pledge of net revenues of the Enterprise Fund totaled \$55,883,888. The Town also recognizes a contract and capital lease payable to the City of West Columbia totaling \$2,088,257 for water treatment capacity reserve, retail distribution rights, and water lines. In addition the Town has a Note Payable of \$157,000 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*.

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 2011. 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 2012 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.

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and temporary investments	\$ 3,430,656	\$ 7,587,917	\$ 11,018,573
Receivables, net	285,893	3,969,160	4,255,053
Due from other governments	220,082	-	220,082
Inventories-supplies	-	268,284	268,284
Prepays	464	4,305	4,769
Deferred charges	-	2,393,279	2,393,279
Restricted assets:			
Temporarily restricted:			
Cash and temporary investments	752,101	5,790,020	6,542,121
Investments	-	560,146	560,146
Capital assets, net:			
Land and construction in progress	6,217,192	44,067,993	50,285,185
Buildings, vehicles, equipment, and infrastructure	17,671,063	60,188,813	77,859,876
Intangible assets, net:			
Capacity reserve	-	7,766,776	7,766,776
Retail distribution rights	-	1,852,064	1,852,064
Total assets	<u>28,577,451</u>	<u>134,448,757</u>	<u>163,026,208</u>
Liabilities			
Accounts payable and other current liabilities	502,323	535,010	1,037,333
Liabilities payable from restricted assets	68,721	3,393,298	3,462,019
Deferred revenue	4,765	-	4,765
Noncurrent liabilities:			
Due within one year	735,000	1,749,144	2,484,144
Due in more than one year	2,656,626	56,443,789	59,100,415
Total liabilities	<u>3,967,435</u>	<u>62,121,241</u>	<u>66,088,676</u>
Net Assets			
Invested in capital assets, net of related debt	21,138,355	58,355,456	79,493,811
Restricted for:			
Capital projects	9,827	300,679	310,506
Debt service	144,778	2,001,515	2,146,293
Parks and Tourism	335,726	-	335,726
Public Safety	18,235	-	18,235
Streets	275,837	-	275,837
Other	7,544	-	7,544
Unrestricted	2,679,714	11,669,866	14,349,580
Total net assets	<u>\$ 24,610,016</u>	<u>\$ 72,327,516</u>	<u>\$ 96,937,532</u>

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

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ (2,160,110)	\$ 317,510	\$ 84,587	\$ -	\$ (1,758,013)	\$ -	\$ (1,758,013)
Public safety	(4,592,481)	284,140	262,193	-	(4,046,148)	-	(4,046,148)
Parks, streets and sanitation	(2,946,943)	1,198,980	2,000	1,246,751	(499,212)	-	(499,212)
Victims' assistance	(58,844)	40,394	-	-	(18,450)	-	(18,450)
Tourism related	(191,767)	190,030	-	-	(1,737)	-	(1,737)
Interest on long-term debt	(68,056)	-	-	-	(68,056)	-	(68,056)
Total governmental activities	(10,018,201)	2,031,054	348,780	1,246,751	(6,391,616)	-	(6,391,616)
Business-Type Activities:							
Water and sewer system	(10,393,672)	12,272,844	-	1,512,554	-	3,391,726	3,391,726
Total business-type activities	(10,393,672)	12,272,844	-	1,512,554	-	3,391,726	3,391,726
Total	<u>\$ (20,411,873)</u>	<u>\$ 14,303,898</u>	<u>\$ 348,780</u>	<u>\$ 2,759,305</u>	<u>(6,391,616)</u>	<u>3,391,726</u>	<u>(2,999,890)</u>
General Revenues:							
Property taxes					3,168,186	-	3,168,186
Business license taxes					3,515,175	-	3,515,175
State aid not restricted for specific purpose					357,512	-	357,512
Unrestricted investment earnings					5,436	62,148	67,584
Gain (Loss) on sale of capital assets					18,484	-	18,484
Miscellaneous					-	-	-
Total general revenues and transfers					<u>7,064,793</u>	<u>62,148</u>	<u>7,126,941</u>
Change in net assets					673,177	3,453,874	4,127,051
Total net assets, beginning of year					<u>23,936,839</u>	<u>68,873,642</u>	<u>92,810,481</u>
Total net assets, end of year					<u>\$ 24,610,016</u>	<u>\$ 72,327,516</u>	<u>\$ 96,937,532</u>

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

TOWN OF LEXINGTON, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and temporary investments	\$ 3,169,089	\$ 261,567	\$ 3,430,656
Receivables, net	219,188	66,704	285,892
Due from other funds	1,652,050	-	1,652,050
Due from other governments	123,686	96,396	220,082
Prepaid items	464	-	464
Restricted assets:			
Cash and temporary investments	-	752,101	752,101
Total assets	<u><u>\$ 5,164,477</u></u>	<u><u>\$ 1,176,768</u></u>	<u><u>\$ 6,341,245</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 219,854	\$ 17,884	\$ 237,738
Accrued liabilities	219,083	16,821	235,904
Due to other funds	-	1,652,050	1,652,050
Other liabilities	28,681	-	28,681
Deferred Revenues	140,013	-	140,013
Bond Anticipation Note	-	-	-
Advance from other fund	-	-	-
Total liabilities	<u>607,631</u>	<u>1,686,755</u>	<u>2,294,386</u>
Fund balances:			
Nonspendable	464	-	464
Restricted	-	823,097	823,097
Committed	630,000	79,308	709,308
Assigned	-	-	-
Unassigned	3,926,382	(1,412,392)	2,513,990
Total fund balances	<u>4,556,846.00</u>	<u>(509,987)</u>	<u>4,046,859</u>
Total liabilities and fund balances	<u><u>\$ 5,164,477</u></u>	<u><u>\$ 1,176,768</u></u>	<u><u>\$ 6,341,245</u></u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2012

- CONTINUED -

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

Total fund balances - governmental funds \$ 4,046,859

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in governmental funds. The cost
of assets is \$33,345,110 and the accumulated depreciation is \$9,456,855. 23,888,255

Property taxes receivable that are not available to pay for expenditures
for current period are not recognized in the governmental funds. 135,249

Accrued interest on bonds in governmental funds is not due and payable
in the current period and therefore is not reported as a liability in the funds. (68,721)

Long-term liabilities, including bonds payable and Other Post Employment
Benefits (OPEB) are not due and payable in the current period and therefore
are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ (1,415,000)	
Certificates of participation	(1,177,900)	
Compensated absences	(580,939)	
Long Term Note Payable	(157,000)	
Other Post Employment Benefits	(60,787)	(3,391,626)

Total net assets - governmental activities \$ 24,610,016

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

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 3,150,728	\$ -	\$ 3,150,728
Franchises, licenses, permits and fees	4,912,344	-	4,912,344
Other governments	357,512	459,189	816,701
Fines and forfeitures	281,798	42,779	324,577
Interest income	5,575	(2,356)	3,219
Miscellaneous	100,322	218,505	318,827
Total revenue	<u>8,808,279</u>	<u>718,117</u>	<u>9,526,396</u>
Expenditures			
Current:			
General government	2,050,080	1,496	2,051,576
Public safety	3,914,081	264,848	4,178,929
Parks, streets and sanitation	2,061,299	237,771	2,299,070
Victim's assistance	-	60,212	60,212
Tourism related	-	74,224	74,224
Debt Service:			
Principal	17,540	335,000	352,540
Interest	1,052	71,048	72,100
Fees and other costs	-	1,166	1,166
Capital outlay	420,568	239,491	660,059
Total expenditures	<u>8,464,620</u>	<u>1,285,256</u>	<u>9,749,876</u>
Excess (deficiency) of revenue over (under) expenditures	343,659	(567,139)	(223,480)
Other Financing Sources (Uses)			
Sale of capital assets	18,484	-	18,484
Transfers in	30,512	754,750	785,262
Transfers out	(754,750)	(30,512)	(785,262)
Total other financing sources (uses)	<u>(705,754)</u>	<u>724,238</u>	<u>18,484</u>
Net change in fund balances	(362,095)	157,099	(204,996)
Fund balance, beginning of year	4,918,941	(667,086)	4,251,855
Fund balance, end of year	<u>\$ 4,556,846</u>	<u>\$ (509,987)</u>	<u>\$ 4,046,859</u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012

- 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	(204,996)
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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.	17,458
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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 \$0) of \$581,162 was less than depreciation expense of \$1,084,021.	(502,859)
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Donations of capital assets are recorded as program revenues in the statement of activities.	1,130,040
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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.	352,539
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Interest on long-term debt in the statement of activities differs from the governmental funds because governmental funds record interest in the period it is paid. Interest is recorded as it accrues in the statement of net assets, regardless of when due.	5,210
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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 \$89,564 for this fiscal year.	(89,564)
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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 \$34,651 for this fiscal year.	(34,651)
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Change in net assets of governmental activities	<u><u>673,177</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUND

JUNE 30, 2012

	Business-Type Activities Water/Sewer Fund
Assets	
Current assets:	
Cash and temporary investments	\$ 7,587,917
Receivables, net	3,969,160
Inventories-supplies	268,284
Prepaid Expense	4,305
Total current assets	<u>11,829,666</u>
Noncurrent assets:	
Restricted cash and temporary investments	5,790,020
Restricted investments	560,146
Deferred charges	2,393,279
Capital assets, net	
Land and construction in progress	44,067,993
Buildings, vehicles, equipment and infrastructure	60,188,813
Intangible assets, net	
Capacity reserve	7,766,776
Retail distribution rights	1,852,064
Total noncurrent assets	<u>122,619,091</u>
Total assets	<u>134,448,757</u>
Liabilities	
Current liabilities:	
Accounts payable	421,921
Accrued liabilities	104,577
Accrued compensated absences - current portion	99,144
Current liabilities payable from restricted assets:	
Construction payables	2,428,892
Accrued interest	964,406
Revenue bonds-current	1,650,000
Customer deposits	8,512
Total current liabilities	<u>5,677,452</u>
Noncurrent liabilities:	
Revenue bonds payable	54,233,888
Contracts payable	1,740,575
Accrued compensated absences	72,756
Capital lease obligation	347,682
OPEB Liability	48,888
Total noncurrent liabilities	<u>56,443,789</u>
Total liabilities	<u>62,121,241</u>
Net Assets	
Invested in capital assets, net of related debt	58,355,456
Restricted for capital projects	300,679
Restricted for debt service	2,001,515
Unrestricted	11,669,866
Total net assets	<u>\$ 72,327,516</u>

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

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

	Business-Type Activities
	Water/Sewer Fund
Operating Revenue	
Charges for services:	
Water service	\$ 4,610,530
Sewer service	7,162,617
Tap and meter fees	203,820
Other income	295,877
Total operating revenue	<u>12,272,844</u>
Operating Expenses	
Salaries and benefits	3,398,313
Water and sewer treatment services	1,607,628
Other contractual services	470,728
Depreciation and amortization	1,994,132
Other operating expenses	1,811,356
Total operating expenses	<u>9,282,157</u>
Operating income	<u>2,990,687</u>
Non-Operating Revenue (Expenses)	
Interest income	62,148
Interest expense	(980,581)
Amortization of bond issuance costs	(130,934)
Total non-operating revenue (expenses)	<u>(1,049,367)</u>
Net Loss before contributions and transfers	1,941,320
Capital Contributions	1,512,554
Change in net assets	3,453,874
Net assets, beginning of year	68,873,642
Net assets, end of year	<u><u>\$ 72,327,516</u></u>

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

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

	Business-Type Activities Water/Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 12,281,784
Cash paid to suppliers for goods or services	(4,133,108)
Cash paid to employees for services	(3,453,872)
Net cash provided by (used in) operating activities	<u>4,694,804</u>
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(15,312,941)
Bond issuance costs paid	(575)
Principal paid on capital debt	(1,133,904)
Interest and fees paid on capital debt	(892,015)
Proceeds from capital contribution fees	1,227,458
Net cash provided by (used in) capital and related financing activities	<u>(16,111,977)</u>
Cash Flows from Investing Activities	
Purchases of investments	(560,146)
Proceeds from the sale of investments	560,146
Interest received	82,390
Net cash provided by (used in) investing activities	<u>82,390</u>
Net increase in cash and temporary investments	(11,334,783)
Cash and temporary investments, beginning of year	24,712,720
Cash and temporary investments, end of year	<u><u>\$ 13,377,937</u></u>
Reconciliation to the Statement of Net Assets:	
Cash and temporary investments	\$ 7,587,917
Restricted cash and temporary investments	5,790,020
Cash and temporary investments, end of year	<u><u>\$ 13,377,937</u></u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2012

- CONTINUED -

	Business-Type Activities
	Water/Sewer Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 2,990,687
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,994,132
Decrease in accounts receivable	8,928
Increase in inventory	(11,762)
Increase in prepaid items	(4,305)
Decrease in accounts payable	(227,329)
Increase in customer deposits	12
Decrease in accrued expenses	(55,559)
Net cash provided by operating activities	<u>\$ 4,694,804</u>
Non-cash Capital Supplementary Information:	
Revenue bond principal accretion and discount amortization	\$ 28,618
Revenue bond premium and deferred amount on refunding amortization	64,885
Contributed capital assets from developers	285,096

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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

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 Statement No. 14, “The Financial Reporting Entity,” the accompanying financial statements of the Town present the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town’s financial statements to be misleading or incomplete. Blended component units are legally separate entities that are, substantially, part of the government’s operations and so data from such units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Town does not have any discretely 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 assets.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

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

The Statement of Net Assets reports all financial and capital resources of the Town and reports the difference between assets and liabilities as “net assets”, not fund balance or equity. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues and reflects the “net (expenses) revenues” of the Town’s individual functions before applying ‘general’ revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, 2012

— 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, in accordance with GASB Statement Number 34. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available.) “Measurable” means the transaction can be identified, and “available” means collectable within the current 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. Principal and interest on general long-term debt are recorded as fund liabilities when

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year. Expenditures for compensated absences and claims and judgments are recorded only when payment is due.

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

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

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

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

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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

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.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

Cash includes currency on hand; demand deposits with financial institutions and other accounts that have the general characteristics of demand deposits in that additional funds may be deposited any time and withdrawn without prior notice or penalty. Cash equivalents are deposit accounts with an original maturity of three months or less from purchase, and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

The Town pools the cash of all funds into a central depository bank account except that portion of cash on deposit in the South Carolina Local Government Investment Pool and where legal restrictions prohibit the commingling of funds. Temporary investments are then made from the pooled account in collaborative form in order to maximize the return on invested funds. Therefore, in the “Statement of Cash Flows”, all Enterprise Fund cash and temporary investments (including restricted assets) are essentially demand deposits and are considered cash and cash equivalents. Each individual fund’s equity in the pooled cash and temporary investments is shown in that fund. Long-term investments are reported at fair value.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

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."

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, 2012, consists of various supplies and other inventorable items, which are expensed at the time they are consumed.

Deferred Charges

Bond issuance costs including 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, as well as bond issuance costs, 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 assets because

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

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.

Infrastructure acquired after 1980, whether donated or purchased, has been included in governmental capital assets with the implementation of GASB 34. 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 \$2,661,609. Of this amount, \$1,636,439 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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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

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 assets. Bond premiums, discounts, issuance costs and deferred amounts on refunding are amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premiums, discounts and deferred amounts.

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.

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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

D. Revenue (Continued)

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 revenue until the exchange has occurred.

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 revenue in the Statement of Net Assets.

At year ended June 30, 2012 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 \$4,015,800 at June 30, 2012 of which the Town has fully reserved an allowance for doubtful accounts.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

Fund balance reporting for the fund level financial statements of the Town are reported in accordance with GASB Statement number 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The objective of this Statement is to enhance the usefulness of fund balance information by 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. 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-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.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

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.
- 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.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

2. Stewardship, Compliance and Accountability (Continued)

B. Encumbrances

Encumbrances represent outstanding purchase orders or commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the Governmental Fund Types. During the year ended June 30, 1997, the Town Council changed its policy whereby all contracts and commitments lapse at fiscal year end. Therefore, no reserve for encumbrances is applicable for year ended June 30, 2012.

3. Deposits and Investments

The Town had the following investments at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Rating</u>
State Treasurer's Investment Pool	\$ 10,576,057	On-Demand	Unrated
Governmental Mutual Funds	4,813,207	On-Demand	AAA
FHLMC – discount note	560,146	8/1/2012	A
Total fair value	<u>\$ 15,949,410</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.

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.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

3. Deposits and Investments (Continued)

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.

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, 2012, the Town had investments in governmental mutual funds representing 30% 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, 2012, the reported carrying amount of the Town's cash deposits with financial institutions was \$2,169,141 and the financial institutions' balances totaled

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

3. Deposits and Investments (Continued)

\$2,486,608. The balance was fully insured and collateralized. The Town had \$1,700 on hand at June 30, 2012.

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 Assets follows:

Cash on hand	\$ 1,700
Carrying amount of cash deposits	2,169,730
Carrying amount of temporary investments	15,389,264
Carrying amount of investments	<u>560,146</u>
Total	<u><u>\$ 18,120,840</u></u>
Cash and temporary investments	\$ 11,018,573
Cash and temporary investments-restricted	6,542,121
Investments-restricted	<u>560,146</u>
Total	<u><u>\$ 18,120,840</u></u>

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

4. Receivables

Receivables at June 30, 2012, consist of the following:

	Governmental Activities	Business-Type Activities	Total
Fees and Services	\$ 56,927	\$ 6,180,276	\$ 6,237,203
Property and other taxes	272,383	-	272,383
Due from other governments	220,082	-	220,082
Other	-	1,969,684	1,969,684
Less, allowance for doubtful accounts	(43,417)	(4,180,800)	(4,224,217)
	<u>\$ 505,975</u>	<u>\$ 3,969,160</u>	<u>\$ 4,475,135</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, 2012, were as follows:

	Interfund Receivables	Payables
General Fund	\$ 1,652,050	\$ -
Other Governmental Funds:		
<u>Special Revenue Funds:</u>		
Police Grants and Programs	-	71,529
KEYS Grant	-	7,576
Special Projects	-	2,048
Gateway Beautification	-	25,000
<u>Capital Projects Funds:</u>		
Parking		1,545,897
	<u>\$ 1,652,050</u>	<u>\$ 1,652,050</u>

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— 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, 2012, were as follows:

	Interfund	
	Transfers Out	Transfers In
General Fund	\$ 754,750	\$ -
Other Governmental Funds:		
Debt Service Fund	-	407,214
<u>Special Revenue Funds:</u>		
Sidewalk Fund		147,536
<u>Capital Project Funds:</u>		
Streets & Infrastructure		200,000
	<u>754,750</u>	<u>754,750</u>
Other Governmental Funds:		
<u>Special Revenue Funds:</u>		
Accommodations Tax	30,512	-
General Fund	-	30,512
	<u>30,512</u>	<u>30,512</u>

The General Fund transfers out include \$407,214 to the Debt Service Fund to fund debt service requirements. In addition the General Fund transferred \$147,536 to the Sidewalk Fund to fund a grant match for Park Road Sidewalk. Finally the General Fund transferred \$200,000 to the Streets and Infrastructure Fund to fund storm drainage and street repairs as needed.

The General Fund received transfers of \$30,512 from the Accommodations Tax Fund representing amounts collected in the Accommodations Tax Fund that by state law may be transferred to the General Fund without restriction.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

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 assets 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.

Carrying balances of restricted cash and temporary investments in the Waterworks and Sewer System Enterprise Fund at June 30, 2012, are as follows:

	Restricted Cash and Temporary Investments
Renewal and Replacement Fund	\$ 100,413
Debt Service Fund 2001A	193,507
Debt Service West Columbia Note	228,789
Debt Service Fund 2004	344,656
Construction Fund 2004	168,804
Operations and Maintenance Fund	637
Sewer Plant Escrow Fund	2,214,829
Debt Service Fund 2010	404,780
Debt Service Reserve Fund 2010	783,766
Construction Fund 2010	2,038
Debt Service Fund 2011	271,202
Debt Service Reserve Fund 2011	4,344
Construction Fund 2009	108,590
Debt Service Fund 2009	266,964
Debt Service Reserve Fund 2009	696,701
	<hr/>
	\$ 5,790,020

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

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

	Restricted Investments
	<hr/>
Debt Service Reserve Fund 2004	\$ 560,146
	<hr/> <hr/>

Debt Service Fund:

Certain proceeds of the Series 1994 Certificates of Participation, as well as amounts set aside for their repayment, are classified as restricted cash and temporary investments on the statement of net assets because their use is limited by the lease agreement (See *Note 8*). The reserve account is set aside to protect against possible future deficiencies in funds available to pay the lease obligations.

Carrying balance at the year ended June 30, 2012, is as follows:

	Cash and Temporary Investments
	<hr/>
Debt Service Account	\$ 213,499
	<hr/> <hr/>

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.

Carrying balance at the year ended June 30, 2012, is as follows:

	Cash and Temporary Investments
	<hr/>
Capital Projects Accounts	\$ 9,827
	<hr/> <hr/>

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, 2012

— 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, 2012 are as follows:

	Cash and Temporary Investments
Golden Hills Tax District	\$ 179,968
Police Grants and Programs	5,885
Downtown Restoration	55,741
Disaster Fund	14,938
Alcohol Permits	55,183
Drug Fund	8,652
Victims' Assistance	3,808
Corley Street Park	3,990
Teachers Appreciation	956
Hospitality Tax	138,565
Veterans' Monument	18,960
Accommodations Tax	42,129
	<hr/>
	\$ 528,775

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

7. Capital Assets

The following is a summary of capital asset activity in governmental activities for the year ended June 30, 2012:

	Balances June 30, 2011	Additions	Retirements	Balances June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,890,052	\$ -	\$ -	\$ 5,890,052
Construction in progress	182,771	144,369	-	327,140
Total capital assets, not being depreciated	<u>6,072,823</u>	<u>144,369</u>	<u>-</u>	<u>6,217,192</u>
Capital assets, being depreciated:				
Buildings	10,259,561	-	-	10,259,561
Vehicles and equipment	2,536,847	457,811	(168,039)	2,826,619
Streets and roadways	9,291,066	791,028	-	10,082,094
Sidewalks	1,791,281	-	-	1,791,281
Storm drainage	1,829,351	339,012	-	2,168,363
Total capital assets, being depreciated	<u>25,708,106</u>	<u>1,587,851</u>	<u>(168,039)</u>	<u>27,127,918</u>
Less accumulated depreciation for:				
Buildings	1,937,928	208,936	-	2,146,864
Vehicles and equipment	1,688,825	339,905	(168,039)	1,860,691
Streets and roadways	3,601,660	417,551	-	4,019,211
Sidewalks	287,184	44,462	-	331,646
Storm drainage	1,004,258	94,185	-	1,098,443
Total accumulated depreciation	<u>8,519,855</u>	<u>1,105,039</u>	<u>(168,039)</u>	<u>9,456,855</u>
Total capital assets, being depreciated, net	<u>17,188,251</u>	<u>482,812</u>	<u>-</u>	<u>17,671,063</u>
Governmental activities capital assets, net	<u>\$ 23,261,074</u>	<u>\$ 627,181</u>	<u>\$ -</u>	<u>\$ 23,888,255</u>

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

7. Capital Assets (Continued)

The following is a summary of capital asset activity in business-type activities for the year ended June 30, 2012:

	Balances June 30, 2011	Additions	Retirements	Balances June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 370,522	\$ 18,000	\$ -	\$ 388,522
Construction in progress	29,039,728	14,662,400	(22,657)	43,679,471
Total capital assets, not being depreciated	29,410,250	14,680,400	(22,657)	44,067,993
Capital assets, being depreciated:				
Buildings and system	75,918,800	298,096	-	76,216,896
Vehicles, machinery and equipment	3,447,687	265,819	(150,878)	3,562,628
Total capital assets, being depreciated	79,366,487	563,915	(150,878)	79,779,524
Less accumulated depreciation for:				
Buildings and system	16,040,018	1,510,153	-	17,550,171
Vehicles, machinery and equipment	1,920,319	271,099	(150,878)	2,040,540
Total accumulated depreciation	17,960,337	1,781,252	(150,878)	19,590,711
Total capital assets, being depreciated, net	61,406,150	(1,217,337)	-	60,188,813
Business-type activities capital assets, net	<u>\$ 90,816,400</u>	<u>\$ 13,463,063</u>	<u>\$ (22,657)</u>	<u>\$ 104,256,806</u>
Intangible assets:				
Capacity reserve	\$ 9,217,422	\$ -	\$ -	\$ 9,217,422
Retail distribution rights	2,502,788	-	-	2,502,788
Total intangible assets	11,720,210	-	-	11,720,210
Amortization of intangible assets:				
Capacity reserve	1,287,820	162,825	-	1,450,645
Retail distribution rights	600,669	50,056	-	650,725
Total amortization of intangible assets	1,888,489	212,881	-	2,101,370
Total intangible assets, net	<u>\$ 9,831,721</u>	<u>\$ (212,881)</u>	<u>\$ -</u>	<u>\$ 9,618,840</u>
Total tangible and intangible assets, net	<u>\$ 100,648,121</u>	<u>\$ 13,250,182</u>	<u>\$ (22,657)</u>	<u>\$ 113,875,646</u>

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

7. Capital Assets (Continued)

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

Governmental activities:

General government	\$ 43,305
Public safety	295,763
Parks, streets and sanitation	<u>744,953</u>

Total depreciation expense – governmental activities	<u>\$ 1,084,021</u>
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Business-type activities:

Water and sewer	<u>\$ 1,781,252</u>
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Total depreciation expense – business-type activities	<u>\$ 1,781,252</u>
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Intangible Assets:

Purchase of Sewer Capacity

During the year ended June 30, 1997, the Town entered into an agreement with the City of Cayce, South Carolina (“Cayce”) and acquired the usage rights of up to 6.4 million gallons per day (“MGD”) in Cayce’s sewer treatment facility (the “Plant”). In addition, the Town and Cayce agreed during the year ended June 30, 1999, to share the cost of construction of the Highway 321 Region Sewer Line (“regional line”) to facilitate the Town’s use of purchased capacity. During the year ended June 30, 2004, the Town amended its agreement with Cayce as described in *Note 11*. Under the amended agreement, the Town purchased for \$3,900,000 the final 2 MGD of the total of 6.4 MGD of capacity made available by the original agreement. 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. Under the terms of the agreement, the Town will be responsible for 49.848% of the construction costs of the new facility. 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, 2012, are

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

7. Capital Assets (Continued)

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 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, 2012. 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 \$30,835 recognized during the year ended June 30, 2012. 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, 2012.

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, 2012, net of accumulated amortization (\$1,852,064, 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, 2012.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt

The following is a summary of debt of the Town for the year ended June 30, 2012:

	Balances June 30, 2011	Additions	Reductions	Balances June 30, 2012	Due Within One Year
<u>Governmental activities:</u>					
Short Term Debt:					
Bond Anticipation Note	1,542,037	-	(1,542,037)	-	-
Total short term debt	1,542,037	-	(1,542,037)	-	-
Long Term Debt:					
Certificates of participation:					
Capital appreciation certificates	\$ 1,680,000	\$ -	\$ (210,000)	\$ 1,470,000	\$ 210,000
Less deferred amount:					
For issuance discount	(372,345)	-	80,245	(292,100)	-
Total certificates of participation	1,307,655	-	(129,755)	1,177,900	210,000
General obligation bonds	1,540,000	-	(125,000)	1,415,000	130,000
Note Payable	177,000	-	(20,000)	157,000	20,000
Capital leases	36,132	-	(36,132)	-	-
Compensated absences	533,028	399,066	(351,155)	580,939	375,000
Governmental activities					
Long-term liabilities	<u>\$ 3,593,815</u>	<u>\$ 399,066</u>	<u>\$ (662,042)</u>	<u>\$ 3,330,839</u>	<u>\$ 735,000</u>
<u>Business-type activities:</u>					
Long Term Debt:					
Revenue bonds payable:					
Revenue bonds	\$ 57,810,000	\$ -	\$ (800,000)	\$ 57,010,000	\$ 975,000
Less deferred amounts:					
For issuance discount	(101,007)	-	28,618	(72,389)	-
For issuance premium	532,775	-	(27,716)	505,059	-
On refunding	(1,651,383)	-	92,601	(1,558,782)	-
Total revenue bonds payable	56,590,385	-	(706,497)	55,883,888	975,000
Contract payable	2,031,761	-	(291,186)	1,740,575	305,052
Capital lease	390,401	-	(42,719)	347,682	44,784
Compensated absences	164,481	119,202	(111,783)	171,900	104,000
Business-type activities					
Long-term liabilities	<u>\$ 59,177,028</u>	<u>\$ 119,202</u>	<u>\$ (1,152,185)</u>	<u>\$ 58,144,045</u>	<u>\$ 1,428,836</u>

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— 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, 2012, including interest components are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	210,000	-	210,000
2014	210,000	-	210,000
2015	210,000	-	210,000
2016	210,000	-	210,000
2017	210,000	-	210,000
2018-2019	420,000	-	420,000
Subtotal	1,470,000	-	1,470,000
Less: Deferred amount	(292,100)	-	(292,100)
Total	\$ 1,177,900	\$ -	\$ 1,177,900

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

General Obligation Bonds and Bond Anticipation Notes

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

Optional Redemption:

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

The annual debt service requirements to amortize all general obligation bonds outstanding as of June 30, 2012, including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	130,000	65,735	195,735
2014	135,000	60,048	195,048
2015	140,000	53,973	193,973
2016	150,000	47,673	197,673
2017	155,000	40,772	195,772
2018-2021	<u>705,000</u>	<u>85,737</u>	<u>790,737</u>
Total	<u>\$ 1,415,000</u>	<u>\$ 353,938</u>	<u>\$ 1,768,938</u>

Bond Anticipation Notes:

The Town issued General Obligation Bond Anticipation Note Series 2011 during the year ended June 30, 2011. The note was issued to refund the Series 2010 Bond Anticipation Note which was issued to provide interim financing to defray a portion of the costs of certain off-street parking facilities in the Town of Lexington. Principal of \$1,535,000 and interest at 1.5% per annum were paid on June 29, 2012. It is anticipated that a replacement Bond Anticipation note will be issued in FY 2013 to reimburse the Town for this payment.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

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, 2012, including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	18,854	1,146	20,000
2014	33,250	1,000	34,250
2015	33,500	750	34,250
2016	33,750	500	34,250
2017	33,938	312	34,250
Total	<u>\$ 153,292</u>	<u>\$ 3,708</u>	<u>\$ 157,000</u>

Revenue Bonds

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, 2012.

Series 1993 Revenue Refunding and Improvement Bonds:

The Series 1993 Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds capital appreciation bonds remain outstanding and mature annually on May 1 from 2005 to 2012 at yields from 4.90% to 5.50% and maturity values of \$385,000 with the final maturity at \$195,000. The capital appreciation bonds were issued at a discount with principal at maturity totaling \$3,275,000. The balance of Series 1993 Bonds at June 30, 2012 equaled \$195,000.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

Revenue Bonds (Continued)

Optional Redemption:

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

Series 2001A Revenue Refunding and Improvement Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2001A require semi-annual interest payments at rates of 3.50% to 5.75% and annual principal installments ranging from \$225,000 to \$1,280,000. The Series 2001A Bonds were issued for \$27,475,000 with an outstanding balance at June 30, 2012 of \$6,967,093 (net unamortized premium and deferred amount on refunding equaled \$60,875 and (\$1,558,782), 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:

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

Series 2004 Revenue Bonds:

The Town of Lexington, South Carolina Combined Waterworks and Sewer System Revenue Bonds, Series 2004 requires semi-annual interest payments at rates of 2.00% to 5.00% and annual principal installments ranging from \$85,000 to \$410,000. The Series 2004 Bonds were issued for \$7,865,000 with a net premium of \$6,564. Premium amortization equaled \$239 for the year-ended June 30, 2012. The Series 2004 Bonds refunded the outstanding balance of the Series 2003 Bond Anticipation Note (net of unexpended proceeds from the BAN). The Series 2004 Revenue Bonds have an outstanding balance at June 30, 2012 of \$6,324,688 (premium totals \$4,688).

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

Revenue Bonds (Continued)

Optional Redemption:

The Series 2004 Bonds maturing on or prior to February 1, 2014, are not subject to redemption prior to maturity. The Series 2004 Bonds maturing after February 1, 2014, are subject to redemption prior to maturity, at the option of the Town, on or after February 1, 2014, as a whole at any time or in part on any interest payment date in maturities as designated by the Town (but only in integral multiples of \$5,000) and by lot within the maturity, at a redemption price of 100% of the principal amount with interest accrued on such principal amount to the date fixed for redemption.

Forward Delivery Agreement:

In conjunction with the issuance of the 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.

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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

Revenue Bonds (Continued)

issued for \$11,405,000 with an outstanding balance at June 30, 2012 of \$11,332,611 (net of unamortized discount of (\$72,389)). 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.

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, 2012 of \$16,828,632 (net of unamortized premium of \$163,632). 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, 2012 through 2027. The Series 2011 bonds were issued for \$14,145,000 with an outstanding balance at June 30, 2012 of \$14,235,863 (net of unamortized premium of \$275,863). 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) exceeded the total debt service requirements for the refunded Series 2001A bonds by \$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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

Revenue Bonds (Continued)

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.

The annual debt service requirements to amortize all revenue bonds outstanding as of June 30, 2012 including interest components are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	975,000	2,568,014	3,543,014
2014	995,000	2,547,714	3,542,714
2015	1,030,000	2,515,414	3,545,414
2016	1,035,000	2,482,564	3,517,564
2017	1,080,000	2,441,644	3,521,644
2018-2022	6,790,000	11,627,806	18,417,806
2023-2027	8,900,000	9,979,938	18,879,938
2028-2032	11,505,000	7,665,263	19,170,263
2033-2037	12,450,000	4,759,313	17,209,313
2038-2042	12,250,000	1,518,638	13,768,638
Subtotal	57,010,000	48,106,308	105,116,308
Less: Deferred amounts	(1,126,112)	-	(1,126,112)
Total	<u>\$ 55,883,888</u>	<u>\$ 48,106,308</u>	<u>\$ 103,990,196</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, 2012, \$16,110,000 of bonds outstanding are considered defeased.

Contract Payable

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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

Contract Payable (Continued)

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 2009C issue requires semi-annual interest payments at 3.59% and annual principal installments ranging from \$295,000 to \$455,565 through October 1, 2019. The Town defeased all required payments on Series 1998B through January 1, 2009, during the year ended June 30, 2002. The liabilities for all payments required to be made to West Columbia through January 1, 2009 have been reduced on the statement of net assets. Accordingly, a contract payable has been recorded for the remaining installment payments due through October 1, 2019, for the Town's pro rata share of the West Columbia Series 2009C.

The annual debt service requirements to amortize the contract payable as of June 30, 2012 including interest components are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	305,052	57,011	362,063
2014	315,843	45,866	361,709
2015	204,524	36,525	241,049
2016	211,457	29,058	240,515
2017	225,322	21,218	246,540
2018-2019	478,377	17,298	495,675
Total	<u>\$ 1,740,575</u>	<u>\$ 206,976</u>	<u>\$ 1,947,551</u>

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

8. Debt (Continued)

Capital Leases

Business-type activities:

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

The annual debt service requirements to amortize the capital lease payable as of June 30, 2012 including interest components are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	44,784	15,725	60,509
2014	46,949	13,560	60,509
2015	49,220	11,289	60,509
2016	51,600	8,909	60,509
2017	54,094	6,415	60,509
2018-2019	101,035	4,856	105,891
Total	<u>\$ 347,682</u>	<u>\$ 60,754</u>	<u>\$ 408,436</u>

The waterlines acquired under the capital lease are recorded as capital assets – waterworks system in the statement of net assets at a historic cost of \$778,428, with current book value of \$573,632 net of accumulated depreciation.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

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, 2012, follows:

<u>Business-type activities:</u>	
Capital contribution fees received	\$ 1,227,458
Capital asset contributions from developers	<u>285,096</u>
Total capital contribution fees and capital asset contributions recognized	<u>\$ 1,512,554</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 \$4,015,800 at June 30, 2012, 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.

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 insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of audits of grant funds is not believed by Town officials to be material.

Litigation:

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, 2012, the number of unredeemed capital contribution certificates representing future taps into the system is approximately 2,809.

Additionally, the Town has outstanding commitments to contractors and others for approximately \$5,357,577.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

11. Commitments (Continued)

Highway 378/14 Mile Creek Connector Force Main :& Regional Pump Station

During the year ended June 30, 2012, the Town entered into an agreement with Buckeye Construction Company to complete the Highway 378/14 Mile Creek Connector Force Main and Regional Pump Station. The total project cost is \$4,412,732. Work began on this project in April 2012.

Water and Sewer Relocations Highway 378 and Highway 1

During the year ended June 30, 2012, the Town entered into an agreement with TNT, Inc. to complete Water and Sewer Relocations on Highway 378 and Highway 1. The total project cost is \$1,187,311. Work began on this project in June 2012.

12/14 Mile Creek Pump Station Upgrade Phase I

During the year ended June 30, 2011, the Town entered into an agreement with Wharton-Smith, Inc. to complete phase I of the upgrade to the 12/14 Mile Creek Pump Station. The total project cost is \$5,622,000. Work began on this project in March 2011.

Wastewater Treatment Service Agreement:

As discussed in *Note 8*, the Town entered into a Wastewater Treatment Service agreement with the City of Cayce, South Carolina Municipal Corporation, to provide wastewater treatment capacity for the Town. Under the 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.

During the year ended June 30, 2009, the Town entered into an agreement with the City of Cayce to build a new wastewater treatment facility. The total project cost for this facility is \$65,972,588. The Town’s portion of the funding for this facility is \$29,590,917. The Town has placed these funds in escrow to be drawn down as Cayce completes construction.

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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

11. Commitments (Continued)

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 a cost sharing, multiple employer defined benefit public employee retirement system administered by the State Budget and Control Board of South Carolina. Actuarial determinations are made by the administrators for the system. The System issues a publicly available Comprehensive Annual Financial Report that includes required supplementary information for both plans. The report may be obtained by writing to: The South Carolina Retirement System, Fontaine Business Center, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

The Town's total payroll for the year ended June 30, 2012, for employees enrolled in the SCRS and PORS, was approximately \$7,074,062, of which \$4,507,272 was for substantially all employees covered by the SCRS and \$2,566,790 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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

12. Employee Retirement (Continued)

Consumer Price Index of at least 3 percent. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement systems also provide death and disability benefits to all member employees.

State statutes also determine the levels of contributions required. Non-public safety members are required to contribute 6.50 percent of their compensation. Under this system, the Town's contributions were 9.39 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, 2012, 2011, and 2010 were \$429,768, 380,876, and \$378,963, respectively, which equal 100% of required contributions. For public safety employees, amounts equaled 6.5 percent for member employees' contributions and 11.76 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, 2012, 2011, and 2010 were \$301,931, \$262,850, and \$239,725, 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 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, 2011, the measurement date for the plan year 2012, there were 136 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

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

13. Post Employment Benefits Other than Pension (Continued)

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 FY12 the Town's annual OPEB cost was \$48,100 for the Plan, which is equal to the ARC. The following table shows the Town's annual OPEB cost for the year ended June 30, 2012:

Normal Cost	\$ 37,385
Amortization of Unfunded Accrued Liability (UAL)	<u>10,715</u>
Total Annual Required Contribution (ARC)	\$ 48,100
Interest on Net OPEB Obligation	3,900
Adjustment to the ARC	<u>(3,200)</u>
Net OPEB Cost	<u>\$ 48,800</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, 2012, 2011, and 2010 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, 2010	\$41,800	0.0%	(\$ 41,800)
June 30, 2011	\$45,200	0.0%	(\$ 87,000)
June 30, 2012	\$48,800	0.0%	(\$135,800)

At June 30, 2012, the actuarial accrued liability for benefits (AAL) was \$269,800 with \$ 0 in Plan assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$269,800. 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 \$5,741,300, and the ratio of the UAAL to covered payroll was 4.70%.

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.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

13. Post Employment Benefits Other than Pension (Continued)

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 4.5% rate of return (net of both investment and non-actuarial administrative expenses) and the Getzen Health Cost Trend Model of 8.1% graded to 4.5% over 80 years. The asset valuation method used is market value. The Plan's UAAL is being amortized on the level percent method. The remaining amortization period at June 30, 2012 was 27 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.

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 the St. Paul Guardian Insurance Company. The limit of the tort liability is \$2,000,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property. The Town pays an annual experience rated premium to Travelers Companies, Inc. for its general insurance coverage, totaling approximately \$189,244 in the 2012 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 \$1,179,872 during the year.

TOWN OF LEXINGTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

— CONTINUED —

14. Risk Management (Continued)

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 \$270,899 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 August 1, 2012, the Town issued \$7,650,000 Combined Waterworks and Sewer System Revenue Refunding Bonds, Series 2012. The bonds were issued to currently refund a portion of the Town's Combined Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001A.

On December 17, 2012, the Town issued \$1,500,000 General Obligation Refunding Bonds, of 2012. The bonds were issued to currently refund the Town's General Obligation Bonds, Series 2002.

Subsequent to year end, the Town will issue up to \$10,000,000 Combined Waterworks and Sewer System Revenue Bond Anticipation Notes (BAN). \$2,200,000 will be Series 2012 BAN and \$7,800,000 will be Series 2013. The BAN will be issued to fund capital improvements to the Town's Combined Waterworks and Sewer System.

Subsequent to year end, the Town will issue up to \$3,300,000 General Obligation Bond Anticipation Notes (BAN). The BAN will be issued to fund street and road improvements and repairs, and other infrastructure and municipal improvements, including off-street parking.

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Property taxes	\$ 3,265,000	\$ 3,265,000	\$ 3,150,728	\$ (114,272)
Franchises, licenses and permits	5,220,000	5,220,000	4,912,344	(307,656)
Other governments	360,000	360,000	357,512	(2,488)
Fines and forfeitures	310,000	310,000	281,798	(28,202)
Interest income	13,379	13,379	5,575	(7,804)
Miscellaneous	110,000	110,000	100,322	(9,678)
Total revenue	<u>9,278,379</u>	<u>9,278,379</u>	<u>8,808,279</u>	<u>(470,100)</u>
Expenditures				
Current:				
General government:				
Planning, building and technology	904,688	903,689	809,851	93,838
Administration	725,154	749,586	777,704	(28,118)
Finance	283,853	283,609	275,317	8,292
Council	180,669	180,398	187,208	(6,810)
Total general government	<u>2,094,364</u>	<u>2,117,282</u>	<u>2,050,080</u>	<u>67,202</u>
Public safety	4,184,262	4,177,344	3,914,081	263,263
Parks, streets and sanitation	2,029,370	2,036,370	2,061,299	(24,929)
Capital Outlay	417,974	424,174	420,568	3,606
Debt Service	37,185	37,185	18,592	18,593
Total expenditures	<u>8,763,155</u>	<u>8,792,355</u>	<u>8,464,620</u>	<u>327,735</u>
Excess of revenue over (under) expenditures	515,224	486,024	343,659	(142,365)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	18,484	18,484
Transfers in	30,000	30,000	30,512	512
Transfers out	(553,584)	(553,584)	(754,750)	(201,166)
Total other financing sources (uses)	<u>(523,584)</u>	<u>(523,584)</u>	<u>(705,754)</u>	<u>(182,170)</u>
Excess of revenue over (under) expenditures and other financing sources (uses)	(8,360)	(37,560)	(362,095)	(324,535)
Fund balance, beginning of year	<u>4,918,941</u>	<u>4,918,941</u>	<u>4,918,941</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,910,581</u>	<u>\$ 4,881,381</u>	<u>\$ 4,556,846</u>	<u>\$ (324,535)</u>

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

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

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%

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

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue														
	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund	Cans to Trees Fund	Victims Assistance	Green Team	Corley Street Park	Caractor Park	Gateway Beautification	Park Improve-ment	Teachers Appreciation
Assets															
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,519	\$ -	\$ 8,629	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 10,278	\$ -
Receivables, net															
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,650	-	-	-	83	-	-	-	-	-	-
Due from grantor	74,487	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and temporary investments	5,885	179,968	55,741	14,938	55,183	-	8,652	-	3,808	-	3,990	-	-	-	956
Total assets	80,372	179,968	55,741	14,938	59,833	100,519	8,652	8,629	3,891	2	3,990	-	-	10,278	956
Liabilities and Fund Balances															
Accounts payable	\$ -	\$ 4,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313	\$ -	\$ -	\$ -	\$ 12,571	\$ -	\$ -
Accrued liability	4,246	-	-	-	-	-	-	-	2,607	-	-	-	-	-	-
Due to other funds	71,529	-	-	-	-	-	-	-	-	-	-	-	25,000	-	-
Bond anticipation note	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liability:	75,775	4,650	-	-	-	-	-	-	2,920	-	-	-	37,571	-	-
Fund balances:															
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	4,597	175,318	-	-	59,833	100,519	8,652	-	971	-	3,990	-	(37,571)	10,278	956
Committed	-	-	55,741	14,938	-	-	-	8,629	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-
Total fund equity	4,597	175,318	55,741	14,938	59,833	100,519	8,652	8,629	971	2	3,990	-	(37,571)	10,278	956
Total liabilities and fund balance	\$ 80,372	\$ 179,968	\$ 55,741	\$ 14,938	\$ 59,833	\$ 100,519	\$ 8,652	\$ 8,629	\$ 3,891	\$ 2	\$ 3,990	\$ -	\$ -	\$ 10,278	\$ 956

									Capital Projects				Debt Service	Total Non-major Governmental Funds
KEYS Grant	George Street Sidewalk	Concerts in the Park	Hospitality Tax	Carol Lighting	Special Projects	Veterans Monument	Accommodations Tax	Totals	Streets and Infrastructure	Gibson Pond	Parking	Totals	Debt Service	
\$ -	\$ -	\$ 6,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,016	\$ 135,551	\$ -	\$ -	\$ 135,551	\$ -	\$ 261,567
-	-	-	-	-	-	-	61,971	61,971	-	-	-	-	-	61,971
-	-	-	-	-	-	-	-	4,733	-	-	-	-	-	4,733
21,909	-	-	-	-	-	-	-	96,396	-	-	-	-	-	96,396
-	-	-	138,565	-	-	18,960	42,129	528,775	-	9,827	-	9,827	213,499	752,101
21,909	-	6,588	138,565	-	-	18,960	104,100	817,891	135,551	9,827	-	145,378	213,499	1,176,768
\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,884
9,968	-	-	-	-	-	-	-	16,821	-	-	-	-	-	16,821
7,576	-	-	-	-	2,048	-	-	106,153	-	-	1,545,897	1,545,897	-	1,652,050
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17,894	-	-	-	-	2,048	-	-	140,858	-	-	1,545,897	1,545,897	-	1,686,755
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,015	-	6,588	138,565	-	-	18,960	104,100	599,771	-	9,827	-	9,827	213,499	823,097
-	-	-	-	-	-	-	-	79,308	-	-	-	-	-	79,308
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(2,048)	-	-	(2,046)	135,551	-	(1,545,897)	(1,410,346)	-	(1,412,392)
4,015	-	6,588	138,565	-	(2,048)	18,960	104,100	677,033	135,551	9,827	(1,545,897)	(1,400,519)	213,499	(509,987)
\$ 21,909	\$ -	\$ 6,588	\$ 138,565	\$ -	\$ -	\$ 18,960	\$ 104,100	\$ 817,891	\$ 135,551	\$ 9,827	\$ -	\$ 145,378	\$ 213,499	\$ 1,176,768

TOWN OF LEXINGTON, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Special Revenue														
	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund	Cans to Trees Fund	Victims Assistance	Green Team	Corley Street Park	Caractor Park	Gateway Beautification	Park Improvement	Teachers Appreciation
Revenue															
Grant revenue	\$ 193,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Road assessment	-	20,160	-	-	-	-	-	-	-	-	-	-	-	-	-
Alcohol permits	-	-	-	-	55,625	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	2,385	-	40,394	-	-	-	-	-	-
Sidewalk Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodations tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	(127)	(204)	44	-	(573)	(43)	-	-	-	-	-	-	-	-
Miscellaneous income	68,824	-	-	-	-	-	-	-	5	169	-	1,000	-	-	-
Total revenue	262,193	20,033	(204)	44	55,625	(573)	2,342	-	40,399	169	-	1,000	-	-	-
Expenditures															
Current:															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	176,791	-	-	-	-	-	2,442	-	-	-	-	-	-	-	-
Victim's assistance	-	-	-	-	-	-	-	-	60,212	-	-	-	-	-	-
Street maintenance	-	4,650	-	-	-	184,942	-	-	-	-	-	-	-	-	-
Parks and appearance	-	-	-	-	20,000	-	-	-	-	-	-	1,000	-	7,923	-
Tourism related	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	87,538	-	-	-	-	-	1,619	-	-	-	-	-	37,571	-	-
Total expenditures	264,329	4,650	-	-	20,000	184,942	4,061	-	60,212	-	-	1,000	37,571	7,923	-
Other Financing Sources (Uses)															
Proceeds from special source	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	147,536	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	147,536	-	-	-	-	-	-	-	-	-
Net change in fund balance	(2,136)	15,383	(204)	44	35,625	(37,979)	(1,719)	-	(19,813)	169	-	-	(37,571)	(7,923)	-
Fund balances, beginning of year	6,733	159,935	55,945	14,894	24,208	138,498	10,371	8,629	20,784	(167)	3,990	-	-	18,201	956
Fund balances, end of year	\$ 4,597	\$ 175,318	\$ 55,741	\$ 14,938	\$ 59,833	\$ 100,519	\$ 8,652	\$ 8,629	\$ 971	\$ 2	\$ 3,990	\$ -	\$ (37,571)	\$ 10,278	\$ 956

										Capital Projects				Debt Service		Total Non-major Governmental Funds
KEYS Grant	George Street Sidewalk	Concerts in the Park	Hospitality Tax	Carol Lighting	Special Projects	Veterans Monument	Accommodations Tax	Totals	Streets and Infrastructure	Gibson Pond	Parking	Totals	Debt Service			
\$ 83,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,606	
-	-	-	-	-	-	-	-	20,160	-	-	-	-	-	-	20,160	
-	-	-	-	-	-	-	-	55,625	-	-	-	-	-	-	55,625	
-	-	-	-	-	-	-	-	42,779	-	-	-	-	-	-	42,779	
-	106,798	-	-	-	-	-	-	106,798	-	-	-	-	-	-	106,798	
-	-	-	-	-	-	-	135,244	135,244	-	-	-	-	-	-	135,244	
-	-	-	(206)	-	-	(101)	(633)	(1,843)	(534)	-	-	(534)	-	21	(2,356)	
1,350	-	504	-	-	1,496	-	-	73,348	-	9,913	-	9,913	-	-	83,261	
84,587	106,798	504	(206)	-	1,496	(101)	134,611	708,717	(534)	9,913	-	9,379	-	21	718,117	
85,615	-	-	-	-	1,496	-	-	1,496	-	-	-	-	-	-	1,496	
-	-	-	-	-	-	-	-	264,848	-	-	-	-	-	-	264,848	
-	-	-	-	-	-	-	-	60,212	-	-	-	-	-	-	60,212	
-	-	-	-	-	-	-	-	189,592	-	-	15,925	15,925	-	-	205,517	
-	-	1,840	-	143	-	1,216	-	32,122	-	132	-	132	-	-	32,254	
-	-	-	-	-	-	-	74,224	74,224	-	-	-	-	-	-	74,224	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	407,214	407,214	
-	106,798	-	-	-	-	-	-	233,526	-	5,965	-	5,965	-	-	239,491	
85,615	106,798	1,840	-	143	1,496	1,216	74,224	856,020	-	6,097	15,925	22,022	-	407,214	1,285,256	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	(30,512)	117,024	200,000	-	-	200,000	-	407,214	724,238	
-	-	-	-	-	-	-	(30,512)	117,024	200,000	-	-	200,000	-	407,214	724,238	
(1,028)	-	(1,336)	(206)	(143)	-	(1,317)	29,875	(30,279)	199,466	3,816	(15,925)	187,357	-	21	157,099	
5,043	-	7,924	138,771	143	(2,048)	20,277	74,225	707,312	(63,915)	6,011	(1,529,972)	(1,587,876)	-	213,478	(667,086)	
\$ 4,015	\$ -	\$ 6,588	\$ 138,565	\$ -	\$ (2,048)	\$ 18,960	\$ 104,100	\$ 677,033	\$ 135,551	\$ 9,827	\$ (1,545,897)	\$ (1,400,519)	\$ -	\$ 213,499	\$ (509,987)	

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND
BALANCE SHEET

JUNE 30, 2012

(With comparative amounts at June 30, 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Cash and temporary investments	\$ 3,169,089	\$ 5,519,133
Receivables, net:		
Fees and services	56,693	54,999
Property taxes, net	162,345	151,807
Other governments	123,686	167,583
Other	150	4,624
Due from other funds	1,652,050	112,749
Prepaid items	464	802
Total assets	<u>\$ 5,164,477</u>	<u>\$ 6,011,697</u>
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 219,854	\$ 604,519
Accrued liabilities	219,083	343,535
Other liabilities	28,681	23,290
Deferred revenue	140,013	121,412
Advance from other fund	-	-
Total liabilities	<u>607,631</u>	<u>1,092,756</u>
 Fund balance:		
Nonspendable	464	802
Restricted	-	-
Committed	630,000	580,000
Assigned	-	-
Unassigned	3,926,382	4,338,139
Total fund balance	<u>4,556,846</u>	<u>4,918,941</u>
Total liabilities and fund balance	<u>\$ 5,164,477</u>	<u>\$ 6,011,697</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Positive (Negative)	Actual
Revenue				
Property taxes	\$ 3,265,000	\$ 3,150,728	\$ (114,272)	\$ 3,160,454
Franchises, licenses and permits	5,220,000	4,912,344	(307,656)	5,186,480
Other governments	360,000	357,512	(2,488)	373,356
Fines and forfeitures	310,000	281,798	(28,202)	268,059
Interest income	13,379	5,575	(7,804)	13,841
Miscellaneous	110,000	100,322	(9,678)	83,548
Total revenue	<u>9,278,379</u>	<u>8,808,279</u>	<u>(470,100)</u>	<u>9,085,738</u>
Expenditures				
General Government				
Planning, Building & Technology Department:				
Personnel	611,701	540,147	71,554	520,644
Contractual services	28,045	39,444	(11,399)	18,690
Repairs and maintenance	30,620	25,220	5,400	27,528
Supplies	12,815	10,046	2,769	9,956
Other operating	468,571	436,862	31,709	421,409
Allocation of other expenditures	<u>(248,063)</u>	<u>(241,868)</u>	<u>(6,195)</u>	<u>(220,628)</u>
Total building department	<u>903,689</u>	<u>809,851</u>	<u>93,838</u>	<u>777,599</u>
Administration Department:				
Personnel	577,346	632,041	(54,695)	518,913
Contractual services	109,785	129,528	(19,743)	55,659
Repairs and maintenance	1,900	1,108	792	956
Supplies	6,935	5,602	1,333	3,062
Other operating	96,320	58,444	37,876	43,442
Allocation of other expenditures	<u>(42,700)</u>	<u>(49,019)</u>	<u>6,319</u>	<u>(26,038)</u>
Total administration department	<u>749,586</u>	<u>777,704</u>	<u>(28,118)</u>	<u>595,994</u>
Finance:				
Personnel	248,230	246,443	1,787	233,693
Contractual services	11,405	2,231	9,174	3,109
Repairs and maintenance	250	193	57	-
Supplies	4,065	4,399	(334)	4,849
Other operating	55,039	50,926	4,113	52,392
Allocation of other expenditures	<u>(35,380)</u>	<u>(28,875)</u>	<u>(6,505)</u>	<u>(30,176)</u>
Total finance	<u>283,609</u>	<u>275,317</u>	<u>8,292</u>	<u>263,867</u>

- CONTINUED -

TOWN OF LEXINGTON, SOUTH CAROLINA

GENERAL FUND

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

- CONTINUED -

	2012		2011
	Budget	Actual	Variance Positive (Negative)
			Actual
Expenditures (Continued)			
General Government (Continued)			
Council:			
Personnel	64,228	64,183	45
Contractual services	63,345	63,766	(421)
Supplies	2,445	2,396	49
Other operating	152,051	159,538	(7,487)
Contributions	14,500	20,350	(5,850)
Allocation of other expenditures	(116,171)	(123,025)	6,854
Total council	180,398	187,208	(6,810)
Total general government	2,117,282	2,050,080	67,202
Public Safety			
Personnel	3,721,739	3,486,894	234,845
Contractual services	55,975	52,375	3,600
Repairs and maintenance	62,950	54,246	8,704
Supplies	26,775	20,583	6,192
Other operating	309,905	299,983	9,922
Total public safety	4,177,344	3,914,081	263,263
Parks, Streets and Sanitation			
Personnel	844,350	852,458	(8,108)
Contractual services	741,701	746,403	(4,702)
Repairs and maintenance	19,877	25,982	(6,105)
Supplies	46,345	61,775	(15,430)
Other operating	384,097	374,681	9,416
Total parks, streets and sanitation	2,036,370	2,061,299	(24,929)
Capital Outlay	424,174	420,568	3,606
Debt Service	37,185	18,592	18,593
Total expenditures	8,792,355	8,464,620	327,735
Other Financing Sources (Uses)			
Sale of capital assets	-	18,484	18,484
Transfers in	30,000	30,512	512
Transfers out	(553,584)	(754,750)	(201,166)
Total other financing sources (uses)	(523,584)	(705,754)	(182,170)
Excess of revenue over (under) expenditures and other financing sources (uses)	(37,560)	(362,095)	(324,535)
Fund balance, beginning of year	4,918,941	4,918,941	-
Fund balance, end of year	\$ 4,881,381	\$ 4,556,846	\$ (324,535)

TOWN OF LEXINGTON, SOUTH CAROLINA

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2012

(With comparative total amounts at June 30, 2011)

	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund	Cans to Trees	Victims Assistance	Green Team	Corley Street Park	Caractor Park
Assets												
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,519	\$ -	\$ 8,629	\$ -	\$ 2	\$ -	\$ -
Receivables, net:												
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,650	-	-	-	83	-	-	-
Due from grantor	74,487	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash and temporary investments	5,885	179,968	55,741	14,938	55,183	-	8,652	-	3,808	-	3,990	-
Total assets	<u>\$ 80,372</u>	<u>\$ 179,968</u>	<u>\$ 55,741</u>	<u>\$ 14,938</u>	<u>\$ 59,833</u>	<u>\$ 100,519</u>	<u>\$ 8,652</u>	<u>\$ 8,629</u>	<u>\$ 3,891</u>	<u>\$ 2</u>	<u>\$ 3,990</u>	<u>\$ -</u>
Liabilities and Fund Balances												
Accounts payable	\$ -	\$ 4,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 313	\$ -	\$ -	\$ -
Construction payable	-	-	-	-	-	-	-	-	-	-	-	-
Accrued liabilities	4,246	-	-	-	-	-	-	-	2,607	-	-	-
Due to other funds	71,529	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>75,775</u>	<u>4,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:												
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	4,597	175,318	-	-	59,833	100,519	8,652	-	971	-	3,990	-
Committed	-	-	55,741	14,938	-	-	-	8,629	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	2	-	-
Total fund equity	<u>4,597</u>	<u>175,318</u>	<u>55,741</u>	<u>14,938</u>	<u>59,833</u>	<u>100,519</u>	<u>8,652</u>	<u>8,629</u>	<u>971</u>	<u>2</u>	<u>3,990</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 80,372</u>	<u>\$ 179,968</u>	<u>\$ 55,741</u>	<u>\$ 14,938</u>	<u>\$ 59,833</u>	<u>\$ 100,519</u>	<u>\$ 8,652</u>	<u>\$ 8,629</u>	<u>\$ 3,891</u>	<u>\$ 2</u>	<u>\$ 3,990</u>	<u>\$ -</u>

<u>Gateway Beautification</u>	<u>Park Improv- ment</u>	<u>Teacher Appreciation</u>	<u>KEYS Grant</u>	<u>George Street Sidewalk</u>	<u>Special Events</u>	<u>Hospitality Tax</u>	<u>Carol lighting</u>	<u>Special Projects</u>	<u>Veterans Monument</u>	<u>Accommodation Tax</u>	<u>Totals 2012</u>
\$ -	\$ 10,278	\$ -	\$ -	\$ -	\$ 6,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,016
-	-	-	-	-	-	-	-	-	-	61,971	61,971
-	-	-	-	-	-	-	-	-	-	-	4,733
-	-	-	21,909	-	-	-	-	-	-	-	96,396
-	-	-	-	-	-	-	-	-	-	-	-
-	-	956	-	-	-	138,565	-	-	18,960	42,129	528,775
<u>\$ -</u>	<u>\$ 10,278</u>	<u>\$ 956</u>	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ 6,588</u>	<u>\$ 138,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,960</u>	<u>\$ 104,100</u>	<u>\$ 817,891</u>
12,571	-	-	350	-	-	-	-	-	-	-	17,884
-	-	-	1,968	-	-	-	-	-	-	-	-
25,000	-	-	7,576	-	-	-	-	2,048	-	-	8,821
-	-	-	8,000	-	-	-	-	-	-	-	106,153
37,571	-	-	17,894	-	-	-	-	2,048	-	-	8,000
-	-	-	-	-	-	-	-	-	-	-	-
(37,571)	10,278	956	4,015	-	6,588	138,565	-	-	18,960	104,100	17,884
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	8,821
-	-	-	-	-	-	-	-	(2,048)	-	-	106,153
(37,571)	10,278	956	4,015	-	6,588	138,565	-	(2,048)	18,960	104,100	8,000
<u>\$ -</u>	<u>\$ 10,278</u>	<u>\$ 956</u>	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ 6,588</u>	<u>\$ 138,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,960</u>	<u>\$ 104,100</u>	<u>\$ 817,891</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

(With comparative total amounts for the year ended June 30, 2011)

	Police Grants and Programs	Golden Hills Tax District	Downtown Restoration	Disaster Fund	Alcohol Permits	Sidewalk Fund	Drug Fund	Cans to Trees Fund	Victims Assistance	Green Team	Corley Street Park
Revenue											
Grant revenue	\$ 193,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Road assessment	-	20,160	-	-	-	-	-	-	-	-	-
Alcohol permits	-	-	-	-	55,625	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	2,385	-	40,394	-	-
Sidewalk proceeds	-	-	-	-	-	-	-	-	-	-	-
Accommodations tax	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	(127)	(204)	44	-	(573)	(43)	-	-	-	-
Other income	68,824	-	-	-	-	-	-	-	5	169	-
Total revenue	<u>262,193</u>	<u>20,033</u>	<u>(204)</u>	<u>44</u>	<u>55,625</u>	<u>(573)</u>	<u>2,342</u>	<u>-</u>	<u>40,399</u>	<u>169</u>	<u>-</u>
Expenditures											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	176,791	-	-	-	-	-	2,442	-	-	-	-
Victims assistance	-	-	-	-	-	-	-	-	60,212	-	-
Street maintenance	-	4,650	-	-	-	184,942	-	-	-	-	-
Parks and appearance	-	-	-	-	20,000	-	-	-	-	-	-
Tourism related expenses	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	87,538	-	-	-	-	-	1,619	-	-	-	-
Total expenditures	<u>264,329</u>	<u>4,650</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>184,942</u>	<u>4,061</u>	<u>-</u>	<u>60,212</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)											
Proceeds from special source											
Financing	-	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	-	147,536	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,136)	15,383	(204)	44	35,625	(37,979)	(1,719)	-	(19,813)	169	-
Fund balances, beginning of year	6,733	159,935	55,945	14,894	24,208	138,498	10,371	8,629	20,784	(167)	3,990
Fund balances, end of year	<u>\$ 4,597</u>	<u>\$175,318</u>	<u>\$ 55,741</u>	<u>\$ 14,938</u>	<u>\$ 59,833</u>	<u>\$ 100,519</u>	<u>\$ 8,652</u>	<u>\$ 8,629</u>	<u>\$ 971</u>	<u>\$ 2</u>	<u>\$ 3,990</u>

Caractor Park	Gateway Beautification	Park Improv- ment	Teacher Appreciation	KEYS Grant	George Street Sidewalk	Special Events	Hospitality Tax	Carol Lighting	Special Projects	Veterans Monument	Accommodations Tax	Totals 2012
\$ -	\$ -	\$ -	\$ -	\$ 83,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,606
-	-	-	-	-	-	-	-	-	-	-	-	20,160
-	-	-	-	-	-	-	-	-	-	-	-	55,625
-	-	-	-	-	-	-	-	-	-	-	-	42,779
-	-	-	-	-	106,798	-	-	-	-	-	-	106,798
-	-	-	-	-	-	-	-	-	-	-	135,244	135,244
-	-	-	-	-	-	-	(206)	-	-	(101)	(633)	(1,843)
1,000	-	-	-	1,350	-	504	-	-	1,496	-	-	73,348
1,000	-	-	-	84,587	106,798	504	(206)	-	1,496	(101)	134,611	708,717
-	-	-	-	-	-	-	-	-	1,496	-	-	1,496
-	-	-	-	85,615	-	-	-	-	-	-	-	264,848
-	-	-	-	-	-	-	-	-	-	-	-	60,212
-	-	-	-	-	-	-	-	-	-	-	-	189,592
1,000	-	7,923	-	-	-	1,840	-	143	-	1,216	-	32,122
-	-	-	-	-	-	-	-	-	-	-	74,224	74,224
-	37,571	-	-	-	106,798	-	-	-	-	-	-	233,526
1,000	37,571	7,923	-	85,615	106,798	1,840	-	143	1,496	1,216	74,224	856,020
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	(30,512)	117,024
-	-	-	-	-	-	-	-	-	-	-	(30,512)	117,024
-	(37,571)	(7,923)	-	(1,028)	-	(1,336)	(206)	(143)	-	(1,317)	29,875	(30,279)
-	-	18,201	956	5,043	-	7,924	138,771	143	(2,048)	20,277	74,225	707,312
\$ -	\$ (37,571)	\$ 10,278	\$ 956	\$ 4,015	\$ -	\$ 6,588	\$ 138,565	\$ -	\$ (2,048)	\$ 18,960	\$ 104,100	\$ 677,033

TOWN OF LEXINGTON, SOUTH CAROLINA
SPECIAL REVENUE FUND -- VICTIMS ASSISTANCE
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Fines	\$ 32,000	\$ 32,000	\$ 40,399	\$ 8,399
Total revenue	<u>32,000</u>	<u>32,000</u>	<u>40,399</u>	<u>8,399</u>
Expenditures				
Salaries and Fringe Benefits	66,365	58,921	56,934	1,987
Operating Expenditures	<u>5,677</u>	<u>4,677</u>	<u>3,278</u>	<u>1,399</u>
Total expenditures	<u>72,042</u>	<u>63,598</u>	<u>60,212</u>	<u>3,386</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Excess of revenue over (under) and other financing sources (uses)	(40,042)	(31,598)	(19,813)	11,785
Fund balance, beginning of year	<u>(1,002)</u>	<u>20,784</u>	<u>20,784</u>	<u>-</u>
Fund balance, end of year	<u>\$ (41,044)</u>	<u>\$ (10,814)</u>	<u>\$ 971</u>	<u>\$ 11,785</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

DEBT SERVICE FUND
BALANCE SHEET

JUNE 30, 2012
(With comparative amounts at June 30, 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Restricted cash and temporary investments	\$ 213,499	\$ 213,478
Total assets	<u>\$ 213,499</u>	<u>\$ 213,478</u>
Liabilities and Fund Balance		
Fund balance:		
Restricted	\$ 213,499	\$ 213,478
Total fund balance	<u>213,499</u>	<u>213,478</u>
Total liabilities and fund balance	<u>\$ 213,499</u>	<u>\$ 213,478</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012

(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenue				
Interest income	\$ -	\$ 21	\$ 21	\$ 146
Total revenue	-	21	21	146
Expenditures				
Debt service	406,148	407,214	(1,066)	460,314
Total expenditures	406,148	407,214	(1,066)	460,314
Deficiency of revenue under expenditures	(406,148)	(407,193)	(1,045)	(460,168)
Other Financing Sources				
Transfers in	406,148	407,214	1,066	460,314
Total other financing source	406,148	407,214	1,066	460,314
Net change in fund balance	-	21	21	146
Fund balance, beginning of year	213,478	213,478	-	213,332
Fund balance, end of year	<u>\$ 213,478</u>	<u>\$ 213,499</u>	<u>\$ 21</u>	<u>\$ 213,478</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2012

(With comparative total amounts at June 30, 2011)

	Streets and Infrastructure	Gibson Pond	Parking	Totals	
				2012	2011
Assets					
Cash	\$ 135,551	\$ -	\$ -	\$ 135,551	\$ -
Due from other funds	-	-	-	-	-
Restricted cash and temporary investments	-	9,827	-	9,827	19,176
Total assets	<u>\$ 135,551</u>	<u>\$ 9,827</u>	<u>\$ -</u>	<u>\$ 145,378</u>	<u>\$ 19,176</u>
Liabilities and Fund Balances					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,100
Due to other funds	-	-	1,545,897	1,545,897	63,916
Bond anticipation note	-	-	-	-	1,542,037
Fund balance:					
Restricted	-	9,827	-	9,827	6,011
Unassigned	135,551	-	(1,545,897)	(1,410,346)	(1,593,888)
Total fund balances	<u>135,551</u>	<u>9,827</u>	<u>(1,545,897)</u>	<u>(1,400,519)</u>	<u>(1,587,877)</u>
Total liabilities and fund balances	<u>\$ 135,551</u>	<u>\$ 9,827</u>	<u>\$ -</u>	<u>\$ 145,378</u>	<u>\$ 19,176</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012
(With comparative total amounts for the year ended June 30, 2011)

	Streets and Infrastructure	Gibson Pond	Parking	Totals	
				2012	2011
Revenue					
Interest income	\$ (534)	\$ -	\$ -	\$ (534)	\$ -
Donations	-	9,913	-	9,913	7,300
Total revenue	(534)	9,913	-	9,379	7,300
Expenditures					
Parks, streets, and sanitation	-	132	15,925	16,057	145,018
Capital outlay	-	5,965	-	5,965	4,885
Total expenditures	-	6,097	15,925	22,022	149,903
Excess (deficiency) of revenue over (under) expenditures	(534)	3,816	(15,925)	(12,643)	(142,603)
Other Financing Sources (Uses)					
Transfer in (out)	200,000	-	-	200,000	100,000
Total other financing sources (uses)	200,000	-	-	200,000	100,000
Net change in fund balance	199,466	3,816	(15,925)	187,357	(42,603)
Fund balances, beginning of year	(63,915)	6,011	(1,529,972)	(1,587,876)	(1,545,274)
Fund balances, end of year	<u>\$ 135,551</u>	<u>\$ 9,827</u>	<u>\$ (1,545,897)</u>	<u>\$ (1,400,519)</u>	<u>\$ (1,587,877)</u>

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

JUNE 30, 2012
(With comparative amounts at June 30, 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Cash and temporary investments	\$ 7,587,917	\$ 11,302,291
Receivables, net:		
Fees and services	1,999,476	2,011,354
Other	1,969,684	1,986,978
Internal balance	-	-
Inventories-supplies	268,284	256,523
Prepaid Expense	4,305	-
Deferred charges:		
Bond issue cost, net of amortization	2,393,279	2,523,634
Restricted assets:		
Cash and temporary investments	5,790,020	13,410,429
Investments	560,146	560,146
Property, plant, and equipment, net:		
Land	388,522	370,522
Construction in progress	43,679,471	29,039,728
Buildings and system	58,666,725	59,878,782
Vehicles, machinery and equipment	1,522,088	1,527,368
Intangible assets:		
Capacity reserve	7,766,776	7,929,602
Retail distribution rights	1,852,064	1,902,119
Total assets	<u>134,448,757</u>	<u>132,699,476</u>
Liabilities		
Liabilities:		
Accounts payable	421,921	649,250
Accrued liabilities	104,577	182,005
Liabilities payable from restricted assets:		
Construction payables	2,428,892	2,805,270
Accrued interest	964,406	969,344
Revenue bonds-current	1,650,000	1,650,000
Customer deposits	8,512	8,500
Revenue bonds payable	54,233,888	54,940,384
Contracts payable	1,740,575	2,031,761
Accrued compensated absences	171,900	164,481
Capital lease obligation	347,682	390,400
OPEB liability	48,888	34,439
Total liabilities	<u>62,121,241</u>	<u>63,825,834</u>
Net Assets		
Invested in capital assets, net of related debt	58,355,456	51,848,440
Restricted for capital projects	300,679	276,502
Restricted for debt service	2,001,515	1,688,034
Unrestricted	11,669,866	15,060,666
Total net assets	<u>\$ 72,327,516</u>	<u>\$ 68,873,642</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012

(With comparative amounts for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Operating Revenue		
Water service	\$ 4,610,530	\$ 4,401,674
Sewer service	7,162,617	6,839,140
Tap and meter fees	203,820	196,707
Other income	295,877	267,669
Total operating revenue	<u>12,272,844</u>	<u>11,705,190</u>
Operating Expenses		
Salaries and benefits	3,398,313	3,251,562
Water treatment	884,357	918,201
Sewer treatment	723,271	648,669
Other contractual services	470,728	506,964
Materials and supplies	533,785	462,269
Electricity	283,819	248,227
Miscellaneous operating expenses	993,752	920,494
Depreciation and amortization	1,994,132	1,869,524
Total operating expenses	<u>9,282,157</u>	<u>8,825,910</u>
Operating income	<u>2,990,687</u>	<u>2,879,280</u>
Non-Operating Revenue (Expenses)		
Interest income	62,148	179,215
Interest expense	(980,581)	(2,163,248)
Amortization of bond issuance costs	(130,934)	(97,614)
Total non-operating revenue (expenses)	<u>(1,049,367)</u>	<u>(2,081,647)</u>
Net income (loss) before contributions, transfers and impairment	<u>1,941,320</u>	<u>797,633</u>
Capital Contributions:		
Capital contribution fees	1,227,458	1,104,773
Developer capital asset contributions	285,096	1,461,309
Total capital contributions	<u>1,512,554</u>	<u>2,566,082</u>
Transfers In	-	6,841
Change in net assets	3,453,874	3,370,556
Net assets, beginning of year	<u>68,873,642</u>	<u>65,503,086</u>
Net assets, end of year	<u><u>\$ 72,327,516</u></u>	<u><u>\$ 68,873,642</u></u>

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

YEAR ENDED JUNE 30, 2012
(With comparative amounts for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 12,281,784	\$ 11,592,805
Cash paid to suppliers for goods or services	(4,133,108)	(3,522,634)
Cash paid to employees for services	(3,453,872)	(3,188,474)
Net cash provided by operating activities	<u>4,694,804</u>	<u>4,881,697</u>
Cash Flows from Non-Capital Financing Activities		
Transfer from other fund	-	143,662
Net cash provided by non-capital financing activities	<u>-</u>	<u>143,662</u>
Cash Flows from Capital and Related Financing Activities		
Purchases and construction of capital assets	(15,312,941)	(16,065,173)
Purchase of capacity reserve	-	-
Bond issuance costs paid	(575)	(710,813)
Principal paid on capital debt	(1,133,904)	(831,535)
Interest and fees paid	(892,015)	(1,663,734)
Proceeds from bond issuance	-	-
Proceeds from capital contribution fees	1,227,458	1,104,773
Net cash provided by (used in) capital and related financing activities	<u>(16,111,977)</u>	<u>(18,166,482)</u>
Cash Flows from Investing Activities		
Purchases of investments	(560,146)	(560,146)
Proceeds from the sale of investments	560,146	560,076
Interest received	82,390	158,969
Net cash provided by investing activities	<u>82,390</u>	<u>158,899</u>
Net increase in cash and temporary investments	(11,334,783)	(12,982,224)
Cash and temporary investments, beginning of year	24,712,720	37,694,944
Cash and temporary investments, end of year	<u>\$ 13,377,937</u>	<u>\$ 24,712,720</u>
Reconciliation to the Statement of Net Assets:		
Cash and temporary investments	\$ 7,587,917	\$ 11,302,291
Restricted cash and temporary investments	5,790,020	13,410,429
Cash and temporary investments, end of year	<u>\$ 13,377,937</u>	<u>\$ 24,712,720</u>

- CONTINUED -

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

- CONTINUED -

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	\$ 2,990,687	\$ 2,879,280
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,994,132	1,869,524
(Increase) decrease in accounts receivable	8,928	(114,385)
(Increase) decrease in inventory	(11,762)	(82,538)
Increase in prepaid items	(4,305)	-
Increase (decrease) in accounts payable	(227,329)	264,728
Increase (decrease) in customer deposits	12	2,000
Increase in accrued expenses	(55,559)	63,088
Net cash provided by operating activities	<u>\$ 4,694,804</u>	<u>\$ 4,881,697</u>
Non-Cash Investing, Capital, and Financing Supplementary Information:		
Revenue bond principal accretion and discount amortization	\$ 28,618	\$ 64,438
Revenue bond premium and deferred amount on refunding amortization	64,885	133,130
Contributed capital assets from developers	285,096	1,461,309
Net increase in long-term debt due to issuance of Revenue Refunding Bonds,	-	100,000
Increase in fair value of investments	-	71

TOWN OF LEXINGTON, SOUTH CAROLINA

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

JUNE 30, 2012

(With comparative amounts at June 30, 2011)

	<u>2012</u>	<u>2011</u>
Governmental Funds Capital Assets:		
Land	\$ 5,890,052	\$ 5,890,052
Buildings	10,259,561	10,259,561
Vehicles and equipment	2,826,619	2,536,847
Streets and roadways	10,082,094	9,291,066
Sidewalks	1,791,281	1,791,281
Storm drainage	2,168,363	1,829,351
Construction in progress	327,140	182,771
Total governmental funds capital assets	<u>\$ 33,345,110</u>	<u>\$ 31,780,929</u>
Investments in Governmental Funds Capital Assets by Source:		
General fund	\$ 12,784,752	\$ 12,570,535
Special revenue funds	1,928,621	1,853,066
Capital projects funds	5,883,809	5,739,440
Donations	12,747,928	11,617,888
Total governmental funds capital assets	<u>\$ 33,345,110</u>	<u>\$ 31,780,929</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

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

JUNE 30, 2012

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	-	-	57,860	-	-	-	-	57,860
Finance	-	-	26,203	-	-	-	-	26,203
Information technology	-	-	240,502	-	-	-	-	240,502
Building department	-	-	72,323	-	-	-	-	72,323
Other-unclassified	3,452,827	5,947,738	56,252	-	-	-	-	9,456,817
Total general government	3,452,827	5,947,738	463,917	-	-	-	-	9,864,482
Public safety:								
Police	-	2,662,006	1,353,617	-	-	-	-	4,015,623
Police grants and programs	-	-	291,161	-	-	-	-	291,161
Total public safety	-	2,662,006	1,644,778	-	-	-	-	4,306,784
Parks, streets, and sanitation	2,437,225	286,830	717,924	10,082,094	1,791,281	2,168,363	327,140	17,810,857
Tourism related	-	1,362,987	-	-	-	-	-	1,362,987
Total governmental funds capital assets	\$ 5,890,052	\$ 10,259,561	\$ 2,826,619	\$ 10,082,094	\$ 1,791,281	\$ 2,168,363	\$ 327,140	\$ 33,345,110

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, 2012

Function and Activity	Governmental Funds Capital Assets June 30, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
General government:				
Council	\$ 10,777	\$ -	\$ -	\$ 10,777
Administration	57,860	-	-	57,860
Finance	26,203	-	-	26,203
Information technology	209,141	31,361	-	240,502
Building department	52,347	19,976	-	72,323
Other-unclassified	9,456,817	-	-	9,456,817
Total general government	<u>9,813,145</u>	<u>51,337</u>	<u>-</u>	<u>9,864,482</u>
Public safety:				
Police	3,901,613	271,010	(157,000)	4,015,623
Police grants and programs	215,606	75,555	-	291,161
Total public safety	<u>4,117,219</u>	<u>346,565</u>	<u>(157,000)</u>	<u>4,306,784</u>
Parks, streets, and sanitation	<u>16,487,578</u>	<u>1,334,318</u>	<u>(11,039)</u>	<u>17,810,857</u>
Tourism related	<u>1,362,987</u>	<u>-</u>	<u>-</u>	<u>1,362,987</u>
Total governmental funds capital assets	<u>\$ 31,780,929</u>	<u>\$ 1,732,220</u>	<u>\$ (168,039)</u>	<u>\$ 33,345,110</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES

YEAR ENDED JUNE 30, 2012

Court Fines

Court Fines Collected	\$ 281,798
Court Fines Retained	<u>281,798</u>
Court Fines Remitted to State Treasurer	<u>-</u>

Court Assessments

Court Assessments Collected	295,552
Court Assessments Retained by Town	<u>32,843</u>
Court Assessments Remitted to State Treasurer	<u>262,709</u>

Court Surcharges

Court Surcharges Collected	142,220
Court Surcharges Retained by Town	<u>7,551</u>
Court Surcharges Remitted to State Treasurer	<u>134,668</u>

Victims Services

Court Assessments Allocated to Victim Services	32,843
Court Surcharges Allocated to Victim Services	<u>7,551</u>
Funds Allocated to Victim Services	40,395
Victim Services Expenditures	<u>(60,212)</u>
Funds in Excess (Shortage) of Expenditures	(19,817)
Victim's Fund Carryforward Balance from FYE 2011	<u>-</u>

Victim's Fund Ending Balance for FYE 2012

\$ -

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 – 109)

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

Debt Capacity (Pages 110 – 114)

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 115 – 117)

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 118– 120)

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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(A)	\$ 13,128,724	\$ 14,921,730	\$ 14,776,315	\$ 16,375,272	\$ 17,294,448	\$ 17,391,574	\$ 17,343,697	\$ 18,671,416	\$ 21,138,355
Restricted	(A)	1,065,564	1,860,561	1,765,083	1,313,881	856,430	764,871	752,874	646,729	791,947
Unrestricted	(A)	2,469,611	2,411,116	4,074,923	3,958,676	4,609,765	4,633,354	4,163,918	4,618,694	2,679,714
Total Governmental Activities Net Assets		\$ 16,663,899	\$ 19,193,407	\$ 20,616,321	\$ 21,647,829	\$ 22,760,643	\$ 22,789,799	\$ 22,260,489	\$ 23,936,839	\$ 24,610,016
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	(A)	\$ 15,006,879	\$ 22,064,484	\$ 27,373,745	\$ 32,363,082	\$ 31,365,187	\$ 42,701,133	\$ 47,900,686	\$ 52,046,172	\$ 58,355,456
Restricted	(A)	1,031,264	400,728	467,675	511,882	10,087,650	1,022,075	2,789,256	1,964,536	2,302,194
Unrestricted	(A)	12,767,262	10,225,445	15,129,902	19,398,245	24,332,551	22,405,374	14,813,144	14,862,934	11,669,866
Total Business-Type Activities Net assets		\$ 28,805,405	\$ 32,690,657	\$ 42,971,322	\$ 52,273,209	\$ 65,785,388	\$ 66,128,582	\$ 65,503,086	\$ 68,873,642	\$ 72,327,516
Primary Government										
Invested in Capital Assets, Net of Related Debt	(A)	\$ 28,135,603	\$ 36,986,214	\$ 42,150,060	\$ 48,738,354	\$ 48,659,635	\$ 60,092,707	\$ 65,244,383	\$ 70,717,588	\$ 79,493,811
Restricted	(A)	2,096,828	2,261,289	2,232,758	1,825,763	10,944,080	1,786,946	3,542,130	2,611,265	3,094,141
Unrestricted	(A)	15,236,873	12,636,561	19,204,825	23,356,921	28,942,316	27,038,728	18,977,062	19,481,628	14,349,580
Total Primary Government Net Assets		\$ 45,469,304	\$ 51,884,064	\$ 63,587,643	\$ 73,921,038	\$ 88,546,031	\$ 88,918,381	\$ 87,763,575	\$ 92,810,481	\$ 96,937,532

(A) GASB 34 was not implemented until the 2004 fiscal year, net asset information is not available prior to that fiscal year.

TOWN OF LEXINGTON, SOUTH CAROLINA

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	(A)	\$ 1,231,253	\$ 1,395,091	\$ 1,723,654	\$ 1,693,276	\$ 1,932,426	\$ 1,903,122	\$ 1,961,061	\$ 2,101,340	\$ 2,160,110
Public Safety	(A)	2,351,798	2,595,158	2,768,585	2,981,243	3,440,468	3,824,185	4,037,119	4,296,328	4,592,481
Parks, Streets, and Sanitation	(A)	1,706,399	1,897,425	1,979,016	2,092,395	2,346,278	2,573,999	2,668,500	2,658,291	2,946,943
Victims' Assistance	(A)	48,897	54,696	55,732	61,962	30,792	32,714	37,978	57,155	58,844
Housing Rehabilitation	(A)	-	157,053	136,985	-	-	-	-	-	-
Tourism Related	(A)	184,862	332,007	31,448	33,278	52,957	80,041	83,000	114,127	191,767
Interest on Long-Term Debt	(A)	250,309	358,158	252,162	230,334	232,385	214,722	185,219	110,855	68,056
Total Governmental Activities Expenses	(A)	<u>5,773,518</u>	<u>6,789,588</u>	<u>6,947,582</u>	<u>7,092,488</u>	<u>8,035,306</u>	<u>8,628,783</u>	<u>8,972,877</u>	<u>9,338,096</u>	<u>10,018,201</u>
Business-Type Activities:										
Water and Sewer System	(A)	7,616,681	8,539,264	9,195,210	9,455,125	10,050,163	11,663,285	11,736,236	11,086,772	10,393,672
Total Business-Type Activities Expenses	(A)	<u>7,616,681</u>	<u>8,539,264</u>	<u>9,195,210</u>	<u>9,455,125</u>	<u>10,050,163</u>	<u>11,663,285</u>	<u>11,736,236</u>	<u>11,086,772</u>	<u>10,393,672</u>
Total Primary Government Expenses	(A)	<u>\$ 13,390,199</u>	<u>\$ 15,328,852</u>	<u>\$ 16,142,792</u>	<u>\$ 16,547,613</u>	<u>\$ 18,085,469</u>	<u>\$ 20,292,068</u>	<u>\$ 20,709,113</u>	<u>\$ 20,424,868</u>	<u>\$ 20,411,873</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	(A)	\$ 181,021	\$ 254,412	\$ 304,403	\$ 367,681	\$ 349,718	\$ 292,294	\$ 295,430	\$ 312,813	\$ 317,510
Public Safety	(A)	258,233	199,256	258,831	252,458	297,015	265,117	248,642	270,003	284,140
Parks, Streets, and Sanitation	(A)	652,834	713,897	773,362	827,857	906,815	1,055,776	1,110,959	1,193,982	1,198,980
Victims' Assistance	(A)	46,671	29,878	34,330	29,390	32,289	31,152	31,928	39,201	40,394
Housing Rehabilitation		-	138	-	-	-	-	-	-	-
Tourism Related		61,831	54,116	59,528	98,776	109,419	152,795	148,602	164,572	190,030
Operating Grants and Contributions	(A)	209,753	207,811	278,086	221,899	232,901	183,213	171,504	141,947	348,780
Capital Grants and Contributions	(A)	176,096	1,360,018	1,193,869	452,296	990,687	223,584	51,067	1,615,008	1,246,751
Total Governmental Activities Program Revenues	(A)	<u>1,586,439</u>	<u>2,819,526</u>	<u>2,902,409</u>	<u>2,250,357</u>	<u>2,918,844</u>	<u>2,203,931</u>	<u>2,058,132</u>	<u>3,737,526</u>	<u>3,626,585</u>
Business-Type Activities:										
Charges for Services:										
Water and Sewer System	(A)	(A)	6,942,895	7,494,063	8,506,545	9,479,885	10,453,703	10,383,182	11,705,190	12,272,844
Operating Grants and Contributions	(A)	(A)	-	-	-	-	-	-	-	-
Capital Grants and Contributions	(A)	(A)	3,248,045	4,976,928	10,425,149	8,371,795	12,161,239	1,127,593	2,566,082	1,512,554
Total Business-Type Activities Program Revenues	(A)	<u>(A)</u>	<u>10,190,940</u>	<u>12,470,991</u>	<u>18,931,694</u>	<u>17,851,680</u>	<u>22,614,942</u>	<u>11,510,775</u>	<u>14,271,272</u>	<u>13,785,398</u>
Total Primary Government Program Revenues	(A)	<u>(A)</u>	<u>\$ 13,010,466</u>	<u>\$ 15,373,400</u>	<u>\$ 21,182,051</u>	<u>\$ 20,770,524</u>	<u>\$ 24,818,873</u>	<u>\$ 13,568,907</u>	<u>\$ 18,008,798</u>	<u>\$ 17,411,983</u>

TOWN OF LEXINGTON, SOUTH CAROLINA

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

(Continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental Activities	(A)	\$ (4,187,079)	\$ (3,970,062)	\$ (4,045,173)	\$ (4,842,131)	\$ (5,116,462)	\$ (6,424,852)	\$ (6,914,745)	\$ (5,600,570)	\$ (6,391,616)
Business-Type Activities	(A)	2,574,259	3,931,727	9,736,484	9,476,569	7,801,517	10,951,657	(225,461)	3,184,500	3,391,726
Total Primary Government Net (Expense)/Revenue	(A)	<u>\$ (1,612,820)</u>	<u>\$ (38,335)</u>	<u>\$ 5,691,311</u>	<u>\$ 4,634,438</u>	<u>\$ 2,685,055</u>	<u>\$ 4,526,805</u>	<u>\$ (7,140,206)</u>	<u>\$ (2,416,070)</u>	<u>\$ (2,999,890)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes by Source:										
Property Tax	(A)	\$ 1,956,731	\$ 2,101,197	\$ 2,133,809	\$ 2,196,430	\$ 2,322,437	\$ 2,671,139	\$ 2,854,745	\$ 3,110,860	\$ 3,168,186
Business License Tax	(A)	2,092,340	2,430,443	2,744,734	2,899,862	3,247,655	3,251,864	3,176,416	3,785,323	3,515,175
Hospitality Tax	(A)	777,968	1,236,308	47,632	-	-	-	-	-	-
State Aid not Restricted for Specific Purpose	(A)	341,246	321,134	388,904	497,311	504,983	483,458	410,479	373,356	357,512
Unrestricted Investment Earnings	(A)	53,381	122,275	220,046	306,718	183,048	52,873	21,179	14,326	5,436
Miscellaneous	(A)	3,922	15,651	14,062	21,885	4,428	9,146	-	-	-
Gain on sale of capital assets	(A)	(A)	(A)	(A)	19,115	20,291	24,268	(54,202)	(104)	18,484
Transfers	(A)	609,386	272,562	(81,120)	(67,682)	(53,566)	(38,740)	(23,182)	(6,841)	-
Total Governmental Activities	(A)	<u>5,834,974</u>	<u>6,499,570</u>	<u>5,468,087</u>	<u>5,873,639</u>	<u>6,229,276</u>	<u>6,454,008</u>	<u>6,385,435</u>	<u>7,276,920</u>	<u>7,064,793</u>
Business-Type Activities:										
Water and Sewer System:										
Unrestricted Investment Earnings	(A)	199,511	226,087	463,061	837,650	893,834	456,964	201,442	179,215	62,148
Transfers	(A)	(609,386)	(272,562)	81,120	67,682	53,566	38,740	23,182	6,841	-
Impairment Loss	(A)	-	-	-	-	-	-	(6,147,974)	-	-
Total Business-Type Activities	(A)	<u>(409,875)</u>	<u>(46,475)</u>	<u>544,181</u>	<u>905,332</u>	<u>947,400</u>	<u>495,704</u>	<u>(5,923,350)</u>	<u>186,056</u>	<u>62,148</u>
Total Primary Government	(A)	<u>\$ 5,425,099</u>	<u>\$ 6,453,095</u>	<u>\$ 6,012,268</u>	<u>\$ 6,778,971</u>	<u>\$ 7,176,676</u>	<u>\$ 6,949,712</u>	<u>\$ 462,085</u>	<u>\$ 7,462,976</u>	<u>\$ 7,126,941</u>
Change in Net Assets:										
Governmental Activities	(A)	\$ 1,647,895	\$ 2,529,508	\$ 1,422,914	\$ 1,031,508	\$ 1,112,814	\$ 29,156	\$ (529,310)	\$ 1,676,350	\$ 673,177
Business-Type Activities	(A)	2,164,384	3,885,252	10,280,665	10,381,901	8,748,917	11,447,361	(6,148,811)	3,370,556	3,453,874
Total Primary Government	(A)	<u>\$ 3,812,279</u>	<u>\$ 6,414,760</u>	<u>\$ 11,703,579</u>	<u>\$ 11,413,409</u>	<u>\$ 9,861,731</u>	<u>\$ 11,476,517</u>	<u>\$ (6,678,121)</u>	<u>\$ 5,046,906</u>	<u>\$ 4,127,051</u>

(A) GASB 34 was not implemented until the 2003 fiscal year, change in net asset information is not available prior to that fiscal year.

TOWN OF LEXINGTON, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 1,102	\$ 959	\$ 127,860	\$ 7,651	\$ 3,200	\$ -	\$ -	(A)	(A)	(A)
Unreserved	3,527,752	2,421,765	2,501,473	3,400,828	4,250,125	4,746,154	4,873,531	(A)	(A)	(A)
Total General Fund	\$ 3,528,854	\$ 2,422,724	\$ 2,629,333	\$ 3,408,479	\$ 4,253,325	\$ 4,746,154	\$ 4,873,531	(A)	(A)	(A)
All Other Governmental Funds										
Reserved	\$ 310,253	\$ 311,557	\$ 316,048	\$ 327,327	\$ 223,253	\$ 219,498	\$ 214,381	(A)	(A)	(A)
Unreserved, Reported In:										
Special Revenue Funds	314,160	974,930	1,562,355	1,609,708	680,572	545,986	598,980	(A)	(A)	(A)
Capital Projects	1,176,726	524,202	515,903	494,133	571,806	274,035	70,625	(A)	(A)	(A)
Total All Other Governmental Funds	\$ 1,801,139	\$ 1,810,689	\$ 2,394,306	\$ 2,431,168	\$ 1,475,631	\$ 1,039,519	\$ 883,986	(A)	(A)	(A)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ -	\$ 802	\$ 464
Restricted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Committed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	580,000	630,000
Unassigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	730,000	4,338,139	3,926,382
Total General Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 730,000	\$ 4,918,941	\$ 4,556,846
All Other Governmental Funds										
Special Revenue Funds										
Nonspendable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ -	\$ -	\$ -
Restricted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	589,348	630,060	599,771
Committed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	79,129	79,468	79,308
Unassigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(23,417)	(2,215)	(2,046)
Capital Projects and Debt Service										
Nonspendable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Restricted	N/A	N/A	N/A	N/A	N/A	N/A	N/A	213,332	219,489	223,326
Committed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Unassigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(1,545,274)	(1,593,888)	(1,410,346)
Total All Other Governmental Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ (686,882)	\$ (667,086)	\$ (509,987)

(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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes by Source:										
Property Tax	\$ 1,840,776	\$ 1,942,182	\$ 2,101,280	\$ 2,146,307	\$ 2,203,891	\$ 2,330,486	\$ 2,612,358	\$ 2,822,779	\$ 3,160,454	\$ 3,150,728
Hospitality Tax	-	771,779	1,236,308	6,902	-	-	-	-	-	-
Franchises, Licenses, and Permits	2,636,418	2,883,054	3,340,848	3,776,681	4,038,424	4,430,778	4,426,695	4,492,871	5,186,480	4,912,344
Intergovernmental	967,237	588,626	824,628	869,401	838,708	755,401	895,221	613,716	911,619	816,701
Fines and Forfeitures	289,877	299,319	233,947	282,805	271,873	321,773	295,252	280,570	309,147	324,577
Interest Income	87,767	53,381	122,275	220,046	306,718	183,046	52,874	21,179	16,897	3,219
Charges for Services	27,587	23,958	10,175	26,263	37,700	52,680	-	-	-	-
Miscellaneous	52,684	142,545	112,579	117,916	145,291	344,486	331,231	257,870	252,388	318,827
Total Revenues	\$ 5,902,346	\$ 6,704,844	\$ 7,982,040	\$ 7,446,321	\$ 7,842,605	\$ 8,418,650	\$ 8,613,631	\$ 8,488,985	\$ 9,836,985	\$ 9,526,396
Expenditures										
Current:										
General Government	\$ 1,005,750	\$ 1,105,468	\$ 1,253,880	\$ 1,528,647	\$ 1,502,701	\$ 1,692,744	\$ 1,691,295	\$ 1,784,460	\$ 1,877,082	\$ 2,051,576
Public Safety	1,850,757	2,133,078	2,307,164	2,544,655	2,758,380	3,163,135	3,540,434	3,675,273	3,898,756	4,178,929
Parks, Streets and Sanitation	1,170,204	1,313,460	1,387,808	1,476,649	1,552,945	1,734,346	2,023,987	2,000,102	2,140,089	2,299,070
Tourism Related	52,207	181,300	332,007	31,448	33,278	52,957	51,363	75,838	82,300	74,224
Housing Rehabilitation	816	662	157,053	136,985	-	-	-	-	-	-
Victims' Assistance	82,450	48,864	54,696	55,732	61,962	30,792	33,106	38,000	57,457	60,212
Capital Outlay	5,112,166	3,175,050	1,555,783	637,421	1,556,975	1,074,235	754,163	2,313,043	1,056,849	660,059
Debt Service:										
Principal	276,072	298,003	3,958,672	424,035	485,522	460,210	437,894	447,091	463,219	352,540
Interest and Other Charges	188,989	154,925	250,518	135,506	121,074	129,365	100,548	89,752	80,508	73,266
Total Expenditures	\$ 9,739,411	\$ 8,410,810	\$ 11,257,581	\$ 6,971,078	\$ 8,072,837	\$ 8,337,784	\$ 8,632,790	\$ 10,423,559	\$ 9,656,260	\$ 9,749,876
Excess of Revenues Over (Under) Expenditures	\$ (3,837,065)	\$ (1,705,966)	\$ (3,275,541)	\$ 475,243	\$ (230,232)	\$ 80,866	\$ (19,159)	\$ (1,934,574)	\$ 180,725	\$ (223,480)

TOWN OF LEXINGTON, SOUTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Unaudited)

(Continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Transfers In	3,444,695	1,156,141	891,307	487,151	1,339,328	531,469	487,173	651,363	723,719	785,262
Transfers Out	(585,528)	(546,755)	(618,745)	(568,271)	(1,407,010)	(385,035)	(525,913)	(674,545)	(730,560)	(785,262)
Proceeds from Capital Lease/Other Obligations	-	-	178,205	421,885	168,108	-	-	-	-	-
Issuance of Special Source Revenue Bonds	-	-	3,615,000	-	-	-	-	-	230,000	-
Sale of Capital Assets	-	-	-	-	19,115	29,417	29,743	14,451	33,759	18,484
Total Other Financing Sources (Uses)	2,859,167	609,386	4,065,767	340,765	119,541	(24,149)	(8,997)	(8,731)	256,918	18,484
Net Change in Fund Balances	\$ (977,898)	\$ (1,096,580)	\$ 790,226	\$ 816,008	\$ (110,691)	\$ 56,717	\$ (28,156)	\$ (1,943,305)	\$ 437,643	\$ (204,996)
Capital Asset Expenditures	\$ 5,112,166	\$ 3,175,050	\$ 1,555,783	\$ 637,421	\$ 1,434,778	\$ 870,002	\$ 754,163	\$ 2,313,043	\$ 1,056,849	\$ 660,059
Debt Service as a										
Percentage of Noncapital Expenditures	10.1%	8.7%	43.4%	8.8%	9.1%	7.9%	6.8%	6.6%	6.3%	4.7%

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

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water Service (Thousands of Gallons)										
In-Town										
Residential	268,449	258,403	270,395	298,705	326,468	356,966	333,774	348,754	367,348	368,588
Commercial	256,740	257,435	262,146	277,912	286,821	329,326	337,983	337,185	358,183	349,748
Total	525,189	515,838	532,541	576,617	613,289	686,292	671,757	685,939	725,531	718,336
Out of Town										
Residential	30,452	32,093	38,445	45,644	64,214	90,539	89,152	90,615	95,835	94,298
Commercial	41,107	49,769	53,445	46,603	46,029	44,487	34,498	36,086	35,328	34,966
Total	71,559	81,862	91,890	92,247	110,243	135,026	123,650	126,701	131,163	129,264
Total Direct Rate	\$ 4.20	\$ 4.68	\$ 4.73	\$ 4.86	\$ 4.96	\$ 4.83	\$ 4.83	\$ 5.12	\$ 5.14	\$ 5.44
Sewer Service (Thousands of Gallons)										
In-Town										
Residential	269,602	271,303	281,288	313,189	339,419	368,868	344,681	364,126	380,713	381,916
Commercial	191,152	205,854	202,923	212,568	216,963	235,984	250,960	250,519	271,947	258,450
Total	460,754	477,157	484,211	525,757	556,382	604,852	595,641	614,645	652,660	640,366
Out of Town										
Residential	148,577	185,280	201,671	250,374	316,477	402,550	375,653	425,739	423,537	436,860
Commercial	37,314	43,187	46,056	49,651	50,746	49,413	50,960	48,873	52,337	56,763
Total	185,891	228,467	247,727	300,025	367,223	451,963	426,613	474,612	475,874	493,623
Total Direct Rate	\$ 4.96	\$ 5.37	\$ 5.63	\$ 5.79	\$ 5.72	\$ 5.55	\$ 5.86	\$ 5.97	\$ 6.06	\$ 6.32

Source: Utility billing records

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

(Unaudited)

Water Service	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume	Monthly Base	Volume
In-Town:																				
Residential	\$ 5.70	\$ 3.17	\$ 5.99	\$ 3.33	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.29	\$ 3.50	\$ 6.48	\$ 3.61	\$ 6.87	\$ 3.83	\$ 7.08	\$ 3.94
Commercial	\$ 5.70	\$ 2.96	\$ 5.99	\$ 3.11	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.29	\$ 3.27	\$ 6.48	\$ 3.37	\$ 6.87	\$ 3.57	\$ 7.08	\$ 3.68
Out of Town:																				
Residential	\$ 9.40	\$ 5.94	\$ 9.87	\$ 6.24	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.36	\$ 6.55	\$ 10.67	\$ 6.75	\$ 11.32	\$ 7.16	\$ 11.66	\$ 7.37
Commercial	\$ 9.40	\$ 5.57	\$ 9.87	\$ 5.85	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.36	\$ 6.14	\$ 10.67	\$ 6.32	\$ 11.32	\$ 6.71	\$ 11.66	\$ 6.91
Sewer Service																				
In-Town:																				
Residential	\$ 5.42	\$ 3.75	\$ 5.69	\$ 3.94	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 6.15	\$ 4.26	\$ 6.52	\$ 4.52	\$ 6.72	\$ 4.66
Commercial	\$ 5.42	\$ 3.75	\$ 5.69	\$ 3.94	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 5.97	\$ 4.14	\$ 6.15	\$ 4.26	\$ 6.52	\$ 4.52	\$ 6.72	\$ 4.66
Out of Town:																				
Residential	\$ 7.20	\$ 6.62	\$ 7.56	\$ 6.95	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 8.18	\$ 7.52	\$ 8.68	\$ 7.98	\$ 8.94	\$ 8.22
Commercial	\$ 7.20	\$ 6.62	\$ 7.56	\$ 6.95	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 7.94	\$ 7.30	\$ 8.18	\$ 7.52	\$ 8.68	\$ 7.98	\$ 8.94	\$ 8.22

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)

Taxpayer	June 30, 2012				SEWER			
	WATER		SEWER		WATER		SEWER	
	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank
County Government	29,015	1	1.08%	27,720	1	2.45%		
Apartment Complex	13,483	2	0.50%	13,483	3	1.19%		
Apartment Complex	13,213	3	0.49%	8,964	7	0.79%		
Apartment Complex	12,159	4	0.45%	8,754	8	0.77%		
Apartment Complex	11,334	5	0.42%	9,562	4	0.85%		
School District	10,671	6	0.40%	18,069	2	1.60%		
Apartment Complex	9,250	7	0.34%	9,250	5	0.82%		
Medical Center	8,426	8	0.31%	-	-	-		
Apartment Complex	8,326	9	0.31%	8,326	9	0.74%		
Apartment Complex	6,882	10	0.26%	-	-	-		
Mobile Home Park	-	-	-	9,097	6	0.80%		
Extended Care Facility	-	-	-	6,477	10	0.57%		
Totals	122,760		4.56%	119,703		10.58%		
Total Consumption	2,695,812			1,131,481				

Taxpayer	June 30, 2011				SEWER			
	WATER		SEWER		WATER		SEWER	
	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank
County Government	32,652	1	1.25%	32,164	1	2.85%		
Apartment Complex	14,089	2	0.54%	9,068	7	0.80%		
Apartment Complex	13,771	3	0.53%	9,502	6	0.84%		
Apartment Complex	13,168	4	0.50%	13,168	3	1.17%		
Apartment Complex	10,922	5	0.42%	10,922	4	0.97%		
Apartment Complex	10,849	6	0.41%	10,613	5	0.94%		
Apartment Complex	8,970	7	0.34%	8,970	8	0.80%		
Apartment Complex	7,290	8	0.28%	-	-	-		
Medical Center	7,083	9	0.27%	-	-	-		
Manufacturer	6,182	10	0.24%	-	-	-		
School District	-	-	-	17,081	2	1.52%		
Retirement Residence	-	-	-	-	-	-		
Extended Care Facility	-	-	-	6,306	10	0.56%		
Mobile Home Park	-	-	-	7,864	9	0.70%		
Totals	124,977		4.78%	125,658		11.15%		
Total Consumption	2,620,698			1,127,372				

Taxpayer	June 30, 2010				SEWER			
	WATER		SEWER		WATER		SEWER	
	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank
County Government	27,645	1	1.78%	28,130	1	2.59%		
Apartment Complex	14,711	2	0.94%	14,711	3	1.35%		
Apartment Complex	14,139	3	0.91%	9,168	6	0.84%		
Apartment Complex	13,773	4	0.88%	11,155	4	1.03%		
Apartment Complex	11,544	5	0.74%	8,799	7	0.81%		
Apartment Complex	10,515	6	0.68%	10,515	5	0.97%		
Apartment Complex	6,906	7	0.44%	6,906	8	0.63%		
Apartment Complex	6,507	8	0.42%	5,730	10	0.53%		
Medical Center	6,405	9	0.41%	-	-	-		
Manufacturer	5,986	10	0.38%	-	-	-		
School District	-	-	-	16,518	2	1.52%		
Retirement Residence	-	-	-	-	-	-		
Extended Care Facility	-	-	-	6,308	9	0.58%		
Mobile Home Park	-	-	-	-	-	-		
Totals	118,131		7.58%	117,940		10.85%		
Total Consumption	1,556,813			1,087,663				

TOWN OF LEXINGTON, SOUTH CAROLINA
PRINCIPAL WATER AND SEWER CUSTOMERS

(Unaudited)
(Continued)

June 30, 2009										June 30, 2008									
WATER					SEWER					WATER					SEWER				
Taxpayer	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	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	26,511	1	1.76%	26,195	1	2.58%	County Government	28,243	1	1.79%	28,494	1	1.79%	28,494	1	2.72%			
Apartment Complex	14,870	2	0.99%	12,397	4	1.22%	Apartment Complex	13,186	2	0.84%	10,413	3	0.84%	10,413	3	0.99%			
Apartment Complex	14,388	3	0.95%	14,388	3	1.41%	Apartment Complex	10,236	3	0.65%	6,565	6	0.65%	6,565	6	0.63%			
Apartment Complex	11,674	4	0.77%	8,252	7	0.81%	Apartment Complex	9,126	4	0.58%	9,126	4	0.58%	9,126	4	0.87%			
Apartment Complex	10,777	5	0.72%	9,629	5	0.95%	Apartment Complex	8,901	5	0.56%	4,513	10	0.43%	4,513	10	0.87%			
Apartment Complex	8,401	6	0.56%	8,401	6	0.83%	Apartment Complex	8,109	6	0.51%	6,366	7	0.61%	6,366	7	0.61%			
Apartment Complex	7,926	7	0.53%	6,014	10	0.59%	Medical Center	7,319	7	0.46%	-	-	-	-	-	-			
Medical Center	7,214	8	0.48%	-	-	-	School District	7,248	8	0.46%	20,181	2	1.92%	20,181	2	1.92%			
Manufacturer	6,416	9	0.43%	-	-	-	Apartment Complex	5,905	9	0.37%	5,905	9	0.37%	5,905	9	0.56%			
Retirement Residence	4,854	10	0.32%	17,115	2	1.68%	Manufacturer	5,617	10	0.36%	-	-	-	-	-	-			
Extended Care Facility	-	-	-	-	-	-	Retirement Residence	-	-	-	-	-	-	7,002	5	0.67%			
Mobile Home Park	-	-	-	6,040	9	0.59%	Extended Care Facility	-	-	-	-	-	-	6,092	8	0.58%			
Totals	113,031	-	7.50%	115,147	-	11.32%	Mobile Home Park	-	-	-	-	-	-	104,658	-	9.98%			
Total Consumption	1,506,843	-	-	1,016,971	-	-	Totals	103,890	-	-	-	-	-	104,658	-	-			
							Total Consumption	1,577,464	-	-	-	-	-	1,048,652	-	-			

June 30, 2007										June 30, 2006									
WATER					SEWER					WATER					SEWER				
Taxpayer	Consumption (x 1000)	Rank	Percentage of Total Consumption	Consumption (x 1000)	Rank	Percentage of Total Consumption	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	27,479	1	1.83%	25,620	1	2.79%	County Government	19,825	1	2.96%	20,135	1	2.96%	20,135	1	2.44%			
Apartment Complex	14,014	2	0.93%	11,279	3	1.23%	Apartment Complex	13,654	2	2.04%	13,654	3	2.04%	13,654	3	1.65%			
Apartment Complex	9,605	3	0.64%	9,605	4	1.05%	Apartment Complex	12,434	3	1.86%	10,251	5	1.86%	10,251	5	1.24%			
Apartment Complex	9,241	4	0.61%	9,241	5	1.01%	Apartment Complex	10,548	4	1.58%	10,548	6	1.58%	10,548	6	1.24%			
Apartment Complex	7,836	5	0.52%	6,260	8	0.68%	Apartment Complex	9,101	5	1.36%	7,227	4	1.36%	7,227	4	0.88%			
Manufacturer	6,129	6	0.41%	-	-	-	Apartment Complex	8,498	6	1.27%	-	-	-	-	-	-			
Manufacturer	5,868	7	0.39%	-	-	-	Manufacturer	7,590	7	1.13%	-	-	-	-	-	-			
Apartment Complex	5,856	8	0.39%	5,856	9	0.64%	Apartment Complex	6,651	8	0.99%	6,651	8	0.99%	6,651	8	0.81%			
Medical Center	6,729	9	0.45%	-	-	-	Medical Center	6,141	9	0.92%	3,767	10	0.92%	3,767	10	0.46%			
School District	4,499	10	0.30%	13,922	2	1.52%	School District	5,882	10	0.88%	18,122	2	0.88%	18,122	2	2.19%			
Extended Care Facility	-	-	-	6,895	7	0.75%	Extended Care Facility	-	-	-	-	-	-	6,887	7	0.83%			
Mobile Home Park	-	-	-	7,632	6	0.83%	Mobile Home Park	-	-	-	-	-	-	-	-	-			
Manufacturer	-	-	-	4,696	10	0.51%	Manufacturer	-	-	-	-	-	-	-	-	-			
Totals	97,256	-	6.46%	101,006	-	11.01%	Totals	100,324	-	-	-	-	-	97,242	-	11.78%			
Total Consumption	1,504,809	-	-	917,551	-	-	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		
2003	2002	\$ 30,025,460	\$ 613,465,420	\$ 10,998,510	\$ 109,019,170	\$ 41,023,970	\$ 722,484,590	43.70	5.76%
2004	2003	32,437,320	668,795,610	11,874,310	113,088,666	44,311,630	781,884,276	43.70	5.68%
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%

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	Tax Year	Town of Lexington	Lexington			Midlands		Recreation Commission	Riverbanks Zoo	Mental Health	Total	
			Lexington County	School District 1	School District 2	Technical College	School District 2				School District 1	School District 2
2003	2002	\$ 43.70	\$ 81.75	\$ 262.30	\$ -	\$ 4.08	\$ 13.04	\$ 1.73	\$ 0.84	\$ 407.44	\$ -	\$ -
2004	2003	43.70	83.54	277.10	-	4.18	13.29	1.86	0.87	424.54	-	-
2005	2004	43.70	87.32	285.10	-	4.27	15.10	1.89	0.74	438.12	-	-
2006	2005 (1)	36.24	77.92	272.10	-	4.31	13.52	1.85	0.66	406.59	-	-
2007	2006	36.24	80.56	287.10	173.15	4.45	13.98	1.92	0.68	424.93	310.98	310.98
2008	2007	36.24	85.14	301.40	178.60	4.45	18.02	1.96	0.68	447.89	325.09	325.09
2009	2008	36.24	89.06	311.28	178.60	4.45	16.60	1.89	0.68	460.20	327.52	327.52
2010	2009	36.24	81.99	328.29	185.73	4.45	15.60	1.78	0.63	468.98	326.42	326.42
2011	2010 (1)	35.14	79.05	333.61	183.12	4.30	15.44	1.78	0.50	469.82	319.33	319.33
2012	2011	\$ 35.14	\$ 80.73	\$ 338.71	\$ 183.22	\$ 4.37	\$ 16.02	\$ 1.79	\$ 0.51	\$ 477.27	\$ 321.78	\$ 321.78

(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

PRINCIPAL PROPERTY TAXPAYERS

(Unaudited)

Taxpayer	2012			2011			2010			2009		
	Taxable Assessed Value (12/31/2012)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (12/31/2011)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (12/31/2010)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (12/31/2009)	Rank	Percentage of Total Taxable Assessed Value
South Carolina Electric & Gas	\$ 2,099,770	1	2.50%	\$ 2,066,320	1	2.38%	\$ 1,690,880	1	2.16%	\$ 1,462,650	1	2.03%
Lullwater at Saluda Pointe, LLC	669,620	2	1.08%	669,620	2	1.12%	843,150	3	1.08%	843,150	3	1.17%
Century Mill Partners, LLC	593,150	3	1.07%	963,580	3	1.11%	960,030	2	1.23%	-	-	-
Lauren Ridge Apartments, LP	837,000	4	0.97%	824,860	4	0.93%	758,200	5	0.97%	743,660	4	1.03%
Morgan Overlook Apartments, LLC	861,740	5	0.96%	869,060	5	0.96%	869,060	4	1.03%	570,810	6	0.79%
Lowes Home Centers	790,210	6	0.88%	864,740	6	0.93%	566,970	7	0.72%	310,050	8	0.71%
W M Lexington Trust	610,850	7	0.68%	610,850	7	0.70%	510,050	9	0.65%	-	-	-
Cedarcrest Village Apartments	586,600	8	0.65%	586,600	8	0.68%	-	-	-	-	-	-
Home Depot USA	568,850	9	0.63%	553,580	9	0.64%	558,950	8	0.71%	559,470	7	0.77%
Herman Family Real Estate Company	553,580	10	0.63%	529,260	10	0.61%	-	-	-	-	-	-
Shenandoah Apartments	-	-	-	-	-	-	490,260	10	0.63%	490,260	9	0.68%
Inland Southeast Lexington LLC	-	-	-	-	-	-	-	-	-	1,299,000	2	1.80%
Target Corporation	-	-	-	-	-	-	584,240	6	0.75%	622,650	5	0.86%
Century Centennial Century Mill	-	-	-	-	-	-	-	-	-	481,630	10	0.67%
RSC Oakleaf Lexington, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Edens & Avant Financing	-	-	-	-	-	-	-	-	-	-	-	-
Thornhill LP	-	-	-	-	-	-	-	-	-	-	-	-
Old Mill Apartments/Lexington	-	-	-	-	-	-	-	-	-	-	-	-
Baker & Baker Eial	-	-	-	-	-	-	-	-	-	-	-	-
Chimney Ridge Partners	-	-	-	-	-	-	-	-	-	-	-	-
Kohl's Department Stores, Inc.	-	-	-	-	-	-	-	-	-	-	-	-
Allied	-	-	-	-	-	-	-	-	-	-	-	-
Safety Kitem	-	-	-	-	-	-	-	-	-	-	-	-
Kmart	-	-	-	-	-	-	-	-	-	-	-	-
Lexco Associates	-	-	-	-	-	-	-	-	-	-	-	-
BW Knolls Inc.	-	-	-	-	-	-	-	-	-	-	-	-
Tri Center Partnership	-	-	-	-	-	-	-	-	-	-	-	-
BR&T	-	-	-	-	-	-	-	-	-	-	-	-
Golden Hills Partnership	-	-	-	-	-	-	-	-	-	-	-	-
Roberts Enterprises	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 8,984,370		10.02%	\$ 8,717,410		10.04%	\$ 7,768,570		9.92%	\$ 7,582,770		10.50%
Total Assessed Valuations	\$ 89,692,640			\$ 86,790,810			\$ 78,317,680			\$ 72,234,740		

Taxpayer	2008			2007			2006			1998		
	Taxable Assessed Value (12/31/2007)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (12/31/2006)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (12/31/2005)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (12/31/1997)	Rank	Percentage of Total Taxable Assessed Value
South Carolina Electric & Gas	\$ 1,306,120	1	2.03%	\$ 1,224,210	1	2.03%	\$ 1,177,880	1	2.05%	\$ 613,200	1	1.29%
Lullwater at Saluda Pointe, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Century Mill Partners, LLC	-	-	-	-	-	-	-	-	-	-	-	-
Lauren Ridge Apartments, LP	-	-	-	-	-	-	892,740	2	1.56%	-	-	-
Lowes Home Centers	727,920	2	1.13%	682,380	2	1.13%	-	-	-	-	-	-
Morgan Overlook Apartments, LLC	-	-	-	-	-	-	-	-	-	-	-	-
W M Lexington Trust	570,810	4	0.89%	570,810	3	0.94%	570,810	4	1.00%	-	-	-
Cedarcrest Village Apartments	-	-	-	-	-	-	-	-	-	-	-	-
Herman Family Real Estate Co. L	-	-	-	-	-	-	-	-	-	-	-	-
Target Corporation	-	-	-	-	-	-	-	-	-	-	-	-
Shenandoah Apartments	458,560	9	0.71%	458,560	6	0.76%	458,560	7	0.80%	-	-	-
Inland Southeast Lexington LLC	490,260	5	0.76%	490,260	4	0.81%	490,260	5	0.85%	-	-	-
Century Centennial Century Mill	590,210	3	0.93%	-	-	-	-	-	-	-	-	-
Home Depot USA	480,280	8	0.72%	-	-	-	-	-	-	-	-	-
HSC Oakleaf Lexington, LLC	461,940	7	0.72%	368,910	8	0.61%	387,780	9	0.68%	-	-	-
Edens & Avant Financing	472,420	6	0.74%	472,420	5	0.78%	472,420	6	0.82%	-	-	-
Thornhill LP	415,800	10	0.65%	415,800	7	0.69%	415,800	8	0.72%	-	-	-
Old Mill Apartments/Lexington	-	-	-	-	-	-	598,100	3	1.04%	-	-	-
Baker & Baker Eial	-	-	-	331,260	9	0.55%	-	-	-	-	-	-
Chimney Ridge Partners	-	-	-	330,000	10	0.53%	-	-	-	-	-	-
Kohl's Department Stores, Inc.	-	-	-	-	-	-	377,920	10	0.66%	298,670	2	0.63%
Allied	-	-	-	-	-	-	-	-	-	240,140	3	0.51%
Safety Kitem	-	-	-	-	-	-	-	-	-	193,350	4	0.41%
Kmart	-	-	-	-	-	-	-	-	-	177,000	5	0.37%
Lexco Associates	-	-	-	-	-	-	-	-	-	142,560	6	0.30%
BW Knolls Inc.	-	-	-	-	-	-	-	-	-	134,400	7	0.28%
Tri Center Partnership	-	-	-	-	-	-	-	-	-	121,460	8	0.26%
BR&T	-	-	-	-	-	-	-	-	-	109,710	9	0.23%
Golden Hills Partnership	-	-	-	-	-	-	-	-	-	88,020	10	0.19%
Roberts Enterprises	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 9,556,340		9.28%	\$ 5,344,510		8.84%	\$ 5,842,290		10.19%	\$ 2,118,350		4.66%
Total Assessed Valuations	\$ 64,175,780			\$ 60,434,040			\$ 57,354,370			\$ 47,453,240		

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	Total Tax Levy	Total Tax Collections (Fiscal Year)	Percentage of Tax Collections to Tax Levy	Outstanding Delinquent Taxes (End of Fiscal Year)	Subsequent Collections	Percentage Delinquent Taxes to Total Tax Levy	Total Collections To Date	Percentage of Total Tax Collections to Tax Levy
2003	\$ 1,805,421	\$ 1,801,584	99.79%	\$ 3,837	NA	0.21%	\$ 1,801,584	99.79%
2004	1,952,443	1,867,298	95.64%	75,966	NA	3.89%	1,867,298	95.64%
2005	2,069,605	2,041,104	98.62%	59,731	NA	2.89%	2,041,104	98.62%
2006	2,096,016	2,071,316	98.82%	53,977	NA	2.58%	2,071,316	98.82%
2007	2,158,599	2,123,766	98.39%	61,867	NA	2.87%	2,123,766	98.39%
2008	2,330,009	2,238,054	96.05%	95,801	NA	4.11%	2,238,054	96.05%
2009	2,643,000	2,498,757	94.54%	120,958	NA	4.58%	2,498,757	94.54%
2010	2,858,838	2,673,333	93.51%	146,601	NA	5.13%	2,673,333	93.51%
2011	3,102,586	2,946,779	94.98%	134,426	NA	4.33%	2,946,779	94.98%
2012	\$ 3,196,991	\$ 3,024,850	94.62%	\$ 148,659	NA	4.65%	\$ 3,024,850	94.62%

Source: Lexington County Treasurer's Office

NA = data is not readily available.

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
2003	\$ 1,893,173	\$ 537,135	\$ 206,110	\$ 2,636,418
2004	\$ 2,092,340	\$ 618,417	\$ 156,150	\$ 2,866,907
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

Source: Town of Lexington Trial Balance

TOWN OF LEXINGTON, SOUTH CAROLINA

PRINCIPAL BUSINESS LICENSE FILERS

(Unaudited)

Taxpayer	June 30, 2012		
	License Fees	Rank	Percentage of Total License Fees
Retail Store	\$ 83,439	1	5.58%
Grocery Store	33,986	2	2.27%
Home Improvement Store	32,605	3	2.18%
Retail Store	31,328	4	2.09%
Manufacturer	29,389	5	1.96%
Health Organization	24,714	6	1.65%
Retail Store	24,067	7	1.61%
Automotive Dealer	23,991	8	1.60%
Vegetation Management	23,747	9	1.59%
Home Improvement Store	20,010	10	1.34%
Totals	<u>\$ 327,276</u>		<u>21.88%</u>
Total License Fees	<u>\$ 1,495,922</u>		

Taxpayer	June 30, 2011		
	License Fees	Rank	Percentage of Total License Fees
Retail Store	\$ 83,484	1	6.14%
Grocery Store	38,841	2	2.86%
Home Improvement Store	33,371	3	2.45%
Retail Store	30,637	4	2.25%
Health Organization	25,720	5	1.89%
Lawn and Garden Service	25,272	6	1.86%
Home Improvement Store	23,136	7	1.70%
Retail Store	22,798	8	1.68%
Automotive Dealer	20,777	9	1.53%
Retail Store	19,344	10	1.42%
Totals	<u>\$ 323,380</u>		<u>23.78%</u>
Total License Fees	<u>\$ 1,359,894</u>		

Taxpayer	June 30, 2010		
	License Fees	Rank	Percentage of Total License Fees
Retail Store	\$ 84,687	1	6.53%
Grocery Store	36,954	2	2.85%
Home Improvement Store	33,191	3	2.56%
Retail Store	28,974	4	2.23%
Retail Store	21,974	5	1.69%
Health Organization	21,523	6	1.66%
Retail Store	18,302	7	1.41%
Lawn and Garden Service	16,711	8	1.29%
Health Insurance Provider	16,550	9	1.28%
Drug Store	16,511	10	1.27%
Totals	<u>\$ 295,377</u>		<u>22.77%</u>
Total License Fees	<u>\$ 1,297,762</u>		

Taxpayer	June 30, 2009		
	License Fees	Rank	Percentage of Total License Fees
Retail Store	\$ 83,402	1	6.46%
Home Improvement Store	40,983	2	3.17%
Grocery Store	35,056	3	2.71%
Retail Store	27,336	4	2.12%
Health Insurance Provider	26,380	5	2.04%
Health Organization	21,430	6	1.66%
Retail Store	20,917	7	1.62%
Automotive Dealer	20,270	8	1.57%
Home Improvement Store	18,588	9	1.44%
Retail Store	18,467	10	1.43%
Totals	<u>\$ 312,829</u>		<u>24.22%</u>
Total License Fees	<u>\$ 1,291,436</u>		

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								Percentage of Actual Tax Value	Per Capita
	General Obligation Bonds	GO Bond Anticipation Note	Certificates of		Capital Leases	Notes Payable	Total	Total		
			Participation							
2003	\$ 2,370,000	\$ -	\$ 2,106,010	\$ -	\$ 144,581	\$ 4,620,591	\$ 4,620,591	0.64%	\$ 388	
2004	2,280,000	-	2,020,230	-	116,578	4,416,808	4,416,808	0.56%	351	
2005	2,185,000	-	1,936,927	149,617	86,494	4,358,038	4,358,038	0.51%	325	
2006	2,090,000	-	1,850,590	473,827	55,134	4,469,551	4,469,551	0.42%	307	
2007	1,990,000	-	1,754,332	501,547	-	4,245,879	4,245,879	0.38%	274	
2008	1,885,000	-	1,652,388	356,336	-	3,893,724	3,893,724	0.32%	236	
2009	1,775,000	-	1,544,288	238,442	-	3,557,730	3,557,730	0.26%	202	
2010	1,660,000	1,500,000	1,429,596	116,351	-	4,705,947	4,705,947	0.32%	263	
2011	1,540,000	1,542,037	1,307,655	36,132	177,000	4,602,824	4,602,824	0.28%	248	
2012	\$ 1,415,000	\$ -	\$ 1,177,900	\$ -	\$ 157,000	\$ 2,749,900	\$ 2,749,900	0.16%	\$ 142	

Fiscal Year Ended June 30	Business-Type Activities								Percentage of Personal Income	Per Capita
	Water and Sewer Revenue Bonds	Water and Sewer Bond Anticipation Notes	Contracts		Notes Payable	Capital Leases	Total	Total Primary Government		
			Payable							
2003	\$ 30,212,332	\$ 7,500,000	\$ 2,559,018	\$ -	\$ 515,415	\$ 40,786,765	\$ 40,786,765	\$ 45,407,356	12.88%	\$ 3,816
2004	29,727,244	8,000,000	2,559,018	-	488,775	40,775,037	40,775,037	45,191,845	11.75%	3,587
2005	36,983,100	-	2,559,018	-	488,775	40,030,893	40,030,893	44,388,931	10.49%	3,313
2006	36,218,510	-	2,559,018	-	488,775	39,266,303	39,266,303	43,735,854	8.94%	3,007
2007	35,421,785	-	2,559,018	-	488,775	38,469,578	38,469,578	42,715,457	8.05%	2,756
2008	34,585,528	9,802,058	2,559,018	-	488,775	47,435,379	47,435,379	51,329,103	9.03%	3,111
2009	29,164,136	25,204,727	2,582,934	-	470,018	57,421,815	57,421,815	60,979,545	10.14%	3,471
2010	56,674,130	-	2,312,548	-	431,148	59,417,826	59,417,826	64,123,773	10.41%	3,588
2011	56,590,385	-	2,031,761	-	390,400	59,012,546	59,012,546	63,615,370	9.72%	3,423
2012	\$ 55,883,888	\$ -	\$ 1,740,575	\$ -	\$ 347,682	\$ 57,972,145	\$ 57,972,145	\$ 60,722,045	8.62%	\$ 3,142

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
2003	\$ 2,370,000	\$ -	\$ -	\$ 2,370,000	0.3%	\$ 199
2004	2,280,000	-	-	2,280,000	0.3%	181
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

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, 2012

(Unaudited)

Political Subdivision	<u>Assessed</u>		<u>Governmental Activities Debt Outstanding</u>		
	<u>Total</u>	<u>Assessed Value Within the Town</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to the Town</u>	<u>Town's Share of Debt</u>
Direct:					
Town of Lexington	\$ 89,692,640	\$ 89,692,640	\$ 2,749,900	100.00%	\$ 2,749,900
Overlapping:					
Lexington County	1,092,397,396	89,692,640	37,959,352	8.21%	3,116,463
Lexington County School District One	478,870,967	89,465,210	361,580,000	18.68%	67,543,144
Lexington County School District Two	252,810,350	227,430	32,904,000	0.09%	29,614
Lexington County Recreation Commission	803,758,061	89,692,640	21,105,000	11.16%	2,355,318
Riverbanks Zoo	2,589,251,691	89,692,640	8,795,000	3.46%	304,307
Total Overlapping			<u>462,343,352</u>		<u>73,348,846</u>
Total			<u>\$ 465,093,252</u>		<u>\$ 76,098,746</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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 3,281,918	\$ 3,544,930	\$ 3,796,267	\$ 4,588,350	\$ 4,834,723	\$ 5,134,062	\$ 5,778,779	\$ 6,265,414	\$ 6,943,265	\$ 7,175,411
Total Net Debt Applicable to Debt Limit	2,514,581	2,396,578	2,271,494	2,145,134	1,990,000	1,885,000	1,775,000	3,160,000	3,082,037	1,415,000
Legal Debt Margin	\$ 767,337	\$ 1,148,352	\$ 1,524,773	\$ 2,443,216	\$ 2,844,723	\$ 3,249,062	\$ 4,003,779	\$ 3,105,414	\$ 3,861,228	\$ 5,760,411
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	76.6%	67.6%	59.8%	46.8%	41.2%	36.7%	30.7%	50.4%	44.4%	19.7%

Legal Debt Margin Calculation for Fiscal Year 2012

Total Assessed Value	\$ 89,692,640
Debt Limit (8% of Total Assessed Value)	7,175,411
Amount of Debt Applicable to Debt Limit:	1,415,000
Legal Debt Margin	\$ 5,760,411

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 \$1,177,900 as of June 30, 2012 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>	
2003	\$ 8,181,271	\$ 4,049,662	\$ 4,131,609	\$ 855,000	\$ 1,360,808	\$ 2,215,808	1.86
2004	9,811,861	4,491,816	5,320,045	855,000	1,322,358	2,177,358	2.44
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

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>CCF Revenue</u>		
		<u>% Increase (Decrease)</u>			<u>% Increase (Decrease)</u>
2003	1,941,348	27.05	2008	3,468,019	-36.89
2004	2,669,455	37.51	2009	797,570	-77.00
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

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)
2003	11,900	\$ 352,454,200	17,829	\$ 29,618	3.30%
2004	12,600	384,652,800	18,229	30,528	3.50%
2005	13,400	423,105,000	18,688	31,575	4.80%
2006	14,547	489,433,815	19,091	33,645	5.10%
2007	15,500	530,720,000	19,705	34,240	4.10%
2008	16,500	568,524,000	20,458	34,456	4.70%
2009	17,570	601,596,800	21,228	34,240	8.60%
2010	17,870	615,728,720	21,756	34,456	8.00%
2011	18,585	654,396,435	22,097	35,211	8.80%
2012	19,328	\$ 704,370,304	22,367	\$ 36,443	7.70%

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) Estimated population times per capita personal income.
- (3) Provided by Lexington County School District 1 and includes entire District which is not entirely within the Town limits.
- (4) Information provided by U. S. Department of Commerce, Bureau of Economic Analysis Regional Economic Accounts through 2011. For Fiscal year 2012, amount is estimated based on a 3.5% rate of annual growth.
- (5) Provided by SC Labor and Marketing.

TOWN OF LEXINGTON, SOUTH CAROLINA

PRINCIPAL EMPLOYERS
CURRENT YEAR

(Unaudited)

Employer	2012			2011			2010		
	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	916	1	8.6%	813	1	8.0%	819	1	8.3%
Lexington School District One	513	2	4.8%	487	2	4.8%	450	2	4.6%
Walmart	335	3	3.2%	353	3	3.3%	323	3	3.3%
Lowes Home Centers	150	4	1.4%	140	5	1.4%	144	4	1.5%
Target	140	5	1.3%	149	4	1.5%	129	6	1.3%
Town of Lexington	136	6	1.3%	133	6	1.3%	131	5	1.3%
Kohl's Department Stores, Inc.	107	7	1.0%	118	7	1.2%	107	7	1.1%
Food Lion	84	8	0.8%	88	8	0.9%	75	9	0.8%
KMart Stores	75	9	0.7%	75	10	0.7%	70	10	0.7%
Honda Cars of Columbia	70	10	0.7%	85	9	0.8%	-	-	-
Home Depot	-	-	-	-	-	-	98	8	1.0%
Hendrix Chevrolet	-	-	-	-	-	-	-	-	-
IHOP	-	-	-	-	-	-	-	-	-
Ryan's Steakhouse	-	-	-	-	-	-	-	-	-
Totals	2,526	-	23.8%	2,441	-	23.9%	2,346	-	24.0%
Estimated total employment	10,630.4			10,221.8			9,828.5		

Employer	2009			2008			2007			2006		
	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	864	1	8.9%	870	1	9.6%	860	1	10.1%	525	2	6.6%
Lexington School District One	489	2	5.1%	500	2	5.5%	509	2	6.0%	536	1	6.7%
Walmart	350	3	3.6%	330	3	3.6%	375	3	4.4%	400	3	5.0%
Lowes Home Centers	130	6	1.3%	150	5	1.7%	140	5	1.6%	154	4	1.9%
Target	166	4	1.7%	170	4	1.9%	-	-	-	-	-	-
Town of Lexington	128	7	1.3%	125	7	1.4%	120	6	1.4%	117	6	1.5%
Kohl's Department Stores, Inc.	137	5	1.4%	140	6	1.5%	160	4	1.9%	130	5	1.6%
Food Lion	90	8	0.9%	90	9	1.0%	82	9	1.0%	95	7	1.2%
KMart Stores	85	10	0.9%	85	10	0.9%	85	8	1.0%	86	9	1.1%
Honda Cars of Columbia	-	-	-	-	-	-	-	-	-	-	-	-
Home Depot	87	9	0.9%	94	8	1.0%	93	7	1.1%	-	-	-
Hendrix Chevrolet	-	-	-	-	-	-	-	-	-	87	8	1.1%
IHOP	-	-	-	-	-	-	-	-	-	-	-	-
Ryan's Steakhouse	-	-	-	-	-	-	82	10	1.0%	-	-	-
Totals	2,526	-	26.0%	2,554	-	28.1%	2,506	-	29.5%	2,188	-	27.4%
Estimated total employment	9,663.5			9,075.0			8,525.0			8,000.0		

Source: Employers

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)

<u>Year</u>	Estimated Actual Real <u>Property Value</u>	<u>Residential Construction</u>		<u>Commercial Construction</u>		Bank Deposits (x 1,000)
		<u># of Units</u>	<u>Value</u>	<u># of Units</u>	<u>Value</u>	
2003	\$ 613,465,420	313	\$ 27,591,523	11	\$12,417,501	\$ 581,493
2004	668,795,610	270	19,336,607	6	5,340,122	673,226
2005	718,734,147	318	27,612,515	13	15,821,341	798,302
2006	927,724,390	487	42,363,362	20	30,277,161	897,741
2007	973,175,071	366	26,717,874	41	66,518,910	999,770
2008	1,071,640,833	160	25,238,137	29	19,496,925	1,010,748
2009	1,200,208,137	114	22,032,471	16	14,287,237	1,160,141
2010	1,311,047,439	229	35,024,038	3	2,525,206	1,286,281
2011	1,469,218,111	174	32,405,692	7	8,680,606	1,242,023
2012	\$ 1,500,776,722	180	\$ 27,805,220	9	\$ 5,517,595	\$ 1,235,615

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

TOWN OF LEXINGTON, SOUTH CAROLINA

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

(Unaudited)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
General Government	26.5	28.0	32.0	30.0	33.5	28.5	30.0	39.0	37.0	39.0
Public Safety	32.0	32.0	34.0	37.0	38.0	41.5	43.5	44.5	44.0	45.0
Parks, Streets, and Sanitation	12.0	12.0	12.0	12.0	12.0	14.0	14.0	14.0	13.0	13.0
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	29.0	34.0	34.5	35.5	35.0	39.0	39.0	39.0	39.0	38.0
Total	100.5	107.0	113.5	115.5	119.5	124.0	127.5	137.5	134.0	136.0

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
<u>Building/Zoning</u>										
Building Permits Issued	622	492	541	461	524	522	534	649	577	794
Building Inspections Conducted	NA	NA	NA	2,420	2,898	2,787	2,371	3,527	2,786	3,083
Zoning Permits Issued	310	299	262	291	334	487	480	453	450	492
<u>Information Technology</u>										
Water/Sewer Customers (Online Transactions)	NA	NA	NA	6,935	9,113	11,872	14,772	18,859	24,137	28,422
<u>Finance</u>										
Business Licenses Issued Intown/Renewals	NA	NA	NA	1,590	1,771	1,968	2,163	2,253	2,305	2,944
<u>Parks, Streets and Sanitation</u>										
Residential Solid Waste Customers	NA	NA	NA	4,699	4,850	4,995	5,159	5,390	5,597	5,799
<u>Public Safety - Police</u>										
Physical Arrests	NA	NA	NA	838	1,002	955	1,432	1,182	1,314	1,572
Parking Tickets	NA	NA	NA	110	93	69	68	20	18	22
Traffic Violations	NA	NA	NA	6,921	7,379	7,685	7,266	8,055	8,016	10,035
<u>Business-Type Activities</u>										
<u>Water and Sewer System</u>										
Average Daily Consumption of Water (MGD)	1.635	1.638	1.711	1.833	1.982	2.250	2.179	2.226	2.347	2.322
Average Daily Consumption of Sewer (MGD)	1.772	1.933	2.005	2.262	2.530	2.895	2.801	2.984	3.092	3.107
Capital Contribution Certificates sold	NA	NA	NA	2,972	3,604	833	7	142	10	123
Capital Contribution Certificates Outstanding	NA	NA	NA	4,488	3,213	2,146	2,108	1,898	1,787	1,677

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Town Hall (<i>Approx. Sq. Ft. Used</i>)	16,000	16,000	60,100	60,100	60,100	60,100	60,100	60,100	63,251	63,251
Public Safety - Police										
Town Hall (<i>Approx. Sq. Ft. Used</i>)	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800	13,800
Number of Patrol Units	32	32	34	37	38	41	43	44	44	45
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 (<i>Approx. Sq. Ft. Used</i>)	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Parks and Playgrounds	2	2	2	2	2	3	4	4	4	5
Streetsweeper	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 (<i>Approx. Sq. Ft. Used</i>)	-	-	-	-	-	1,880	1,880	1,880	1,880	1,880
Water and Sewer System										
Water Plants	-	-	-	-	-	-	-	-	-	-
Sewer Treatment Plants	1	1	1	1	1	1	1	1	1	1
Sewer Capacity - all sources (<i>MGD</i>)	6.40	6.40	6.40	6.40	6.40	6.40	12.46	12.46	12.46	12.46
Water Capacity - all sources (<i>MGD</i>)	4.50	4.50	4.50	4.50	4.50	5.50	6.50	6.50	6.50	6.50
Water Lines (<i>miles</i>)	172	174	177	186	198	205	209	210	211	212
Sewer Lines (<i>miles</i>)	125	146	163	182	217	257	264	266	272	273

Source: Town of Lexington departmental records

MGD = Million Gallons per Day

APPENDIX B

Form of Bond Counsel Opinion

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HOWELL LINKOUS & NETTLES, LLC

Bond Attorneys & Counsellors at Law

The Lining House

106 Broad Street

Charleston, South Carolina 29401

Post Office Box 1768
Charleston, South Carolina 29402

Telephone 843.266.3800

Fax 843.266.3805

Concentrating in Municipal Bonds,
Local Government Law, Economic
Development Incentives,
Affordable Housing Development

17 January 2013

Mayor and Town Council of
Town of Lexington, South Carolina
Lexington, South Carolina

Re: \$7,800,000 Town of Lexington, South Carolina, Combined Waterworks and
Sewer System Revenue Bond Anticipation Notes, Series 2013

Ladies and Gentlemen:

We have served as Bond Counsel to the Town of Lexington, South Carolina (the “Town”), and as such have examined certified copies of the proceedings taken and other proofs submitted to us, including the Constitution and statutes of the State of South Carolina, and the documents described below in relation to the issuance of the Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2013, by the Town, in the original principal amount of \$7,800,000 (the “Notes”), dated the date hereof, payable, together with interest thereon from the date thereof at the rate of Zero and 75/100 per centum (0.75%) per annum, to the registered owners, on December 2, 2013. The Notes are subject to prepayment as described therein.

The Notes recite that they are issued pursuant to the authorisation of Title 11, Chapter 17 of the Code of Laws of South Carolina 1976, as amended, and an ordinance enacted by the Town Council of the Town on September 4, 2012 (the “Ordinance”), in anticipation of the receipt of the proceeds of combined waterworks and sewer system revenue bonds of the Issuer (the “Bonds”) authorised to be issued pursuant to Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended. The Town has issued the Notes for the purpose of providing interim financing for a portion of the costs of expansion of the Town’s combined waterworks and sewer system.

We express no opinion herein as to the accuracy, completeness, or sufficiency of any offering material prepared or distributed with respect to the sale of the Notes. We refer you to

our letter of even date herewith with regard to certain matters regarding the Preliminary Official Statement and the Official Statement relating to the Notes.

As to questions of fact material to the opinions hereinafter expressed, we have relied upon representations of the parties contained in the Ordinance, the certified proceedings, and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Town, without undertaking to verify the same by independent investigation. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents, and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents, and proceedings.

Based on the foregoing, we are of the opinion, under existing law, as follows:

1. The Town is validly existing as a body corporate and politic and municipal corporation under the laws of the State of South Carolina, with the corporate power to enter into and perform its obligations under the Ordinance and to issue the Notes.

2. The Ordinance has been duly enacted by the Town Council of the Town, and is a valid and binding special obligation of the Town enforceable against the Town.

3. The Notes have been duly authorised and executed by the Town, and are valid and binding limited obligations of the Town, payable solely from the proceeds to be derived from the issuance of the Bonds as provided in the Ordinance. The Ordinance creates a valid lien on the funds pledged by the Ordinance as security for the Notes and the Town's grant of the lien is valid and enforceable against the Town and such funds. The Notes are not a general obligation or indebtedness of the Town within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Town or a charge against its general credit or taxing power. The Notes are not secured by a pledge of the Net Earnings of the System or by a pledge of other revenues of the Town.

4. Interest on the Notes is excludable from gross income for federal and South Carolina income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing alternative minimum tax imposed on certain corporations. It should be noted, however, that Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in South Carolina a fee or franchise tax computed on the entire net income of the bank, which includes interest on the Notes. The opinions set forth in this paragraph are subject to the condition that the Town comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the

Notes in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal and South Carolina income tax purposes retroactively to the date of issuance of the Notes.

It is to be understood that the rights of the holders of the Notes and the enforceability of the Ordinance and the Notes may be subject to bankruptcy, insolvency, reorganisation, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases.

We express no opinion regarding the perfection or priority of the lien on the funds or other collateral created by the Ordinance. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

Our services as Bond Counsel have been limited to rendering the foregoing opinions based on our review of such legal proceedings, documents, and certificates from the Town as we deem necessary to make the statements contained in this letter with respect to the validity of the agreements described herein, the lien granted by the Town, and the tax-exempt status of the interest on the Notes. We have not examined any documents or other information concerning the business or financial resources of the Town, and we express no opinion herein as to the accuracy or completeness of any information with respect to the Town that may have been relied upon by the Holders of the Notes in making their decision to purchase the Notes.

We have examined executed Note No. R-1 and its form and execution are in due form of law.

The holders of the Notes are entitled to rely on this opinion as if it were addressed to them.

Very truly yours,

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APPENDIX C

Summary of the BAN Ordinance

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SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

Following is a summary of certain provisions of the Ordinance which relate to the BANs as enacted by the Town Council of the Town of Lexington, South Carolina (the "Town"). The summary does not purport to be a full statement of the Ordinance and reference is made to the Ordinance for a full and complete statement of such provisions. Capitalised terms used herein and not defined herein have the meanings ascribed to them in the Ordinance unless the context hereof otherwise requires.

Registration of Transfer of BANs; Persons Treated as Owners.

(i) Any BAN shall be transferable upon the books of registry, only by the registered owner thereof or by his attorney, duly authorised in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Town, duly executed by the registered owner or his duly authorised attorney. Upon the transfer of any BAN, the Town shall issue, subject to the provisions of section 4, paragraph (l) of the Ordinance, in the name of the transferee, a new BAN or BANs of the same aggregate principal amount as the unpaid principal amount of the surrendered BAN.

(ii) Any holder of a BAN requesting any transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any BAN in fully-registered form, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of and interest on any BAN in fully-registered form shall be made only to or upon the order of the registered holder thereof, or his duly authorised attorney, and the Town shall not be affected by any notice to the contrary; but the registration may be changed as herein provided. All payments made in this manner shall be valid and effectual to satisfy and discharge the liability upon the BAN to the extent of the sum or sums paid.

Mutilated, Lost, Stolen, or Destroyed BANs.

In the event any BAN is mutilated, lost, stolen, or destroyed, the Town may execute a new BAN of like denomination as that mutilated, lost, stolen, or destroyed; provided that, in the case of any mutilated BAN, it shall first be surrendered to the Town, and in the case of any lost, stolen, or destroyed BAN, there shall be first furnished to the Town evidence of the loss, theft, or destruction satisfactory to the Town, together with indemnity satisfactory to them; provided that, in the case of a holder which is a bank or insurance company, the agreement of the bank or insurance company to indemnify shall be sufficient. In the event any mutilated, lost, stolen, or destroyed BAN shall have matured, instead of issuing a duplicate BAN, the Town may pay it without surrender thereof. The Town may charge the holder of the BAN with the reasonable fees and expenses of the Town in this connexion.

Exchange of BANs.

BANs issued in fully-registered form, upon surrender thereof at the office of the Town or the registrar, with a written instrument of transfer satisfactory to the Town duly executed by the holder of the BAN or his duly authorised attorney, may, at the option of the holder of the BAN, and upon payment by such holder of any charges which the Town may make as provided in section 4, paragraph (1) of the Ordinance, be exchanged for a principal amount of BANs of any other authorised denomination equal to the unpaid principal amount of the surrendered BANs.

Regulations with Respect to Exchanges and Transfers of BANs.

In all cases in which the privilege of exchanging or transferring BANs is exercised, the Town shall execute and deliver BANs in accordance with the provisions of the Ordinance. All BANs surrendered in any exchanges or transfers shall herewith be cancelled. There shall be no charge to the holder of the BAN for the exchange or transfer of BANs except that the Town may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to the exchange or transfer.

Security for the BANs.

For the payment of the BANs, there are pledged the proceeds derived from the sale of the Bonds issued pursuant to the Bond Enabling Act. The proceeds of the Bonds, when received by the Town, shall be applied first to the payment of principal of and interest on the BANs.

Agreement to Issue Bonds.

The Town Council covenant and agree, pursuant to the BAN Act, to issue and sell the Bonds, in an amount sufficient (together with any other moneys made available by the Town) to retire the BANs, prior to the maturity of the BANs or to issue refunding BANs in such a sufficient amount.

All BANs Equally and Ratably Secured.

The BANs authorised and issued pursuant to the ordinance shall be secured equally and ratably by the aforesaid pledge of proceeds.

Additional BANs.

The Town may issue additional BANs secured by a pledge of the proceeds of the Bonds upon maturity of the BANs in the event that Bonds are not issued by that date. Any additional BANs may be issued upon approval by resolution of Town Council.

APPENDIX D

Form of Continuing Disclosure Undertaking

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the Town of Lexington, South Carolina (the "Town") in connexion with the issuance of \$7,800,000 Combined Waterworks and Sewer System Revenue Bond Anticipation Notes, Series 2013 (the "2013 BANs"). The 2013 BANs are being issued pursuant to an Ordinance, enacted September 4, 2012, by the Town of Council of the Town. The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Town for the benefit of the Holders (as defined below) and Beneficial Owners (as defined below) and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the defined terms set forth above, and to the definitions set forth in the Ordinance, which apply to any capitalised term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalised terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2013 BANs (including persons holding 2013 BANs through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any 2013 BANs for federal income tax purposes.

"Disclosure Representative" shall mean Kathy S. Roberts, the Finance Director of the Town or her designee, or such other officer or employee as the Town shall designate in writing from time to time.

"Dissemination Agent" shall mean an agent, if any, appointed in accordance with Section 7 herein.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access System which became effective July 1, 2009, and will receive electronic submissions of the Annual Report on the EMMA website at <http://www.emma.msrb.org>.

"Holders" or "Holders of the 2013 BANs" shall mean the registered owners of the 2013 BANs.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the 2013 BANs required to comply with the Rule in connexion with the initial offering and sale of the 2013 BANs.

"Paying Agent" shall mean the institution identified as such in the document under which the 2013 BANs were issued.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of South Carolina.

SECTION 3. Provision of Annual Reports; Other Filings.

- (a) The Town shall, or shall cause the Dissemination Agent to, not later than 7 months after the end of the Town's Fiscal Year (currently, June 30) commencing with the report for the 2012-2013 Fiscal Year, provide electronically to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than 15 business days prior to said date, the Town shall provide the Annual Report to the Dissemination Agent if there is one. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Town's Fiscal Year changes, the Town shall give notice of such change in the same manner as for a Listed Event under Section 5(c).
- (b) If the Annual Report has not been provided to EMMA by the date required in subsection (a), the Town shall send a notice to EMMA in substantially the form attached as Exhibit A.
- (c) The Town, or Dissemination Agent, shall:
 - (i) determine each year prior to the date for providing the Annual Report, the manner of filing with EMMA; and
 - (ii) file a report with the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to EMMA.
 - (iii) (if the Dissemination Agent is other than the Town) file a report with the Town certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to EMMA.

SECTION 4. Content of Annual Reports. The Town's Annual Report shall contain or include by reference the Town's complete audited financial statements for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Town's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues of the Town, or related public entities which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Town shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice to EMMA, in an electronic format as prescribed by MSRB, of the occurrence of any of the following events with respect to the 2013 BANs in a timely manner not in excess of ten business days after the occurrence of the event:
 - 1. Principal and interest payment delinquencies.
 - 2. Non-payment related defaults, if material.
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
 5. Substitution of credit or liquidity providers or their failure to perform.
 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2013 BANs, or other material events affecting the tax-exempt status of the 2013 BANs.
 7. Modifications to rights of Holders, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution, or sale of property securing repayment of the 2013 BANs, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership, or similar event of the Town.
 13. The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material.
- (b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws.
- (b) If the Town determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Town shall promptly file a notice of such occurrence with EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2013 BANs pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the 2013 BANs. If termination occurs prior to the final maturity of the 2013 BANs, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein is limited to the extent the Town has provided such information to the Dissemination Agent as required by the Dissemination Agreement. The Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Dissemination Agreement. The Dissemination Agent has no duty or obligation to review or verify any information in the Annual Report, audited financial statements, notice of Listed Event, or any other information,

disclosures or notices provided to it by the Town and shall not be deemed to be acting in any fiduciary capacity for the Town, the Holders of the 2013 BANs, or any other party. The Dissemination Agent has no responsibility for the Town's failure to report to the Dissemination Agent a notice of Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty or liability for failing to determine whether the Town has complied with the Dissemination Agreement. The Dissemination Agent may conclusively rely upon certifications of the Town at all times.

SECTION 8. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Town may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connexion with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2013 BANs, or the type of business conducted;

(b) This Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally-recognised bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2013 BANs, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2013 BANs in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Holders, or (ii) does not, in the opinion of said nationally-recognised bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2013 BANs.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Town shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Town. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Town shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Undertaking, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Town to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Town, the Dissemination Agent, if any, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the 2013 BANs, and shall create no rights in any other person or entity.

TOWN OF LEXINGTON, SOUTH CAROLINA

By: _____
Finance Director

Date: January 17, 2013

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD'S
ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM
OF FAILURE TO FILE ANNUAL REPORT

\$7,800,000
TOWN OF LEXINGTON, SOUTH CAROLINA
COMBINED WATERWORKS AND SEWER SYSTEM REVENUE BOND ANTICIPATION NOTES
SERIES 2013

Date of Issuance: January 17, 2013

NOTICE IS HEREBY GIVEN that the Town of Lexington, South Carolina (the "Town") has not provided an Annual Report with respect to the above-named 2013 BANs as required by Section 3(a) of the Continuing Disclosure Undertaking dated January 17, 2013. The Town anticipates that the Annual Report will be filed by _____.

TOWN OF LEXINGTON, SOUTH CAROLINA

By: _____
Finance Director

Date: _____