

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

*TOWN OF SPRINGDALE,
SOUTH CAROLINA*

June 30, 2014

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June 30, 2014

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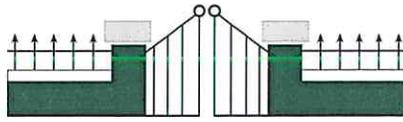
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council of
Town of Springdale, South Carolina

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Springdale, South Carolina (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Town's 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Springdale, South Carolina, as of June 30, 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 4 through 7 and page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. Schedule I through Schedule III, as defined in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule I through Schedule III, as defined in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule I through Schedule III, as defined in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Columbia, South Carolina
December 18, 2014

The Holtz Group, P.A.

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

As management of the Town of Springdale, South Carolina (the "Town"), 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 June 30, 2014. The Management's Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, providing an overview of the Town's financial activity and identifying changes in the Town's financial condition, material deviations from financial budget and individual fund issues and concerns.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$824,717 (net position).
- The government's total net position increased by \$309,312 during the fiscal year ended June 30, 2014.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,299,158, an increase of \$316,241 in comparison with the prior year. Approximately 82% of this total amount, \$1,064,867, is available for spending at the government's discretion (unassigned fund balances).
- The Town's long-term debt balances excluding accrued interest and compensated absences at June 30, 2014 was \$1,001,840, a decrease of \$83,007 from the prior year.

Condensed Financial Statement Information & Overview

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 comprise 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 in addition to the basic financial statements themselves.

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 a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported 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., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the Town report governmental activities which are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town include general government administration, public safety and law enforcement, public works, tourism promotion, interest and other charges.

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds as opposed to enterprise 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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town's only major governmental fund is the general fund. All other funds maintained by the Town, including the accommodations tax fund, police and drug seizure fund, and victim's assistance fund, are considered non-major. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the non-major governmental funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$824,717 as of June 30, 2014.

The portion of net position invested in capital assets net of related debt represents the majority of total net position. The Town uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Position

	Total	
	Governmental Activities	
	2014	2013
Total Current Assets	\$ 1,350,664	\$ 1,040,562
Capital assets, net	546,182	636,774
TOTAL ASSETS	\$ 1,896,846	\$ 1,677,336
Current Liabilities	\$ 178,239	\$ 170,184
Noncurrent Liabilities	893,890	991,747
Total Liabilities	1,072,129	1,161,931
Net investment in capital assets	420,585	512,460
Restricted	153,459	140,743
Unrestricted	250,673	(137,798)
Total Net Position	824,717	515,405
TOTAL LIABILITIES AND NET POSITION	\$ 1,896,846	\$ 1,677,336

Governmental Activities: The Town's net position increased by \$309,312 because revenues for the current fiscal year from governmental activities were \$1,556,096 while expenses were \$1,246,784. As shown in the table below, compared to the prior year, revenues increased \$139,548 from last year, and expenses declined by \$130,558.

Statement of Activities

	Total	
	Governmental Activities	
	2014	2013
Program revenues	\$ 55,900	\$ 75,105
General revenues	1,500,196	1,341,443
Total Revenues	1,556,096	1,416,548
 Expenditures	 1,246,784	 1,377,342
CHANGE IN NET POSITION	\$ 309,312	\$ 39,206

Analysis of Overall Financial Position and Budget to Actual Comparison

The fiscal year 2014 budget included no millage increase. Below are some highlights from the budget to actual comparison.

Actual general fund revenues for 2014 were \$1,536,504 which is \$214,848 higher than the \$1,321,656 that was initially budgeted for fiscal year 2014. The reason for the increase is due primarily to two reasons: the SCE&G franchise fee was raised from 3% to 5%, and business license and building permit revenue increased due to increased economic activity. Fines and forfeitures was the only area where actual revenues were significantly less than budgeted revenues. Fines and forfeitures were \$18,766 less than budgeted which is a 31% variance. Despite this shortfall, overall revenues were strong in fiscal year 2014.

Actual general fund expenditures were less than the budgeted expenditures for fiscal year 2014. The budgeted expenditure amount was \$1,321,656 and the actual expenditures were \$1,261,215. This is a difference of \$60,441. All departments and functions were under budget in 2014 with the exception of the Police Department which was over budget by approximately 1.5%. Additionally, \$33,336 of unbudgeted capital outlay was completed in fiscal year 2014.

Higher than anticipated revenues combined with lower than anticipated expenditures has placed the Town in a healthy fiscal position.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2014, was \$546,182 (net of accumulated depreciation), a decrease of \$90,592 from the prior year end. Following is a summary of capital assets and for more information see Note D in the notes to the financial statements.

Town of Springdale, South Carolina Capital Assets (net of depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 30,000	\$ 30,000
Buildings and land improvements	210,214	220,524
Vehicles	218,779	271,735
Equipment and furnishings	87,189	114,515
	\$ 546,182	\$ 636,774

The Town completed one capital asset purchase during 2014: a 2014 Dodge Charger for the Police Department. Additionally, the Town received \$4,173 in proceeds from the sale of fully depreciated capital assets during 2014.

Debt Administration. At the end of the current fiscal year, the Town had total debt outstanding of \$1,001,840. Of this amount, \$125,597 comprises debt backed by the full faith and credit of the government. The remainder \$876,243 is revenue bonds for sewer lines owned by the City of Cayce. The Town’s total debt decreased \$83,007 during 2014. See Notes E and F in the notes to the financial statements for more information.

Town of Springdale, South Carolina Outstanding Debt
General Obligation and Revenue Bonds and Capital Lease Obligations

	Governmental Activities	
	2014	2013
Installment purchase	\$ 125,597	\$ 124,314
State revolving fund loans	876,243	960,533
	\$ 1,001,840	\$ 1,084,847

Economic Issues

Fiscal year 2015 will be a bellwether year for determining the fiscal path that the Town of Springdale will take for the next several decades. Town personnel will attempt to annex a large residential and commercial area into the Town. If this annexation is successful, there will be dramatic changes to revenues and expenditures. Revenues will increase by 25% while the size and nature of the area to be annexed will lend itself well to efficient service delivery with very little burden. The increased funding will provide opportunities to begin new capital improvements and long delayed priority projects such as the sewer project phase II that requires substantial capital investment.

Requests for Information

This financial report is designed to provide a general overview of the Town of Springdale, South Carolina’s finances for all those with an 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 Joe Boyes, Town Administrator, 2915 Platt Springs Rd., Springdale, South Carolina 29170.

AUDITED FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
TOWN OF SPRINGDALE, SOUTH CAROLINA
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,213,864
Receivables	55,968
Prepaid expenses	80,832
Total Current Assets	<u>1,350,664</u>
Noncurrent Assets	
Capital assets, net	546,182
TOTAL ASSETS	<u>\$ 1,896,846</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 34,573
Accrued salaries and payroll withholdings	14,783
Customer deposits	2,150
Accrued interest	3,843
Current maturities of long-term debt	122,890
Total Current Liabilities	<u>178,239</u>
Noncurrent Liabilities	
Compensated absences	14,940
Notes payable	88,909
South Carolina Water Quality Revolving Fund bond payable	790,041
Total Liabilities	<u>1,072,129</u>
Net Position	
Net investment in capital assets	420,585
Restricted for:	
Debt service	52,599
Tourism promotion	34,716
Public safety and law enforcement	12,317
Victim's services	53,827
Unrestricted	250,673
Total Net Position	<u>824,717</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,896,846</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES
TOWN OF SPRINGDALE, SOUTH CAROLINA
For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue & Changes in Net Position</u>
Governmental Activities					
General government	\$ 455,486	\$ 3,114	\$ 1,490		\$ (450,882)
Public safety and law enforcement	566,407	51,296			(515,111)
Public works	201,743				(201,743)
Interest on long-term debt	23,148				(23,148)
Total Governmental Activities	<u>\$ 1,246,784</u>	<u>\$ 54,410</u>	<u>\$ 1,490</u>	<u>\$ 0</u>	<u>(1,190,884)</u>
		General Revenues			
		Taxes:			
		Property taxes		616,184	
		Accommodations tax		32,458	
		Licenses, Permits and Fees:			
		Franchise fees		288,239	
		Business licenses		436,192	
		Homestead exemption		45,871	
		Merchant's inventory program		1,023	
		Local government fund		57,200	
		Gain on disposition of assets		4,173	
		Interest income		506	
		Other		18,350	
			Total General Revenues	<u>1,500,196</u>	
			Change in Net Position	309,312	
		Net Position at Beginning of Year		<u>515,405</u>	
			Net Position at End of Year	<u>\$ 824,717</u>	

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS
TOWN OF SPRINGDALE, SOUTH CAROLINA
June 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,121,218	\$ 92,646	\$ 1,213,864
Receivables	48,031	7,937	55,968
Due from other funds	1,104	1,381	2,485
Prepaid expenses	80,832		80,832
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,251,185</u>	<u>\$ 101,964</u>	<u>\$ 1,353,149</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 34,573		\$ 34,573
Accrued salaries and payroll withholdings	14,783		14,783
Customer deposits	2,150		2,150
Due to other funds	1,381	\$ 1,104	2,485
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	52,887	1,104	53,991
Fund Balances			
Nonspendable	80,832		80,832
Restricted			
Debt service	52,599		52,599
Tourism promotion		34,716	34,716
Public safety and law enforcement		12,317	12,317
Victim's services		53,827	53,827
Unassigned	1,064,867		1,064,867
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	1,198,298	100,860	1,299,158
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,251,185</u>	<u>\$ 101,964</u>	<u>\$ 1,353,149</u>

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 TOWN OF SPRINGDALE, SOUTH CAROLINA
 June 30, 2014

Total Fund Balances of the Governmental Funds \$ 1,299,158

Amounts reported for governmental activities in the Statement of
 Net Position are different because:

Capital assets, net of depreciation, are not current financial resources
 and are not included in the governmental funds. 546,182

Long-term liabilities are not due and payable in the current period
 and, therefore, are not reported in the governmental funds.

Long-term liabilities at year end consist of the following:

Compensated absences	(14,940)
Accrued interest	(3,843)
Bond and notes payable	(1,001,840)
	(1,001,840)

Total Net Position of the Governmental Activities \$ 824,717

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 TOWN OF SPRINGDALE, SOUTH CAROLINA
 For the Year Ended June 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 616,184		\$ 616,184
Intergovernmental revenue	129,467	\$ 7,085	136,552
Grants	1,490		1,490
Licenses, permits and fees	724,431		724,431
Charges for services	3,114		3,114
Fines, fees and forfeitures	43,014	8,282	51,296
Interest Income	454	52	506
Other revenue	18,350		18,350
Total Revenues	<u>1,536,504</u>	<u>15,419</u>	<u>1,551,923</u>
Expenditures			
General government administration	303,660		303,660
Town council	47,634		47,634
Buildings and grounds	44,569		44,569
Public safety and law enforcement	506,545	3,640	510,185
Administration of justice	16,864		16,864
Public works	176,763		176,763
Debt Service			
Principal	108,007		108,007
Interest	23,837		23,837
Capital Outlay	33,336		33,336
Total Expenditures	<u>1,261,215</u>	<u>3,640</u>	<u>1,264,855</u>
Excess of Revenues Over Expenditures	275,289	11,779	287,068
Other Financing Sources			
Proceeds from debt issuance	25,000		25,000
Sale of capital assets	4,173		4,173
Total Other Financing Sources	<u>29,173</u>	<u>0</u>	<u>29,173</u>
Net Change in Fund Balances	304,462	11,779	316,241
Fund Balances at Beginning of Year	<u>893,836</u>	<u>89,081</u>	<u>982,917</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,198,298</u>	<u>\$ 100,860</u>	<u>\$ 1,299,158</u>

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
TOWN OF SPRINGDALE, SOUTH CAROLINA
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 316,241

Amounts reported for governmental activities in the Statement of Activities differs from the amounts in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:

Cost of capitalized assets	33,336
Depreciation expense	(123,928)
	(90,592)

Cash proceeds from the sale or disposition of assets are reported in the governmental funds as revenue. However, in the Statement of Activities the gain or loss on disposition is reported. This activity is reconciled as follows:

Cash received for disposal	(4,173)
Gain on disposition	4,173
	0

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This activity is reconciled as follows:

Proceeds from debt issuance	(25,000)
Principal repayments	108,007
	83,007

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore are not reported as expenditures in governmental funds. This activity is reconciled as follows:

Current year change in compensated absences	(33)
Current year change in accrued interest	689
	656

Change in Net Position of Governmental Activities \$ 309,312

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA
June 30, 2014

The Town of Springdale, South Carolina (the “Town”) is a municipal corporation of the State of South Carolina, located in Lexington County, and as such possesses all of the general powers granted by the Constitution and laws of South Carolina to municipal corporations. The Town operates under the Council form of government. The Town Council is comprised of seven members, one of whom is the Mayor. The Council is the legislative body of the Town and has the major responsibility of determining the policies and direction of the municipal government. The Town Administrator is appointed by Council, and serves as the chief administrative officer of the Town. As such, the Town Administrator administers the daily operations of the Town through appointed department heads.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Town in the accompanying basic financial statements conform in all material respects to accounting principles generally accepted in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following significant accounting policies were applied in the preparation of the accompanying basic financial statements:

Basis of Accounting and Measurement Focus: The accounts of the Town are organized on the basis of governmental funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Town’s Government-Wide Financial Statements include a statement of net position and a statement of activities (including changes in net position). These statements present summaries of Governmental Activities for the Town.

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets and liabilities, including capital assets and long-term debt, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Town are reported as either charges for services, operating grants and contributions, or capital grants and contributions. Charges for services include revenues received for charges to recipients for goods or services provided by the program. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to net position presented in the Government-Wide Financial Statements. The Town has presented all major funds that met the qualifications of GASB Statement No. 34.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due.

The Town reports the following major governmental funds:

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

Net Position and Fund Balance Classifications: Effective for the fiscal year ended June 30, 2013, the Town adopted *GASB Statement No. 63, Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*. Among other things, GASB 63 amends net assets reporting requirements by incorporating deferred inflows and outflows of resources into the definition of the required components presented in a statement of financial position, with the residual measure identified as net position.

The Town has incorporated the term “net position” from GASB 63 into these statements but has determined that no amounts were required to be reclassified or otherwise recognized as deferred inflows or outflows of resources for the year ended June 30, 2014.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In the Government-Wide financial statements, the difference between the Town's total assets and liabilities represent net position. Net position for the governmental fund types are reported in three classifications, as follows:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Result when constraints placed on the use of assets reduced by liabilities and deferred inflows of resources related to those assets are either externally imposed by creditors, grantors, contributors, and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of the net amount of the net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Town applies expenses that can be used both for restricted and unrestricted resources against restricted resources first.

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their appropriate classification. The Town reports the following classifications:

Nonspendable Fund Balance: Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance: Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town Council, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purposes unless the Town Council removes the specified use by taking the same type of action imposing the commitment.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assigned Fund Balance: Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance: Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Reconciliation of Government-Wide and Fund Financial Statements: Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position – Following the governmental fund balance sheet is a reconciliation between *fund balances - total governmental funds and net position of governmental activities* as reported in the government-wide statement of net position. The details of these differences are explained in the above referenced financial statement.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities – Following the governmental fund statements of revenues, expenditures, and change in fund balances, there is a reconciliation between *net changes in fund balances – total governmental funds and change in net position of governmental activities* as reported in the government-wide statement of activities. The details of these differences are explained in the above referenced financial statement.

Budgets: An annual operating budget is adopted for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles. The budget is adopted and amended, as considered necessary, by approval from the Town Council.

Cash and Cash Equivalents: Cash and cash equivalents include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables: During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due from and to other funds”. Short-term interfund loans are reported as “interfund receivables and payables”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Receivables: In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, franchise fees, and intergovernmental revenues.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as local option sales tax, property taxes, franchise fees, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis but not deferred in the government-wide financial statements in accordance with the accrual basis. In instances in which

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

differences between the use of the full accrual method and the modified accrual method (i.e. 60 day rule) of revenue recognition is not considered to be material the Town utilizes the modified-accrual basis for both government-wide and governmental fund financial reporting where both are reasonably expected to result in similar results.

Prepaid Items: Prepaid items consist of a long-term debt payment paid in advance and fees paid to the City of Cayce for sewer taps not yet purchased by Town residents.

Capital Assets: Capital assets include equipment and furnishings, land, buildings and improvements, and vehicles. Capital assets are defined by the Town as those assets with an initial, individual cost of more than \$500 and an estimated useful life of two years or more. All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical costs are not available. Donated fixed assets are valued at their estimated fair value on the date donated. Unless repair and maintenance cost (1) adds value to or (2) materially extends the life of an asset, it is expensed. Public domain (rights-of-way and easements), if booked, are capitalized using estimated historical or depreciable cost. Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets using the straight line method with service lives as follows:

Buildings and improvements	15-40 years
Equipment and furnishings	5-15 years
Vehicles	5-15 years

Compensated Absences: The Town allows employees to earn five to thirty days of annual vacation leave depending on length of service. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

Long-Term Debt: All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements. The long-term debt consists of a bond payable and note payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Items Previously Reported as Assets and Liabilities: The Town has adopted for fiscal year end June 30, 2014, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities. The Town has determined that no amounts were required to be reclassified as a result of its adoption of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments - Law and Regulations: In accordance with South Carolina State law the Town is authorized to invest in the following types of investments:

- a) Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged.
- b) General obligations of the State of South Carolina or any of its political units.
- c) Savings and loan associations to the extent they are secured by the Federal Deposit Insurance Corporation.
- d) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, with a market value not less than the amount of the certificate of deposit so secured, including interest.

Property Taxes: Real property and all personal property taxes, other than automobile property taxes, attach as an enforceable lien on January 1st of each year. Real property taxes are levied in September of each year and are payable before January 15th of the subsequent year.

In the fund financial statements, property taxes are recorded as revenue in the period they are levied and become due and available within the current period or expected to be collected soon enough thereafter, within 60 days of each year end, to be used to pay liabilities of the current period. Additional amounts due to be collected after the 60 day period are considered immaterial in total and no additional accrual in the government-wide financial statements is recorded.

General Obligation Debt: The State of South Carolina limits the amount of outstanding general obligation bonded debt of the Town for non-utility or non-street purposes to no more than eight percent of net assessed property valuation. For the year ended June 30, 2014, the Town had no outstanding general obligation debt.

Deficit Prohibition: South Carolina State Law prohibits the creation of a deficit fund balance in any individual fund of the Town's primary government.

Subsequent Events: Subsequent events have been evaluated through December 18, 2014, which represents the date the financial statements were available to be issued.

NOTES TO THE BASIC FINANCIAL STATEMENTS
 TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE B -- DEPOSITS AND INVESTMENTS

Deposits: Statutes authorize the Town to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool.

For deposits, custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy regarding custodial credit risk for deposits.

As of June 30, 2014, the Town's cash deposits were as follows:

	Carrying Amount	Bank Balance
Demand Deposits	\$ 1,078,237	\$ 1,091,158

Of the Town's bank balance, \$302,599 was covered by federal depository insurance, \$753,548 was collateralized by securities held by the pledging financial institution's trust department or agent in the Town's name, and the remaining bank balance of \$35,011 was uninsured.

Investments: The Town invests funds in accordance with South Carolina law applicable to local government deposits and investments. As of June 30, 2014, the Town maintained \$135,627 in the South Carolina Local Government Investment Pool (the "Pool"). The Pool's funds are invested with the South Carolina State Treasurer's Office, which established 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, which are under the custody of any town treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. As of June 30, 2014, the Town's account balance held with the Pool consisted of cash equivalents.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The Town has no policy regarding interest rate risk for investments. Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town does not have a policy limiting percentages of investment maturities held.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Town does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the Town is not exposed to this risk.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE C -- RECEIVABLES

Receivables at June 30, 2014 consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Licenses, permits and fees	\$ 18,710		\$ 18,710
Intergovernmental	12,545	\$ 7,937	20,482
Property taxes	14,651		14,651
Other	2,125		2,125
	<u>\$ 48,031</u>	<u>\$ 7,937</u>	<u>\$ 55,968</u>

NOTE D -- CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 30,000			\$ 30,000
<i>Total Capital Assets Not Being Depreciated</i>	30,000	\$ 0	\$ 0	30,000
<u>Capital Assets Being Depreciated:</u>				
Buildings and land improvements	386,584	1,235		387,819
Vehicles	658,885	26,989	44,182	641,692
Equipment and furnishings	411,903	5,112		417,015
<i>Total Capital Assets Being Depreciated</i>	1,457,372	33,336	44,182	1,446,526
Less Accumulated Depreciation For:				
Buildings and land improvements	166,060	11,545		177,605
Vehicles	387,150	79,945	44,182	422,913
Equipment and furnishings	297,388	32,438		329,826
<i>Total Accumulated Depreciation</i>	850,598	123,928	44,182	930,344
<i>Total Capital Assets Being Depreciated, Net</i>	606,774	(90,592)	0	516,182
Governmental Activities Capital Assets, Net	<u>\$ 636,774</u>	<u>\$ (90,592)</u>	<u>\$ 0</u>	<u>\$ 546,182</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE D -- CAPITAL ASSETS - Continued

Depreciation expense is charged to the following activities:

General government	\$	59,590
Public safety		39,358
Public works		24,980
	\$	<u>123,928</u>

NOTE E -- NOTES PAYABLE

The following comprises the Town's notes payable as of June 30, 2014:

Note payable to a financial institution is secured by a vehicle, payable in annual installments of \$26,650 including interest at the rate of 2.36% per year. Final maturity is scheduled for August 2017. \$ 100,597

Note payable to a financial institution is secured by a vehicle, payable in annual installments of \$12,767 including interest at the rate of 1.42% per year. Final maturity is scheduled for October 2015. 25,000
\$ 125,597

The following is a summary of notes payable transactions for the year ended June 30, 2014:

Balance at July 1, 2013	\$	124,314
Plus new debt issuances		25,000
Less debt retired		23,717
Balance at June 30, 2014	\$	<u>125,597</u>

The annual debt-service requirements to amortize the outstanding notes payable as of June 30, 2014, including interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 36,688	\$ 2,729	\$ 39,417
2016	37,437	1,980	39,417
2017	25,436	1,214	26,650
2018	26,036	614	26,650
	<u>\$ 125,597</u>	<u>\$ 6,537</u>	<u>\$ 132,134</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
 TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE F -- SOUTH CAROLINA WATER QUALITY REVOLVING FUND BOND PAYABLE

The Town has issued a South Carolina Water Quality Revolving Fund bond to finance upgrades to the sewer system which serves the Town. The bond outstanding at June 30, 2014 is as follows:

\$1,605,115 South Carolina Water Quality Revolving Fund bond payable in quarterly installments of \$26,298 including interest at the rate of 2.25% per year. Final maturity is scheduled for September 2023. \$ 876,243

The following is a summary of bond transactions for the year ended June 30, 2014:

Balance at July 1, 2013	\$	960,533
Plus new debt issuances		0
Less debt retired		84,290
Balance at June 30, 2014	\$	876,243

The annual debt-service requirements to amortize the outstanding South Carolina Water Quality Revolving Fund bond as of June 30, 2014, including interest payments, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 86,202	\$ 18,992	\$ 105,194
2016	88,158	17,036	105,194
2017	90,158	15,036	105,194
2018	92,204	12,990	105,194
2019	94,296	10,898	105,194
2020-2024	425,225	21,849	447,074
	\$ 876,243	\$ 96,801	\$ 973,044

NOTE G -- PENSION PLANS

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members.

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE G -- PENSION PLANS - Continued

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during twelve consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during twenty consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of fifteen years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least five years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE G -- PENSION PLANS - Continued

the TERI period, they do not earn service credit, and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death benefit program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The Town's actual contributions to the SCRS for the years ended June 30, 2014, 2013, and 2012 were \$25,513, \$28,170, and \$22,280, respectively, and equaled the base required retirement contribution rate, excluding retiree insurance surcharge and incidental death benefit program contributions, of 10.45% for 2014, 10.45% for 2013, and 9.385% for 2012. Also, the Town paid employer incidental death benefit program contributions of \$366, \$404, and \$356, at the rate of .15% of compensation for the current fiscal years ended June 30, 2014, 2013, and 2012 respectively.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement plan. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during twelve consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during twenty consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 17.76%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .20% for the incidental death benefit program, .20% for the accidental death program, and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The Town's actual contributions to the PORS for the years ended June 30, 2014, 2013, and 2012 were \$37,623, \$39,689, and \$35,973, respectively, and equaled the base

NOTES TO THE BASIC FINANCIAL STATEMENTS
TOWN OF SPRINGDALE, SOUTH CAROLINA

NOTE G -- PENSION PLANS - Continued

requirement contribution rate, excluding surcharge and death program contributions, of 12.44% for 2014, 11.90% for 2013, and 11.363% for 2012. The Town also paid employer incidental death benefit program contributions of \$605, \$667, and \$633, at the rate of .20% of compensation for the fiscal years ended June 30, 2014, 2013, and 2012 respectively. In addition, the Town paid accidental death program contributions of \$605, \$667, and \$633, at the rate of .20% of compensation for the fiscal years ended June 30, 2014, 2013, and 2012 respectively.

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws 1976, as amended, prescribes requirements related to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the Town's liability under the plans is limited to the amount of contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the Town recognizes no contingent liability for unfunded costs associated with participation in the Plans.

NOTE H -- RISK MANAGEMENT AND CONTINGENCIES

The Town is exposed to various risks of losses related to torts; thefts of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Town manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims the Town considers all events that might give rise to possible claims both reported and unreported.

In the normal course of operations, the Town participates in various federal and state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
TOWN OF SPRINGDALE, SOUTH CAROLINA
For the Year Ended June 30, 2014

	Budgeted Amounts Original & Final	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 628,300	\$ 616,184	\$ (12,116)
Intergovernmental revenue	132,800	129,467	(3,333)
Grants	2,020	1,490	(530)
Licenses, permits and fees	491,056	724,431	233,375
Charges for services	2,000	3,114	1,114
Fines, fees and forfeitures	61,780	43,014	(18,766)
Interest Income	900	454	(446)
Other revenue	2,800	18,350	15,550
Total Revenues	<u>1,321,656</u>	<u>1,536,504</u>	<u>214,848</u>
Expenditures			
General government administration	349,110	303,660	45,450
Town council	62,155	47,634	14,521
Buildings and grounds	59,712	44,569	15,143
Public safety and law enforcement	499,348	506,545	(7,197)
Administration of justice	19,107	16,864	2,243
Public works	193,718	176,763	16,955
Debt service			
Principal	114,572	108,007	6,565
Interest	23,934	23,837	97
Capital outlay	0	33,336	(33,336)
Total Expenditures	<u>1,321,656</u>	<u>1,261,215</u>	<u>60,441</u>
Other Financing Sources			
Proceeds from debt issuance	0	25,000	25,000
Sale of capital assets	0	4,173	4,173
Total Financing Sources	<u>0</u>	<u>29,173</u>	<u>29,173</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>304,462</u>	<u>\$ 304,462</u>
Fund Balance at Beginning of Year		<u>893,836</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 1,198,298</u>	

See accompanying note to required supplemental information.

NOTES TO BUDGETARY COMPARISON SCHEDULE
TOWN OF SPRINGDALE, SOUTH CAROLINA
June 30, 2014

The Town adopts an annual legal budget, which covers the General Fund. The budget for the General Fund is prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. Any revisions that alter total expenditures of the General Fund must be approved by the Town Council.

The Budgetary Comparison Schedule included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. The fund utilizes the same basis of accounting for both budgetary purposes and actual results.

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE I - COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
TOWN OF SPRINGDALE, SOUTH CAROLINA
June 30, 2014

	Special Revenue Funds			Total Non-Major Governmental Funds
	Accommodations Tax Fund	Police and Drug Seizure Fund	Victim's Assistance Fund	
ASSETS				
Cash and cash equivalents	\$ 27,446	\$ 11,777	\$ 53,423	\$ 92,646
Receivables	7,937			7,937
Due from other funds		574	807	1,381
TOTAL ASSETS	\$ 35,383	\$ 12,351	\$ 54,230	\$ 101,964
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 667	\$ 34	\$ 403	\$ 1,104
Total Liabilities	667	34	403	1,104
Fund Balances				
Restricted	34,716	12,317	53,827	100,860
Total Fund Balances	34,716	12,317	53,827	100,860
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,383	\$ 12,351	\$ 54,230	\$ 101,964

SCHEDULE II - COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

TOWN OF SPRINGDALE, SOUTH CAROLINA

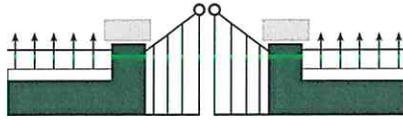
For the Year Ended June 30, 2014

	Special Revenue Funds			Total Non-Major Governmental Funds
	Accommodations Tax Fund	Police and Drug Seizure Fund	Victim's Assistance Fund	
Revenues				
Intergovernmental revenue	\$ 7,085			\$ 7,085
Fines, fees and forfeitures		\$ 1,943	\$ 6,339	8,282
Interest Income	20	6	26	52
Total Revenues	7,105	1,949	6,365	15,419
Expenditures				
Public safety and law enforcement		3,340	300	3,640
Total Expenditures	0	3,340	300	3,640
Net Change in Fund Balances	7,105	(1,391)	6,065	11,779
Fund Balances at Beginning of Year	27,611	13,708	47,762	89,081
FUND BALANCES AT END OF YEAR	\$ 34,716	\$ 12,317	\$ 53,827	\$ 100,860

SCHEDULE III - SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES AND
 CHANGES IN FUND BALANCE - VICTIM'S ASSISTANCE FUND
 TOWN OF SPRINGDALE, SOUTH CAROLINA
 For the Year Ended June 30, 2014

Court Fines		
Total fines collected		\$ 44,149
Court fines retained by Town		44,149
	Court Fines Remitted To State Treasurer	<u>\$ 0</u>
Court Assessments		
Total assessments collected		\$ 49,982
Court assessments retained by Town		5,415
	Total Assessments Remitted To State Treasurer	<u>\$ 44,567</u>
Court Surcharges		
Total surcharges collected		\$ 23,965
Court surcharges retained by Town		924
	Total Surcharges Remitted To State Treasurer	<u>\$ 23,041</u>
Victims Services		
Court assessments allocated to Victims Services		\$ 5,415
Court surcharges allocated to Victims Services		924
Funds allocated to Victims Services		<u>6,339</u>
Funds available from 2013 carry forward		47,762
Interest income		26
Victims services expenditures		<u>(300)</u>
	Funds Available for Carry Forward	<u>\$ 53,827</u>

GOVERNMENTAL AUDITING REPORT



TheHobbsGroup

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

To the Honorable Mayor and Town Council of
Town of Springdale, South Carolina

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Springdale, South Carolina (the "Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 18, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Columbia, South Carolina
December 18, 2014

The Hall Group, P.A.