

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2014**

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**

**BASIC FINANCIAL STATEMENTS AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2014**

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**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**DECEMBER 31, 2014**

Mayor	Mark W. Huguley
Mayor Pro Tem	Donald R. Davis
Town Council	Peter F. Chesney Linda Z. Jackson W. Rusty Onley
Town Clerk	Christine Murphy

<b>C.C. McGregor, CPA</b> 1906-1968	<b>PARTNERS</b>			<b>ASSOCIATES</b>		
	W.C. Stevenson, CPA	D.L. Richardson, CPA	D.K. Strickland, CPA	V.K. Laroche, CPA	J.R. Matthews II, CPA	M.L. Goode, CPA
	B.T. Kight, CPA	E.C. Inabinet, CPA	J.P. McGuire, CPA	G.N. Mundy, CPA	G.P. Davis, CPA	B.A.G. Felch, CPA
	G.D. Skipper, CPA	S.S. Luoma, CPA	L.H. Kelly, CPA	M.L. Layman, CPA	H.J. Darver, CPA	H.S. Mims, CPA
	L.R. Leaphart, Jr, CPA	T.M. McCall, CPA		P.A. Betette, Jr, CPA	D.M. Herpel, CPA	
	M.J. Binnicker, CPA	H.D. Brown, Jr, CPA		S. Wo, CPA	H.O. Crider, Jr, CPA	
W.W. Francis, CPA	L.B. Salley, CPA		C.D. Hincee, CPA	F.C. Gillam, CPA		

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the  
 Town Council  
 Town of Arcadia Lakes, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Arcadia Lakes, South Carolina, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Arcadia Lakes' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Arcadia Lakes, South Carolina, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and pages 21 and 22, respectively, 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.



Columbia, South Carolina  
October 1, 2015

# TOWN OF ARCADIA LAKES, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

As management of the Town of Arcadia Lakes, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which can be found on pages 7-20 of this report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of two components: 1) basic financial statements, and 2) notes to the financial statements.

**Basic Financial Statements.** The basic financial statements are designed to provide readers with a broad overview of the Town of Arcadia Lakes' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town of Arcadia Lakes' assets, liabilities and deferral inflows of resources, with the difference between the three reported as net position. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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., earned but unused compensated absences).

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13-20 of this report.

The basic financial statements include only the Town itself (known as the primary government) because the Town of Arcadia Lakes has no component units. The basic financial statements can be found on pages 7-12 of this report.

### FINANCIAL HIGHLIGHTS

**Key financial highlights for 2014 are as follows (with 2013 amounts shown in parentheses):**

1. Total assets at year-end equaled \$1,126,749 (\$1,104,967), including \$3,502 (\$3,595) of capital assets, net of accumulated depreciation.
2. Total liabilities equaled \$2,145 (\$1,895).
3. Deferred inflows equaled \$42,438 (\$40,528).
4. The assets of the Town exceeded its liabilities and deferred inflows by \$1,082,166 (\$1,062,544) (net position). Of this amount, \$1,059,203 (\$1,039,011) (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The other components of net position are \$3,502 (\$3,595) net investment in capital assets and \$19,461 (\$19,938) of restricted hospitality tax funds.

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2014**

**FINANCIAL HIGHLIGHTS (Continued)**

5. Total revenues equaled \$298,940 (\$284,750) and consisted entirely of general revenues. The major sources of the general revenues were \$146,449 (\$144,010) of licenses, permits, and franchise fees, \$103,512 (\$99,091) of local option sales tax revenue, \$20,976 (\$15,953) of state aid to local subdivisions, and \$26,202 (\$23,431) of hospitality tax revenues.
6. Total expenses equaled \$279,318 (\$178,443) and consisted entirely of general government expenditures. The Town's most significant expenses were \$126,444 (\$35,075) of solid waste management services and \$39,688 (\$38,885) of payroll expenses.
7. During 2014, net position increased \$19,622 to \$1,082,166, compared with an increase of \$106,307 during 2013 to \$1,062,544.

Category	Year End Balance		% of Total	
	2014	2013	2014	2013
Net Investment in Capital Assets	\$ 3,502	\$ 3,595	0%	0%
Restricted	19,461	19,938	2%	2%
Unrestricted	<u>1,059,203</u>	<u>1,039,011</u>	<u>98%</u>	<u>98%</u>
<b>Totals</b>	<u><u>1,082,166</u></u>	<u><u>1,062,544</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

The Town uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. The category of restricted net position represents resources that are subject to restrictions imposed by state law, which requires that these assets be used for tourism-related activities. The balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Regarding revenues for 2014, the most significant changes were the \$5,023 increase in state aid, the \$4,421 increase in local option sales tax, and the \$2,771 increase in hospitality tax, which were the main causes of the overall increase in the Town's total revenues of \$14,190. Regarding 2014 expenses, the most significant change was the increase in solid waste management expenses of \$91,369; which was the main cause of the increase in total expenses of \$100,875.

**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arcadia Lakes, assets exceeded liabilities and deferred inflows by \$1,082,166 an increase of \$19,622 or 2% from the prior year. Net position is reported in the three categories noted above: net investment in capital assets, restricted net position, and unrestricted net position.

# TOWN OF ARCADIA LAKES, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

### Financial Analysis of the Government's Funds

The Town of Arcadia Lakes, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's two funds - both governmental funds - are the general fund and the special revenue fund. 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 unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Town's governmental funds reported combined ending fund balance of \$1,078,664 (\$1,058,949). The Town's general fund balance of \$1,059,203 (\$1,039,011) amounts to 98% (98%) of the total ending fund balance of the Town's governmental funds.

The general fund is the chief operating fund of the Town of Arcadia Lakes. At the end of 2014, the unassigned fund balance of the general fund was \$1,059,203 (\$1,039,011). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 419% (657%) of total general fund expenditures, while total fund balance represents 386% (594%) of total expenditures.

The unassigned fund balance of the Town's general fund increased by \$20,192 (\$103,232) during 2014 which was higher than the budgeted change by \$20,192 (\$120,687). Overall general fund revenues were 4% over budget (28% over budget), while general fund expenditures were 4% under budget (29% under budget).

### General Fund Budgetary Highlights

There were no changes between the original and final budgets of 2014 and 2013. The differences in budgeted and actual amounts referenced above were primarily caused by the following:

#### 2014

- Business licenses and building permits revenue exceeded the budget by \$3,756 or 25%.
- Local option sales tax revenue exceeded the budget by \$3,112 or 3%.
- Contingency and miscellaneous expenditures were less than the budget by \$36,334 or 83%.
- Town Manager expenditures were less than the budget by \$12,500 or 100%.

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2014**

**2013**

- Local option sales tax revenues exceeded the budget by \$26,091 or 36%.
- Franchise license fee revenues exceeded the budget by \$17,850 or 39%.
- Solid waste management services expenditures were less than the budget by \$26,925 or 43%.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the Town of Arcadia Lakes' finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, Town of Arcadia Lakes, 6911 North Trenholm Road, Suite 2, Columbia, South Carolina 29206.

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**

**STATEMENT OF NET POSITION**

**DECEMBER 31, 2014**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 1,093,433
Franchise Fees Receivable	10,353
	<hr/>
<b>Total Current Assets</b>	<b>1,103,786</b>
	<hr/>
<b>Other Assets</b>	
Restricted Cash	19,461
Capital Assets	
Nondepreciable	3,502
Furniture, Fixtures and Equipment Depreciable, Net of Accumulated Depreciation	-
	<hr/>
<b>Total Other Assets</b>	<b>22,963</b>
	<hr/>
<b>Total Assets</b>	<b>1,126,749</b>
	<hr/>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accrued Liabilities	2,145
	<hr/>
<b>Total Current Liabilities</b>	<b>2,145</b>
	<hr/>
<b>Total Liabilities</b>	<b>2,145</b>
	<hr/>
<b>Deferred Inflows of Resources</b>	
Unearned Revenue	42,438
	<hr/>
<b>Net Position</b>	
Net Investment in Capital Assets	3,502
Restricted For:	
Special Revenue (Tourism)	19,461
Unrestricted	1,059,203
	<hr/>
<b>Total Net Position</b>	<b>1,082,166</b>
	<hr/> <hr/>

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

TOWN OF ARCADIA LAKES, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental:</b>					
General Government	\$ 279,318	\$ -	\$ -	\$ -	\$ (279,318)
<b>Total Governmental Activities</b>	<b>279,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(279,318)</b>

**General Revenues:**

Local Option Sales Tax	103,512
Hospitality Tax	26,202
Licenses, Permits and Franchise Fees	146,449
State Aid	20,976
Investment Income	1,696
Miscellaneous	105

**Total General Revenues**

298,940

**Change in Net Position**

19,622

**Net Position, Beginning of Year**

1,062,544

**Net Position, End of Year**

1,082,166

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

TOWN OF ARCADIA LAKES, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	Major Funds		Totals
	General	Special Revenue	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,093,433		\$ 1,093,433
Restricted Cash		\$ 19,461	19,461
Franchise Fees Receivable	10,353		10,353
<b>Total Assets</b>	<u>1,103,786</u>	<u>19,461</u>	<u>1,123,247</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accrued Liabilities	<u>2,145</u>		<u>2,145</u>
<b>Total Liabilities</b>	<u>2,145</u>	<u>-</u>	<u>2,145</u>
<b>Deferred Inflows of Resources</b>			
Unearned Revenue	<u>42,438</u>		<u>42,438</u>
<b>Fund Balances</b>			
Restricted			
Special Revenue (Tourism)		19,461	19,461
Unassigned	<u>1,059,203</u>		<u>1,059,203</u>
<b>Total Fund Balances</b>	<u>1,059,203</u>	<u>19,461</u>	<u>1,078,664</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>1,103,786</u>	<u>19,461</u>	<u>1,123,247</u>

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

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

<b>Total Fund Balances - Governmental Funds</b>	\$1,078,664
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Total Cost of Capital Assets	7,593
Total Accumulated Depreciation	<u>(4,091)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>1,082,166</u></u>

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

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>Revenues</b>			
State Aid	\$ 20,976		\$ 20,976
Local Option Sales Tax	103,512		103,512
Interest Income	1,696		1,696
Business Licenses and Building Permits	18,756		18,756
Franchise License Fees	63,590		63,590
MASC Tax	64,103		64,103
Hospitality Tax		\$ 26,202	26,202
Miscellaneous	105		105
<b>Total Revenues</b>	<u>272,738</u>	<u>26,202</u>	<u>298,940</u>
<b>Expenditures</b>			
General Government	252,546	26,679	279,225
<b>Total Expenditures</b>	<u>252,546</u>	<u>26,679</u>	<u>279,225</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	20,192	(477)	19,715
<b>Fund Balances, Beginning of Year</b>	<u>1,039,011</u>	<u>19,938</u>	<u>1,058,949</u>
<b>Fund Balances, End of Year</b>	<u><u>1,059,203</u></u>	<u><u>19,461</u></u>	<u><u>1,078,664</u></u>

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

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ 19,715

The change in net position reported for governmental activities in the Statement of Activities is different because:

In the statement of activities the cost of depreciable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$93 exceeded capital outlay of \$0 in the current period.

(93)

**Change in Net Position of Governmental Activities**

19,622

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

## TOWN OF ARCADIA LAKES, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Note 1 Summary of Significant Accounting Policies**

Arcadia Lakes is a charter town in which citizens elect the mayor and council members at large. The Town operates under a Council form of government and provides the following services as authorized by its charter: public improvements, planning and zoning, and general and administrative services.

The financial statements of the Town of Arcadia Lakes, South Carolina are prepared in accordance with U. S. generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the calendar year ended December 31, 2014.

#### **Reporting Entity**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP, the primary criterion of which is financial accountability. The specific criteria used in determining potential component units include separately elected governing bodies, legally separate entity status, and fiscal independence. Based upon the application of these criteria, there are no component unit organizations that should be included in the financial reporting entity.

#### **Basis of Presentation**

##### *Government-wide Financial Statements:*

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the activities of the Town.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The Town had no program revenues during 2014.

## **Note 1      Summary of Significant Accounting Policies (Continued)**

### **Basis of Presentation (Continued)**

Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### *Fund Financial Statements:*

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segmenting transactions related to certain Town functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reported the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue fund is used to account for the transactions of the two percent (2%) local hospitality tax assessed by the Town.

### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Non-exchange transactions in which the Town receives value without giving equal value in return, include entitlements and donations. Revenue from entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in the governmental funds.

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

**Cash and Investments**

The Town considers all highly liquid investments with a maturity of three (3) months or less when purchased to be cash equivalents. Cash and cash equivalents include all amounts in demand deposit accounts as well as short-term investments with a maturity date within three (3) months of the date acquired by the government.

**Accounts Receivable**

Accounts receivable are recorded net of an amount for doubtful accounts based on management's assessment of collection. For the current year, all accounts receivable are considered collectible.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than or equal to \$1,000 and have an estimated useful life in excess of three years. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,000 as composite groups for financial reporting purposes. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Equipment	5-20

**Budgets**

The Town Council legally adopts an annual budget for General Fund revenues and expenditures prior to the beginning of each calendar year. The Town Clerk is authorized to transfer budgeted amounts between line items within any fund; however, any revisions that alter the total expenditures of any fund must be approved by Town Council.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Town has no items that qualify for reporting in this category.

## **Note 1 Summary of Significant Accounting Policies (Continued)**

### **Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The Town has one item that qualifies for reporting in this category; unearned revenue. These amounts are recognized as an inflow of resources in the period that the amounts become available. Refer to the note on unearned revenue.

### **Net Position**

The net position of the Town is the difference between assets plus any deferred outflows of resources and liabilities plus any deferred inflows or resources. The three categories of the net position presented in the government-wide statement of net position are:

**Net Investment in Capital Assets**, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and unamortized premiums related to the acquisition of those assets.

**Restricted Net Position** represents resources restricted externally by creditors, grantors or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** represents the remaining resources of the Town in government-wide activities.

It is the Town's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

### **Fund Equity**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

**Nonspendable Fund Balance** includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** reflects balances that can only be used for specific purposes stipulated by constitution, external resource providers or enabling legislation.

## **Note 1 Summary of Significant Accounting Policies (Continued)**

### **Fund Equity (Continued)**

**Committed Fund Balances** reflects balances that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances adopted by the Town Council - the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Town Council removes the specified use by taking the same type of action that created the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned Fund Balance** reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed.

**Unassigned Fund Balance** is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use externally restricted fund balances first, then unrestricted fund balance - committed, assigned, and unassigned - in order as needed.

### **Use of Estimates**

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **Note 2 Custodial Credit Risk**

### **Cash**

Custodial credit risk is the risk that in the event of a bank failure, account deposits in excess of FDIC insurance, may not be returned to the Town. As of December 31, 2014, the carrying amount of the Town's bank deposits was \$407,330 and the respective bank balances totaled \$416,022. The total bank balance, \$416,022 was insured through the Federal Depository Insurance Corporation (FDIC).

### **Investments**

*Custodial Credit Risk* of investments is the risk that in the event of a failure of the counterparty, the Town may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2014, none of the Town's investments were exposed to custodial credit risk. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Town.

**Note 2 Custodial Credit Risk (Continued)**

**Investments (Continued)**

The Town has \$705,564 in funds invested with the South Carolina State Treasurer's Office which established the South Carolina Local Government Investment Pool (the Pool) pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs under the custody of any county treasurer or any governing body or political subdivision of the State may be deposited. Funds invested in South Carolina Local Government Investment Pool are fully collateralized by securities of the United States, obligations of the State of South Carolina or any of its political subdivisions.

**Note 3 Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	<u>\$3,502</u>	-	-	<u>\$3,502</u>
<i>Capital Assets Being Depreciated:</i>				
Furniture, Fixtures and Equipment	4,091	-	-	4,091
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	<u>(3,998)</u>	<u>\$(93)</u>	-	<u>4,091</u>
Total Capital Assets Being Depreciated, Net	<u>93</u>	<u>(93)</u>	-	<u>-</u>
Governmental Activities Capital Assets, Net	<u>3,595</u>	<u>(93)</u>	-	<u>3,502</u>

Depreciation expense was charged to functions  
as follows:

General Government \$93

**Note 4 Unearned Revenue**

The Town has signed franchise agreements with providers for the following utility services: electricity & gas, telecommunications, and cable television. The contracts with the electricity and gas and cable television providers call for annual payments of a certain percentage of gross sales revenue during the preceding calendar year. Payments received from the electricity and gas provider give that company the right to provide its services in the Town the succeeding calendar year. This amount is reported as deferred inflows of resources on the statement of net position and balance sheet. The following comprises the Town's unearned franchise fees:

**Note 4 Unearned Revenue (Continued)**

	<b>Balance 1/1/14</b>	<b>Receipts</b>	<b>Revenues</b>	<b>Balance 12/31/14</b>
SCE&G - Electricity and Gas Franchise Fees	<u>\$40,528</u>	<u>\$42,438</u>	<u>\$40,528</u>	<u>\$42,438</u>

**Note 5 Hospitality Tax Revenues**

On June 5, 2003, the Town Council adopted an ordinance providing for a local hospitality tax. Effective July 1, 2003, the ordinance requires the collection of a two percent (2%) tax on the gross proceeds of sales of prepared meals and beverages sold in establishments within the Town of Arcadia Lakes.

Payment is remitted to the Town on a monthly basis. Proceeds of the hospitality tax are temporarily restricted under the South Carolina Code of Laws Section 6-1-730 which requires that the funds be spent for tourism-related improvements, activities, and promotions. The hospitality tax funds are accounted for in the Town's Special Revenue Fund.

**Note 6 Contingency**

In February of 2009, the Town along with a number of its resident individuals ("individual petitioners"), filed a request in Administrative Law Court ("ALC") for review of a decision of the South Carolina Department of Health and Environmental Control ("SCDHEC") to issue a stormwater permit to Roper Pond, LLC in connection with a proposed development ("the development") adjacent to the Town, which included filling in some wetlands and excavating what is referred to as the "lily pad pond." On January 21, 2010 the ALC upheld SCDHEC's granting of the permit. On April 20, 2010, the Town and individual petitioners filed an appeal of the ALC decision in the South Carolina Court of Appeals ("Court of Appeals"). On March 6, 2013, the Court of Appeals issued an opinion affirming the ALC's order which held that the Town and individual petitioners lacked standing to maintain the action and that SCDHEC's permitting of the development was proper. On March 6, 2013, the Town and individual petitioners requested reconsideration by the Court of Appeals. On June 12, 2013, the Court of Appeals withdrew its order of March 6, and substituted a new opinion which similarly affirmed the ALC's order. The Town's attorney of record on the case has noted that the Court of Appeals' opinion applied an erroneous standing standard, affecting standing of the Town and individual petitioners. On July 11, 2013, the Town and individual petitioners filed a request for the Court of Appeals' decision to be reviewed by the South Carolina Supreme Court (a *writ of certiorari*) which was granted on August 22, 2014. The Supreme Court heard arguments on March 18, 2015 and issued an order dismissing the appeal as moot on April 9, 2015. Roper Pond, LLC filed a motion for costs in the Supreme Court, which was denied on June 17, 2015. Prior to the Town's appeal of the case, Roper Pond, LLC filed a motion in the ALC for attorneys' fees, costs, and sanctions. This motion was amended after the Supreme Court decision, and the Town filed a response on August 24, 2015. Roper Pond's petition consisted of a declaration that it is entitled to attorneys' fees and costs because it claims victory; however, Roper Pond failed to meet the essential element of being the prevailing party. The Supreme Court did not affirm the lower court opinions, instead concluding that because Roper Pond had proceeded with and completed the

**Note 6 Contingency (Continued)**

challenged construction during the pendency of the appeal, the case was moot because it was “impossible for this Court to grant any redress in the context of the issues framed and litigated below.” The Town’s response asserted that Roper Pond failed to show that it was the prevailing party or that the case was frivolous, brought solely for the purpose of delay, or brought without substantial justification. The inquiry of frivolity turns on whether the attorney had a reasonable basis for filing the case, which raises the question of what a reasonable attorney in the same situation would do. In support of these arguments, counsel for the Town attached the affidavits of three attorneys who were consulted prior to filing the case, while the case was pending in the Court of Appeals and after the final decision from the Supreme Court. The affidavits all opined that the Town acted with substantial justification in pursuing this case, and that the Town has a reasonable basis in fact and law for pressing their claims against Roper Pond and SCDHEC. No decision has been made on this motion to date. The amount of costs or damages, if any, that may result from the settlement of this case, cannot presently be determined.

**Note 7 Subsequent Events**

Management evaluated the effects subsequent events would have on the financial statements through the date of the auditors' report, which is the date the financial statements were available for issuance.

TOWN OF ARCADIA LAKES, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
State Aid	\$ 18,500	\$ 20,976	\$ 2,476
Local Option Sales Tax	100,400	103,512	3,112
Interest	3,050	1,696	(1,354)
Business Licenses and Building Permits	15,000	18,756	3,756
Franchise License Fees	62,000	63,590	1,590
MASC Tax	64,000	64,103	103
Miscellaneous	-	105	105
<b>Total Revenues</b>	<u>262,950</u>	<u>272,738</u>	<u>9,788</u>
<b>Expenditures - General Government</b>			
Advertising	200	153	47
Association Dues	500	300	200
Accounting and Audit	8,000	6,250	1,750
Legal	10,000	12,096	(2,096)
Automobile	2,800	2,800	-
Building Inspections	2,000	2,740	(740)
Equipment Repairs	2,000	1,885	115
Clerk's Salary	20,800	20,800	-
Clerk's and Bookkeeper's Bonuses	750	750	-
Contingency and Miscellaneous	44,000	7,666	36,334
Council Compensation	14,500	15,200	(700)
Election	700	-	700
Payroll Taxes	3,000	2,938	62
Insurance	10,000	5,269	4,731
Seminars, Meetings, and Planning	5,000	725	4,275
Memorials and Gifts	200	-	200
Office Supplies, Postage, and Printing	4,000	5,560	(1,560)
Part-Time Bookkeeper	6,000	8,812	(2,812)
Project Beautification and Signs	2,000	843	1,157
Solid Waste Management Services	80,500	126,444	(45,944)
NPDES	2,000	-	2,000
Utilities, Rent, and Other Town Hall Expenses	19,000	17,735	1,265
Town Manager	12,500	-	12,500
Law Enforcement	12,500	13,580	(1,080)
<b>Total Expenditures - General Government</b>	<u>262,950</u>	<u>252,546</u>	<u>10,404</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>20,192</u>	<u>20,192</u>
<b>Fund Balance, January 1, 2014</b>		<u>1,039,011</u>	
<b>Fund Balance, December 31, 2014</b>		<u><u>1,059,203</u></u>	

**TOWN OF ARCADIA LAKES, SOUTH CAROLINA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Hospitality Tax	\$ 24,500	\$ 26,202	\$ 1,702
<b>Total Revenues</b>	24,500	26,202	1,702
<b>Expenditures</b>			
Annual Picnic and Other Social Events	3,900	3,834	66
Street Maintenance and Litter Pick Up	3,500	2,754	746
Office Supplies, Postage, and Printing	-	215	(215)
Project Beautification and Signs	2,600	3,220	(620)
Street Lights	14,500	16,656	(2,156)
<b>Total Expenditures</b>	24,500	26,679	(2,179)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	(477)	(477)
<b>Fund Balance, January 1, 2014</b>		19,938	
<b>Fund Balance, December 31, 2014</b>		19,461	