

TOWN OF CLOVER, SOUTH CAROLINA

Independent Auditors' Report,
Basic Financial Statements
And Supplementary Information

As of and For the Fiscal Year Ended
June 30, 2010

ISSUED BY:

TOWN OF CLOVER

Management and Finance Departments

**Allison Harvey
Town Administrator**

**Hilda Hopper
Town Treasurer**

TOWN OF CLOVER, SOUTH CAROLINA
**Independent Auditors' Report,
 Basic Financial Statements
 And Supplementary Information**
 June 30, 2010

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT	1 - 2
 <u>Section</u>	
1. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	3 - 10
2. FINANCIAL STATEMENTS	
Exhibits:	
1 Statement of Net Assets	11 - 12
2 Statement of Activities	13 - 14
3 Balance Sheet – Governmental Funds.....	15
4 Reconciliation of Governmental Funds Balance Sheet to Government-Wide Statement of Net Assets.....	16
5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Government-Wide Statement of Activities.....	18
7 Statement of Net Assets – Proprietary Fund – Water and Sewer Fund.....	19
8 Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund – Water and Sewer Fund.....	20
9 Statement of Cash Flows – Proprietary Fund – Water and Sewer Fund	21
Notes to Financial Statements	22 - 39
3. REQUIRED SUPPLEMENTARY INFORMATION	
Schedule:	
A-1 Budgetary Comparison Schedule – General Fund.....	40 - 48
A-2 Budgetary Comparison Schedule – Enterprise Fund	49 - 52
Notes to Budgetary Comparison Schedules	53

TOWN OF CLOVER, SOUTH CAROLINA
**Independent Auditors' Report,
 Basic Financial Statements
 And Supplementary Information**
 June 30, 2010

TABLE OF CONTENTS

<u>Section</u>	<u>Page No.</u>
4. OTHER SUPPLEMENTARY INFORMATION	
Schedules:	
B-1 Balance Sheet – Special Revenue Funds	54
B-2 Schedule of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds.....	55 - 56
B-3 Balance Sheet – Capital Projects Fund	57
B-4 Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds.....	58
B-5 Enterprise Fund – Annual Net Earnings	59
B-6 Water and Sewer System Customer Information	60
B-7 Water and Sewer Rates.....	61 - 63
B-8 Hospitality Fund	64
B-9 Schedule of Fines, Assessments and Surcharges – General Fund.....	65
Notes to Other Supplementary Information	66
5. 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	67 - 68
SCHEDULE OF FINDINGS AND RESPONSES	69 - 70

FAULKNER AND THOMPSON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. FAULKNER
T. DALE THOMPSON

226 NORTHPARK DRIVE, SUITE 110
POST OFFICE BOX 2456
ROCK HILL, SOUTH CAROLINA 29732
TELEPHONE: 803-324-3160
FACSIMILE: 803-324-2767

NORTH CAROLINA OFFICE:
10800 SIKES PLACE, SUITE 300
CHARLOTTE, NORTH CAROLINA 28277

CERTIFIED IN S.C. AND N.C.

TELEPHONE: 704-541-6180

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council
The Town of Clover
Clover, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clover, South Carolina (the *Town*) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clover's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clover, South Carolina, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the Town of Clover, South Carolina'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 through 10 and 40 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clover's financial statements as a whole. The combining and individual nonmajor fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The prior year summarized comparative information has been derived from the Town's 2009 financial statements and, in our report dated October 14, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information.

Faulkner and Thompson, P.A.

November 5, 2010

TOWN OF CLOVER, SOUTH CAROLINA

Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the Town of Clover's financial performance provides an overview of the Town's financial activities for the fiscal year ending June 30, 2010. Please review this in conjunction with the Town's financial statements.

REVIEWING THE ANNUAL REPORT

The annual report covers multiple financial statements. The Statement of Net Assets and the Statement of Activities supply data about the activities of the Town as a whole and provide thorough information regarding the Town's finances. For government activities, these statements provide long-term and short-term information about the Town's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show the Town's operations in more detail than government-wide statements, as they provide information about the Town's most important funds.

FINANCIAL HIGHLIGHTS

Due to this year's operations, the Town's net assets are as follows:

- Net assets of business-type activities were \$4,057,328 and net assets of governmental activities were \$6,185,567.
- The current year's expense total was \$3,403,704 as compared to the \$4,187,930 generated in fees and charges, grants, general revenues and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$3,794,378 as compared to the \$4,000,512 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, town revenues were \$2,350,727 and expenses were \$2,626,072.
- The annual cost of all town programs was \$6,029,776. The previous year's cost was \$6,343,172.

The Town's total Governmental Fund Balance at the end of the fiscal year totaled \$2,438,474, which is a \$148,691, or 6.5%, increase over the prior year's Fund Balance of \$2,289,783. Of this amount, \$1,487,320 is not designated or reserved for use.

THE TOWN AS A WHOLE ANALYSIS

Because the Statement of Net Assets and the Statement of Activities provide facts about the Town as a whole, the statements can help determine if a town's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the Town's net assets and any changes in those assets. However, to truly judge the condition of the Town, some non-financial factors, such as diversification of the taxpayer base or condition of the Town's infrastructure, must be considered in addition to the financial information provided in this report.

The Statement of Net Assets and the Statement of Activities divide the Town into two types of activities:

1. **Governmental activities:** The Town's basic services are accounted for in this section, including the police, fire, public works, parks departments and general administration. Charges for services, property taxes, franchise fees, and state and federal grants finance the majority of these activities.
2. **Business-type activities:** Items included in this section are services for which the Town charges a fee to help cover all or most of the cost of the service it provides. The Town's water and sewer system operations are reported here.

DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements cover detailed information about the most important funds of the Town. Certain funds are mandated by state law and by bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

- **Governmental funds:** Basic services are reported in governmental funds. This section details how money flows in and out of the funds and covers the balances left at year-end that are on hand for disbursement. Governmental funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund statements supply a detailed short-range view of general government operations and basic service. Governmental fund data allows the Town to determine the financial resources that can be spent in the long-term to finance the Town's programs.
- **Proprietary funds:** Proprietary funds are those the Town charges for services it provides, both to town units and outside customers. Proprietary funds are reported in the Statement of Net Assets and the Statement of Activities. The Town's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is necessary for a full understanding of the data provided in the accompanying financial statements.

OTHER INFORMATION

In addition to the financial statements and notes, this report contains supplementary information and details of the accompanying financial statements.

TOWN AS A WHOLE

TABLE 1 - NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
Current and Other Assets	\$ 3,150,751	\$ 3,026,512	\$ 1,017,414	\$ 1,360,330	\$ 4,168,165	\$ 4,386,842
Capital Assets	<u>4,422,305</u>	<u>3,913,332</u>	<u>8,599,394</u>	<u>8,620,524</u>	<u>13,021,699</u>	<u>12,533,856</u>
Total Assets	<u>7,573,056</u>	<u>6,939,844</u>	<u>9,616,808</u>	<u>9,980,854</u>	<u>17,189,864</u>	<u>16,920,698</u>
Long-term Debt Outstanding	520,867	611,526	5,078,892	5,407,745	5,599,759	6,019,271
Other Liabilities	<u>866,622</u>	<u>653,452</u>	<u>480,588</u>	<u>513,961</u>	<u>1,347,210</u>	<u>1,167,413</u>
Total Liabilities	<u>1,387,489</u>	<u>1,264,978</u>	<u>5,559,480</u>	<u>5,921,706</u>	<u>6,946,969</u>	<u>7,186,684</u>
Net Assets						
Invested in Capital Assets, Net of Debt	3,760,375	3,176,336	3,202,870	2,974,933	6,963,245	6,151,269
Restricted	850,655	1,072,758	669,110	863,613	1,519,765	1,936,371
Unrestricted	<u>1,574,537</u>	<u>1,425,772</u>	<u>185,348</u>	<u>220,602</u>	<u>1,759,885</u>	<u>1,646,374</u>
Total Net Assets	<u>\$ 6,185,567</u>	<u>\$ 5,674,866</u>	<u>\$ 4,057,328</u>	<u>\$ 4,059,148</u>	<u>\$ 10,242,895</u>	<u>\$ 9,734,014</u>

The Town's combined net assets from the current year are \$10,242,895 as compared to \$9,734,014 in the previous year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on net assets and Table 2 focuses on changes in net assets of the Town's governmental and business-type activities.

The Town's net assets for governmental activities were \$6,185,567 as compared to \$5,674,866 last year. Unrestricted net assets were \$1,574,537 this year as compared to \$1,425,772 last year. Unrestricted net assets are those that can be used to finance daily operations without restrictions set by legislation, debt covenants, grant agreements or other legal regulations.

The net assets of the Town's business-type activities were \$4,057,328 this year as compared to \$4,059,148 last year.

Town revenues (excluding extraordinary items) for the current year were \$6,538,657 as compared to \$6,582,719 in the previous year. The total yearly cost of all programs and services was \$6,029,776 as compared to \$6,343,172 in the previous year. See Table 2 for additional information.

TABLE 2 - CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
Revenues						
Program Revenues						
Charges for Services	\$ 1,969,470	\$ 1,877,725	\$ 2,348,033	\$ 2,324,990	\$ 4,317,503	\$ 4,202,715
Restricted Operating Grants	234,571	234,854	-	-	234,571	234,854
Restricted Capital Grants	89,536	195,423	788	252,000	90,324	447,423
General Revenue						
Property Taxes	1,756,769	1,539,973	-	-	1,756,769	1,539,973
Interest & Investment Income	11,842	19,854	1,906	5,217	13,748	25,071
Other General Revenues	125,742	132,683	-	-	125,742	132,683
Total Revenues	4,187,930	4,000,512	2,350,727	2,582,207	6,538,657	6,582,719
Expenses						
Program Expenses						
General Government	321,073	303,830	-	-	321,073	303,830
Public Safety	1,496,663	1,466,679	-	-	1,496,663	1,466,679
Public Works	885,717	1,079,638	-	-	885,717	1,079,638
Culture & Recreation	600,555	834,022	-	-	600,555	834,022
Interest on Long-Term Debt	18,737	15,968	142,947	150,656	161,684	166,624
Water & Sewer	-	-	2,483,125	2,385,935	2,483,125	2,385,935
Other Expenses	80,959	94,241	-	12,203	80,959	106,444
Total Expenses	3,403,704	3,794,378	2,626,072	2,548,794	6,029,776	6,343,172
Excess (deficiency) of revenues over expenditures	784,226	206,134	(275,345)	33,413	508,881	239,547
Transfers In/(Out)	(273,525)	(2,018)	273,525	2,018	-	-
Changes in Net Assets	510,701	204,116	(1,820)	35,431	508,881	239,547
Net Assets, Beginning of Year	5,674,866	5,470,750	4,059,148	4,023,717	9,734,014	9,494,467
Net Assets, End of Year	\$ 6,185,567	\$ 5,674,866	\$ 4,057,328	\$ 4,059,148	\$ 10,242,895	\$ 9,734,014

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were \$4,187,930 as compared to \$4,000,512 last year. The year's governmental activities cost was \$3,403,704 as compared to \$3,794,378 in the previous year.

The Town did not increase the property tax millage rate from the 110 mills established in FY 2007-2008. The Town added wastewater pretreatment fees in July 2008. Effective January 2009, landfill fees were increased from \$6.30 to \$7.30 in response to an increase by York County. In June 2009, the Town approved an amended franchise agreement with Duke Energy which increased the fee from 4% to 5%. Also, in response to an increase by the City of Gastonia, the Town approved a 4% increase to water and sewer consumption rates to be effective January 1, 2010.

General Fund revenues were \$3,936,856 which exceeded the budget's projected revenue of \$3,770,400 by \$166,456. This overage is due in large part to actual property tax and business license revenues received.

General Fund expenses totaled \$3,357,615, which were \$30,585 lower than the budgeted amount of \$3,357,615.

Table 3 details the cost of the Town’s major programs as well as each program’s net cost (total cost less revenues generated by the program). The cost indicates the financial burden that was shifted to the Town’s taxpayers by each of these programs.

TABLE 3 - GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
Police Department	\$ 1,353,211	\$ 1,325,614	\$ 1,256,740	\$ 1,314,981
Fire Department	143,452	141,065	44,958	42,005
Public Works	885,717	1,079,638	438,713	647,144
Parks & Recreation	600,555	834,022	173,719	222,657
All Others	420,769	414,039	(804,003)	(740,411)
Totals	\$ 3,403,704	\$ 3,794,378	\$ 1,110,127	\$ 1,486,376

BUSINESS – TYPE ACTIVITIES

This year’s business–type activities revenue (see Table 2) was \$2,350,727 as compared to \$2,582,207 last year which is \$231,480 less than the prior year’s. The decrease is a direct result of the recession which has impacted new home and subdivision construction (capacity fees). Also, in the prior year, the Town received two grants equaling \$252,000 combined.

This year’s expenses were \$2,626,072 as compared to \$2,548,794 in the previous year, an increase of \$77,278. A colder and wetter than normal winter increased power expenses at lift stations and sewer costs due to infiltration.

GENERAL FUND BUDGETARY STATEMENTS

The Town Council may review the budget during the year. The current year’s budget focuses on general funds, major funds and on availability of fund resources.

The Fiscal Year 2009-2010 budget was amended by the Town Council to reflect significant deviations including a shortfall in the Enterprise Fund that required a \$273,525 transfer in from the General Fund.

TOWN FUNDS

At year-end the Town reported a total governmental funds balance of \$2,438,474 as compared to \$2,289,783 in the previous year, an increase of \$148,691. These figures are primarily due to the increase in property tax and business license revenues as well as the inability to expend funds on projects prior to year-end (e.g. Irish Downs Phase 2 Subdivision bond).

CAPITAL ASSETS

TABLE 4 - CAPITAL ASSETS AT YEAR END
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	\$ 1,056,767	\$ 1,056,767	\$ 41,831	\$ 41,831	\$ 1,098,598	\$ 1,098,598
Construction in Progress	238,137	-	85,791	1,561,395	323,928	1,561,395
Equipment and Buildings	3,095,501	2,824,665	623,690	617,854	3,719,191	3,442,519
Infrastructure	31,900	31,900	7,770,976	6,399,444	7,802,876	6,431,344
Totals	\$ 4,422,305	\$ 3,913,332	\$ 8,522,288	\$ 8,620,524	\$ 12,944,593	\$ 12,533,856

At the close of the year, the Town had invested a cumulative total of \$12,944,593 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$12,533,856 was invested in similar assets last year. Table 4 shows the book value of cumulative investment of the capital assets.

The current year's capital asset additions include:

- Three replacement computers and Cemetery Management Software in Administration;
- Replacement truck for Animal Control;
- Extraction tools and two radios for Fire Department;
- Police Department obtained a new SUV, laptop computers and closed circuit television system through grants;
- Recreation Department acquired one replacement truck, two new mowers, and various other field maintenance equipment;
- Parking lot paved at Roosevelt Park, new storage building at Clover Community Park, and Community Building improvements and furniture;
- Streets and Sanitation acquired a new garbage truck, mower and street sweeper and replaced two street lights;
- Water/sewer arrow board and water line improvements in Walnut St/Valley Ave area using grant funds; and
- Manhole improvements on Main Street and sewer improvements on Highway 321 at Ridge Rd (both required because of SCDOT road improvements).

DEBT MANAGEMENT

TABLE 5 - OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
General Obligation Bonds (backed by Town)	\$ 245,000	\$ 280,000	\$ -	\$ -	\$ 245,000	\$ 280,000
Revenue Bonds and Notes (backed by specific tax and fee revenues)	-	-	5,275,000	5,580,000	5,275,000	5,580,000
Capital Leases and Other Outstanding Obligations	416,930	456,996	44,418	65,591	461,348	522,587
Totals	\$ 661,930	\$ 736,996	\$ 5,319,418	\$ 5,645,591	\$ 5,981,348	\$ 6,382,587

At the close of the year, the Town had \$5,981,348 in outstanding bonds and capital leases as compared to \$6,382,587 in the previous year (see Table 5).

The Town's total debt decreased by \$401,239, or 6.3%, during the fiscal year ending June 30, 2010.

The South Carolina State Constitution limits the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. Per York County Tax records, the total assessed value is \$15,366,101. Therefore, the current debt limitation for the Town is \$1,229,288. The Town's current debt is \$984,288 less than the limit allowed by law. The Town could issue additional general obligation debt up to this amount.

During FYE 2010, the Town entered into a lease purchase agreement with BB&T to finance the following replacement vehicles: animal control truck, recreation truck, recreation mower and dump truck. The amount of the agreement was \$112,000. During the year, the Town also completed the lease agreement with Ford Motor Company.

ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

Town public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees. The Town's Fiscal Year 2010-2011 Budget General Fund revenues were projected to decrease from this year's amended budget by \$279,500, a decrease of 7.4%.

General Fund expenses were balanced with projected revenues. Several fund balance allocations were budgeted totaling \$490,550:

- \$89,500 - Irish Downs Phase 2 Sidewalk and Street Tree Construction with funding carried over from a subdivision bond received in FY 2009-2010.
- \$50,500 – Council approved expenses including needed equipment and vehicle upgrades.
- \$97,500 – Budget planning error where staff failed to include the York County Supplement transfer to Capital Projects. Because it was not the intent to use this much fund balance, expenditures on major and new programs was suspended until such time as current year revenues will be able to cover these expenses.
- \$275,050 – To balance the expected shortfall in the Enterprise Fund.

In the Enterprise Fund, revenues were projected to increase by \$191,375, or 8.3%. The increase is attributable to the 4% rate increase adopted by Town Council that went into effect January 1, 2010, and to an expected reimbursement grant from the SC Department of Commerce for the CLAX project.

Enterprise Fund Administration and Legislative expenses were moved to the General Fund. Staff analyzed the expenses and assigned a rational percentage for each shared expense. The Enterprise Fund will reimburse the General Fund in quarterly or semi-annual payments. The budget anticipates using \$480,000 of revenue bond funds but only \$152,000 in expenses has been identified (CDBG grant match). Revenue bond proceeds will likely be used to replace water and/or sewer lines in one or more road improvement areas.

The property tax millage rate was maintained at 110 mills. Council will likely be required to consider fee and rate adjustments to cover the costs of operating the Water/Sewer utility. There were no significant changes to any other existing fees. A Capital Improvements Plan was updated during FYE 2010 and was used to guide budget allocations for FYE 2011.

General obligation debt is currently under consideration. Using the Town's Hospitality Tax to secure revenue bonds is also being discussed as an additional way to help fund the new park on Memorial Drive.

CONTACT INFORMATION

This report had been created to give our citizens, taxpayers, customers, investors and creditors a summary of town finances and to show allocation of the money it receives. If you have any questions regarding this report, or you need additional financial information, please contact:

Allison Harvey
114 Bethel Street
Clover, SC 29710

Phone: (803) 222-9495
Fax: (803) 222-6955
aharvey@cloversc.org

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF NET ASSETS
 JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Current Assets			
Cash and cash equivalents:			
Cash	\$ 2,161,852	\$ 32,692	\$ 2,194,544
Investments	295,388	199,217	494,605
	2,457,240	231,909	2,689,149
Receivables, net	255,419	236,245	491,664
Due from county government	40,448	-	40,448
Due from state government	25,236	-	25,236
Inventories	18,927	11,474	30,401
Internal balances	166,295	(166,295)	-
Prepaid expenses	100,559	17,432	117,991
Restricted cash	86,627	686,649	773,276
	3,150,751	1,017,414	4,168,165
Non-Current Assets			
Capital assets:			
Land	1,056,767	41,831	1,098,598
Buildings, improvements, infrastructure, machinery and equipment, net	3,365,538	8,480,457	11,845,995
Other assets	-	77,106	77,106
	4,422,305	8,599,394	13,021,699
Total current assets			
Total non-current assets			
Total assets	\$ 7,573,056	\$ 9,616,808	\$ 17,189,864

See the accompanying Notes to Financial Statements.

	Governmental Activities	Business-Type Activities	Total Primary Government
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 213,756	\$ 105,147	\$ 318,903
Accrued expenses	107,820	38,458	146,278
Deferred revenue	363,401	-	363,401
Current portion of long-term debt	181,645	336,983	518,628
Total current liabilities	<u>866,622</u>	<u>480,588</u>	<u>1,347,210</u>
Non-Current Liabilities			
Compensated absences	40,582	57,665	98,247
Customer deposits	-	38,792	38,792
Long-term debt	480,285	4,982,435	5,462,720
Total non-current liabilities	<u>520,867</u>	<u>5,078,892</u>	<u>5,599,759</u>
Total liabilities	<u>1,387,489</u>	<u>5,559,480</u>	<u>6,946,969</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,760,375	3,202,870	6,963,245
Restricted for:			
Debt service	-	669,110	669,110
Fire department	460,212	-	460,212
Capital projects	337,458	-	337,458
Other purposes	52,985	-	52,985
Unrestricted	1,574,537	185,348	1,759,885
Total net assets	<u>6,185,567</u>	<u>4,057,328</u>	<u>10,242,895</u>
Total liabilities and net assets	<u>\$ 7,573,056</u>	<u>\$ 9,616,808</u>	<u>\$ 17,189,864</u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
 JUNE 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 321,073	\$ 1,146,660	\$ -	\$ -
Fire department	143,452	64,425	34,069	-
Municipal court	80,959	78,112	-	-
Police department	1,353,211	-	6,935	89,536
Recreation	600,555	233,269	193,567	-
Streets and sanitation	885,717	447,004	-	-
Debt service	18,737	-	-	-
Total governmental activities	3,403,704	1,969,470	234,571	89,536
Business-Type Activities:				
Water and sewer	2,626,072	2,348,033	-	788
Total primary government	<u>\$ 6,029,776</u>	<u>\$ 4,317,503</u>	<u>\$ 234,571</u>	<u>\$ 90,324</u>

General revenues:
 Taxes
 Property taxes
 Payments from state government
 Unrestricted investment earnings
 Miscellaneous
 Transfers in/(out)

Total general revenues

Changes in net assets

Net Assets, Beginning of Year

Net Assets, End of Year

See the accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total Primary Government
\$ 825,587	\$ -	\$ 825,587
(44,958)	-	(44,958)
(2,847)	-	(2,847)
(1,256,740)	-	(1,256,740)
(173,719)	-	(173,719)
(438,713)	-	(438,713)
(18,737)	-	(18,737)
(1,110,127)	-	(1,110,127)
-	(277,251)	(277,251)
(1,110,127)	(277,251)	(1,387,378)
1,756,769	-	1,756,769
132,278	-	132,278
11,842	1,906	13,748
(6,536)	-	(6,536)
(273,525)	273,525	-
1,620,828	275,431	1,896,259
510,701	(1,820)	508,881
5,674,866	4,059,148	9,734,014
<u>\$ 6,185,567</u>	<u>\$ 4,057,328</u>	<u>\$ 10,242,895</u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2010

	General	Capital Projects	Special Revenue	Total Governmental Funds
ASSETS				
Cash and cash equivalents:				
Cash	\$ 1,158,407	\$ 422,734	\$ 580,711	\$ 2,161,852
Investments	295,388	-	-	295,388
	1,453,795	422,734	580,711	2,457,240
Receivables, net of allowance of \$12,000	255,419	-	-	255,419
Due from county government	40,448	-	-	40,448
Due from state government	25,236	-	-	25,236
Inventories	18,927	-	-	18,927
Internal balances	166,295	-	-	166,295
Prepaid expenses	100,559	-	-	100,559
Restricted cash	86,627	-	-	86,627
	\$ 2,147,306	\$ 422,734	\$ 580,711	\$ 3,150,751
Total assets	\$ 2,147,306	\$ 422,734	\$ 580,711	\$ 3,150,751
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 108,421	\$ 138,918	\$ -	\$ 247,339
Accrued expenses	101,537	-	-	101,537
Deferred revenue	363,401	-	-	363,401
	573,359	138,918	-	712,277
Total liabilities	573,359	138,918	-	712,277
Fund Balances				
Reserved for:				
Fire department	-	-	460,212	460,212
Hospitality	-	-	100,499	100,499
Capital projects	33,642	283,816	20,000	337,458
Other purposes	52,985	-	-	52,985
Unreserved:				
Undesignated	1,487,320	-	-	1,487,320
	1,573,947	283,816	580,711	2,438,474
Total fund balances	1,573,947	283,816	580,711	2,438,474
Total liabilities and fund balances	\$ 2,147,306	\$ 422,734	\$ 580,711	\$ 3,150,751

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS**
 JUNE 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	2,438,474
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:		
Capital assets of \$6,631,814, net of accumulated depreciation of \$2,209,509 and associated debt of \$661,930, used in the governmental activities are not financial resources and therefore are not reported in the funds.		3,760,375
Other assets not available to pay for current-period expenditures and deferred in the governmental funds.		33,583
Long-term accrued absences are not due and payable in the current period and are not reported in the funds.		(40,582)
Interest on general obligation bonds is not accrued under governmental fund accounting.		(6,283)
NET ASSETS OF GOVERNMENTAL FUNDS	\$	<u><u>6,185,567</u></u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2010

	General Fund	Capital Projects	Special Revenue	Total Governmental Funds
REVENUES				
Local revenues	\$ 3,518,615	\$ -	\$ 64,425	\$ 3,583,040
Intermediate revenues	189,492	-	34,069	223,561
Hospitality taxes	-	-	147,273	147,273
State revenues	132,278	-	-	132,278
Federal revenues	96,471	-	-	96,471
Total revenues	3,936,856	-	245,767	4,182,623
EXPENDITURES				
Current				
General government	254,460	-	-	254,460
Development	148,716	-	-	148,716
Fire department	77,355	-	49,289	126,644
Municipal court and legislative	80,131	-	-	80,131
Police department	1,345,906	-	-	1,345,906
Recreation	603,807	-	51,770	655,577
Streets and sanitation	847,240	-	-	847,240
Capital outlay	-	278,575	-	278,575
Debt service	-	35,000	-	35,000
Total expenditures	3,357,615	313,575	101,059	3,772,249
Excess (deficiency) of revenues over expenditures	579,241	(313,575)	144,708	410,374
OTHER FINANCING SOURCES/(USES)				
Interest income	2,173	2,373	7,296	11,842
Transfers in	-	324,746	-	324,746
Transfers out	(523,271)	-	(75,000)	(598,271)
Total other financing sources/(uses)	(521,098)	327,119	(67,704)	(261,683)
Net changes in fund balances	58,143	13,544	77,004	148,691
FUND BALANCES, BEGINNING OF YEAR	1,515,804	270,272	503,707	2,289,783
FUND BALANCES, END OF YEAR	\$ 1,573,947	\$ 283,816	\$ 580,711	\$ 2,438,474

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**
JUNE 30, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	148,691
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
Changes in accruals of the following are not included as expenses in the governmental funds:		
Interest on general obligation bonds		(1,785)
Long-term accrued compensated absences		(2,506)
Principal payments on general obligation bonds are not recorded as an expense in the statement of activities		35,000
Principal payments on capital lease obligations		152,066
Capital lease proceeds		(112,000)
Proceeds from capital leases retained for future expenditures		33,582
Investments in capital assets (net) are not expenditures in the statement of activities		<u>257,653</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>510,701</u></u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
 JUNE 30, 2010

ASSETS**Current Assets**

Cash and cash equivalents:	
Cash	\$ 32,692
Investments	199,217
	<u>231,909</u>
Accounts receivable, net of allowance of \$5,000	236,245
Inventories	11,474
Prepaid expenses	17,432
Restricted cash	686,649
	<u>1,183,709</u>

Non-Current Assets

Capital assets, net	8,522,288
Other	77,106
	<u>8,599,394</u>
Total non-current assets	<u>8,599,394</u>
Total assets	<u><u>\$ 9,783,103</u></u>

LIABILITIES**Current Liabilities**

Accounts payable	\$ 105,147
Accrued expenses	38,458
Current portion of long-term debt	336,983
Due to general fund	166,295
	<u>646,883</u>
Total current liabilities	<u>646,883</u>

Non-Current Liabilities

Compensated absences	57,665
Customer deposits	38,792
Long-term debt	4,982,435
	<u>5,078,892</u>
Total non-current liabilities	<u>5,078,892</u>
Total liabilities	<u>5,725,775</u>

NET ASSETS

Invested in capital assets, net of depreciation and related debt	3,202,870
Restricted for debt service	669,110
Unrestricted	185,348
	<u>4,057,328</u>
Total net assets	<u>4,057,328</u>
Total liabilities and net assets	<u><u>\$ 9,783,103</u></u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
For the Year Ended June 30, 2010

OPERATING REVENUES

Charges for services:	
Water and sewer fees	\$ 2,153,210
Water and sewer taps	66,401
Service connection fees	28,485
Reconnection fees and penalties	52,685
SCDHEC fees	25,054
Miscellaneous	22,198
	<hr/>
Total operating revenues	2,348,033

OPERATING EXPENSES

Water and sewer purchases	1,215,527
Salaries and wages	343,324
Maintenance and supplies	86,647
General and administrative	417,081
Depreciation	408,343
	<hr/>
Total operating expenses	2,470,922
	<hr/>
Operating income (loss)	(122,889)

NON-OPERATING REVENUES (EXPENSES)

Grant expenses	788
Interest income	1,906
Interest expense	(142,947)
Other expense	(12,203)
	<hr/>
Total non-operating revenues (expenses)	(152,456)
	<hr/>
Income (loss) before transfers	(275,345)

TRANSFERS IN

	<hr/>
Changes in net assets	(1,820)

NET ASSETS, BEGINNING OF YEAR

	<hr/>
NET ASSETS, BEGINNING OF YEAR	4,059,148
	<hr/>
NET ASSETS, END OF YEAR	\$ 4,057,328
	<hr/> <hr/>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,322,735
Payments to suppliers	(1,761,677)
Payments to employees	(350,006)
Other receipts	<u>25,050</u>
Net cash provided by operating activities	<u>236,102</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(310,106)
Principal paid on capital debt	(326,173)
Bond refinancing cost	(12,203)
Grant revenue	788
Interest paid on capital debt	(142,947)
Interfund transfers	<u>274,354</u>
Net cash used for financing activities	<u>(516,287)</u>
CASH FLOWS FROM RESTRICTED ACTIVITIES	
Decrease in restricted cash	<u>82,690</u>
Net cash used for restricted activities	<u>82,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,906</u>
Net cash provided by investing activities	<u>1,906</u>
Net decrease in cash and cash equivalents	(195,589)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>427,498</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 231,909</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (122,889)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	408,343
Changes in assets and liabilities:	
Receivables, net	(25,298)
Inventories and prepaid expenses	(205)
Deposits	(380)
Other assets	25,635
Accounts and other payables	<u>(49,104)</u>
Net cash provided by operating activities	<u><u>\$ 236,102</u></u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Clover, South Carolina, conform to Generally Accepted Accounting Principles (*GAAP*) applicable to governments. The following is a summary of significant accounting policies:

Reporting Entity

The Town of Clover (the “Town”) was incorporated December 24, 1887, and operates pursuant to the provisions of the Home Rule Act, Act No. 283 of 1975, codified in Title 5 of the South Carolina Code, as amended. The Town operates under a council form of government and provides the following services as authorized by its charter: Public Safety – Police and Fire Protection, Streets, Sanitation, Parks and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Town of Clover have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The Town’s reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For financial reporting purposes, all potential component units are considered. As defined by GASB No. 14, component units are legally separate entities that are included in the Town’s reporting entity because of the significance of their operating or financial relationships with the Town. Generally accepted accounting principles establish several criteria for determining whether a potential component unit is included in the reporting entity. These criteria include the governing body’s ability to exercise oversight responsibility evidenced by financial interdependency, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Also used in the determination is the existence of special financing relationships.

Entities excluded from the Town of Clover as a reporting entity are Clover School District Number Two, Clover Rescue Squad and Greater Clover Chamber of Commerce. These bodies have separate management and boards and provide services within the geographic area of the Town. The Town has no ability to exercise influence or control over their daily operations, budgets or funding.

The Clover Volunteer Fire Department provides fire protection and prevention services for the area. The Town Council assumed control of the Fire Department during the 1988-1989 fiscal year; therefore, Fire Department assets, liabilities, revenue and expenses are combined with the Town’s.

Basis of Presentation

The Town’s basic financial statements consist of government-wide financial statements that include a statement of net assets, a statement of activities and fund financial statements that provide a more detailed level of financial information.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental in nature, which normally are supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The statement of net assets presents the financial condition of the governmental and business-type activities of the Town at year-end.

The statement of activities presents a comparison between direct expenses and program revenue for each program or function of the Town's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Town.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned; expenses are recognized when a liability is incurred. Property taxes are recognized as revenues in the year in which they are levied. Grants and intergovernmental revenues are recognized as revenue when the eligibility requirements imposed by the grantor or other government agency have been met.

Fund Financial Statements

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Town has the following fund types:

Governmental Fund Types

Governmental funds are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenues available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for interest of general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise fees, state shared revenues, grants, and other miscellaneous fees are susceptible to accrual. Property taxes and franchise fees are recognized as revenue in the fiscal year for which they are levied. Intergovernmental sources are recognized as revenue when the underlying eligibility requirements are met and the resources become available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Other sources become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Governmental funds include the following types:

General Fund

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.

Special Revenue Funds

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Capital Projects Funds

Capital projects funds account for the construction or acquisition of major capital projects not being financed by proprietary funds.

Proprietary Fund Types

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. These funds account for activities of the Town similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income, is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one enterprise fund (Water and Sewer Department).

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

Revenue - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent taxes, grants, interest, fees and charges for services.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first and then unrestricted resources, as they are needed.

The Water and Sewer Department, a proprietary fund type, distinguishes between operating revenues and expenses and non-operating revenues and expenses. The principal operating revenues of the Water and Sewer Department are charges for water and sewer fees, taps and service connection/reconnection fees and penalties. Operating expenses consist of costs of services provided, administrative costs and depreciation of assets. All other revenues and expenses are classified as non-operating.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Business licenses received by the Town prior to June 30, 2010, that are for the 2011 fiscal year have been recorded as deferred revenue. On governmental fund financial statements, tax receivables that will not be collected within the available period have also been reported as deferred revenue.

Cash and Cash Equivalents

The Town considers all highly liquid investments including cash on hand, demand deposits and short-term investments in the South Carolina Pooled Investment Fund to be cash and cash equivalents. The Town's investment policy is designed to operate within existing statutes (which are identified for all funds and fund types) of the State of South Carolina.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town's cash investment objectives are preservation of principal, liquidity and yield. The Town reports its investments at fair value normally determined by quoted market prices.

Cash and cash equivalents for purposes of the proprietary fund statement of cash flows includes cash and investments held in the South Carolina State Investment Pool.

Inventory

Inventory is valued at cost. Inventory consists of gasoline.

Capital Assets

The Town's fixed assets, or capital assets, are recorded at cost for the government-wide statements but are not capitalized in the Town's fund financial statements. Capital assets in the Water and Sewer Department are capitalized at cost in the proprietary fund statements. The cost of land is not depreciated. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the respective assets. Amortization of assets recorded under capital lease obligations has been included with depreciation expense. Donated fixed assets are valued at their estimated fair value on the date donated.

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

Property records show, as appropriate, the description, identification number, serial number, manufacturer, date of purchase, initial cost, location of equipment, condition and depreciation of the item being recorded. Property records of equipment and real estate are updated annually and referenced to purchase orders, acquisition reports and withdrawal reports.

Major items of equipment are subject to annual spot check inventory to determine loss, misplacement or depreciation. Any loss is to be reported to the Town Council.

Each year prior to the closing of the fiscal year, the supervisor of each department is to arrange for an equipment inventory check in his/her area of responsibility. This inventory is kept on file in the department head's office and a copy submitted to the Treasurer.

The Town elected to implement the general provisions of GASB No. 34 in the 2004 fiscal year. Since the Town is a Phase 3 entity with reference to GASB No. 34 implementation, the Town reports infrastructure prospectively, and has no plans to retroactively report. Neither their historical cost nor related depreciation has historically been reported in the financial statements. GASB No. 34 requires the Town to report and depreciate new infrastructure assets acquired after fiscal year 2004. Infrastructure assets primarily include roads, bridges and underground pipe (other than related to utilities).

General fixed assets are depreciated over the following class lives:

Buildings	25-50
Building improvements	10-20
Infrastructure	20-50
Machinery and equipment	5-10
Furniture and fixtures	5-7
Vehicles	3-10
Firearms	7

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs to determine the amount to be capitalized.

Accrued Liabilities and Long-Term Debt

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method), if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund basic financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund basic financial statements until due and payable.

Fund Equity

As reported on the fund financial statements, reserved funds represent tentative plans for future use of financial resources. Unreserved funds represent those portions of fund equity not appropriated for future expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets are classified as invested in capital assets net of related debt, restricted and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt that has not been spent is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the general fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes, encumbrances and unused expenditure appropriations lapse at year-end.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Financial Instruments

Financial instruments that potentially subject the Town to concentration of credit risk are trade receivables, interest-bearing investments and cash. Due to the large number and diversity of the Town's proprietary fund customer base, concentrations of credit risk with respect to receivables are limited. The Town places all of its cash and cash equivalents with high credit-quality financial institutions and requires such deposits to be collateralized and places all short-term investments with the South Carolina Investors Board.

Interfund Activity

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances in the statement of net assets or as "due from other funds" or "due to other funds" on balance sheets. Such activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets in the statement of net assets because their use is limited by applicable bond covenants.

Compensated Absences

Amounts of vested or accumulated annual leave that are not expected to be liquidated with current expendable financial resources are not recorded in the fund financial statements. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of these funds as the benefits are earned by the employees. The Town records no liability for nonvesting accumulating rights to receive sick pay benefits. In accordance with Government Accounting Standards, the entire liability for compensated absences is recorded and reported on the government-wide financial statements. Government fund financial statements recognize only current maturity of compensated absences. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the Town's governmental fund balance and the government-wide statement of net assets and government-wide presentations.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

All of the Town's deposits are either insured or collateralized by using one of two methods, the dedicated method or the pooling method. Under the dedicated method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the pooling method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method.

At June 30, 2010, the Town's deposits had a carrying amount of \$2,967,820 and a bank balance of \$2,608,542, which was entirely covered by federal depository insurance or collateralized. At June 30 2010, the Town had \$1,843 cash on hand.

As of June 30, 2010, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 3 Months</u>
S.C. State Investment Pool	\$ <u>494,605</u>	\$ <u>494,605</u>

Following are the components of the Town's book and fair values for cash and investments at June 30, 2010:

Governmental Fund Deposits

Cash in banks	\$ 2,247,207
S.C. State Investment Pool	295,388
Cash on hand	<u>1,272</u>
	<u>\$ 2,543,867</u>

Proprietary Fund Deposits

Cash in banks	\$ 718,770
S.C. State Investment Pool	199,217
Cash on hand/credit card receipts	<u>571</u>
	<u>\$ 918,558</u>

The Town's deposits in local banks are categorized to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes deposits that are insured or for which securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured deposits for which the securities are held by the financial institution's trust department or agent in the Town's name. Category 3 includes uninsured deposits for which the securities are held by the financial institution, its trust department or its agent, but not in the Town's name or deposits which exceed securities held in the Town's name.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Description</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Collateral Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
FDIC Insurance	\$ 750,000	\$ -	\$ -	\$ 750,000	\$ 750,000
Qualified Securities	-	<u>2,819,441</u>	-	<u>2,819,441</u>	<u>2,819,441</u>
	<u>\$ 750,000</u>	<u>\$2,819,441</u>	<u>\$ -</u>	<u>\$ 3,569,441</u>	<u>\$ 3,569,441</u>

Investments include funds with the South Carolina Local Government Investment Pool (the "Pool") which invests in U.S. Government Securities, Federal Agency Securities, Repurchase Agreements secured by U.S. Government Securities and/or Federal Agency Securities and A1/P1 Commercial Paper. The carrying amount and collateral market value were \$494,605. Of this amount, \$199,217 is maintained in the water and sewer fund as a depreciation and contingent fund.

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. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than forced liquidation. Fair value for all investments of the Pool is determined annually based upon quoted market prices.

Section 11-9-660 of the State of South Carolina Code of Laws authorizes the Treasurer's Office to invest and reinvest the monies of the Pool in the following types of investments;

1. Obligations of the United States, its agencies, and instrumentalities;
2. Obligations of the State of South Carolina or any of its political subdivisions;
3. Obligations of any corporation within the United States if such obligations bear investment grade ratings of at least two nationally recognized rating services;
4. Certificates of deposit where the certificates are collaterally insured by securities of the type described in 1 and 2 above, held by a third party as escrow agent or custodian, and are of a fair value not less than the amount of their certificates of deposit so secured, including interest; and
5. Repurchase agreement when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a fair value not less than the amount of the repurchase agreement so collateralized, including interest.
6. Guaranteed investment contracts issued by a domestic or foreign insurance company or other financial institution, whose long-term unsecured debt rating bears the two highest ratings of at least two nationally recognized rating services.

South Carolina Local Government Investment Pool financial statements are issued and may be obtained from the Senior Assistant State Treasurer, State of South Carolina, P.O. Box 11778, Columbia, South Carolina 29211; telephone (803) 734-2641; facsimile (803) 734-2697.

NOTE 3 – PROPERTY TAX

The Town has an agreement with York County to maintain property tax rolls and levy and collect property taxes. The taxes collected are remitted to the Town at the end of each month with the exception of December and January, for which remittance is made twice a month. The County charges per notice for collection. Taxes are levied on September 30 and payable on or before January 15, at which time a penalty is assessed on unpaid accounts. An additional penalty of 7% is assessed on February 1 and March 16. Liens attach to the property at the time the taxes are levied. Town property tax revenues are recognized when received with the exception of those which are received by the County within sixty days of year-end, which are recognized as revenue as of June 30. An allowance is established for delinquent taxes to the extent their collection is improbable.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 4 – DEFERRED REVENUE

Deferred revenue totaling \$363,401 in the general fund consists of property taxes receivable but not yet recognized as revenue totaling \$243,211, 2010 – 2011 business licenses of \$19,888 received by the Town prior to June 30, 2010 that are for the 2011 fiscal year, and \$100,302 for deferred judicial fees and fines deposited as the general fund administers the judicial funds.

NOTE 5 – CAPITAL ASSETS

A summary of capital assets accounted for in the governmental funds is as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2010</u>
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 1,056,767	\$ -	\$ -	\$ 1,056,767
Construction in progress	<u>-</u>	<u>238,137</u>	<u>-</u>	<u>238,137</u>
Total non-depreciable capital assets	<u>1,056,767</u>	<u>238,137</u>	<u>-</u>	<u>1,294,904</u>
Depreciable capital assets:				
General government	492,653	28,766	(486)	520,933
Fire department	1,176,159	31,913	(6,300)	1,201,772
Municipal court	26,014	-	-	26,014
Police department	1,086,835	65,136	(1,208)	1,150,763
Recreation department	1,009,624	162,107	-	1,171,731
Street department	972,007	266,790	(5,000)	1,233,797
Infrastructure	<u>31,900</u>	<u>-</u>	<u>-</u>	<u>31,900</u>
Total depreciable capital assets	<u>4,795,192</u>	<u>554,712</u>	<u>(12,994)</u>	<u>5,336,910</u>
Less accumulated depreciation	(<u>1,938,627</u>)	(<u>277,340</u>)	<u>6,458</u>	(<u>2,209,509</u>)
	<u>\$ 3,913,332</u>	<u>\$ 515,509</u>	<u>\$ (6,536)</u>	<u>\$ 4,422,305</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 22,255
Fire department	48,721
Municipal court	829
Police department	107,473
Recreation department	39,113
Streets and sanitation	<u>58,949</u>
Total depreciation, governmental activities	<u>\$ 277,340</u>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS (CONTINUED)

A summary of capital assets accounted for in the proprietary fund is as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2010</u>
Business-Type Activities				
Water and sewer equipment	\$ 617,854	\$ 5,836	\$ -	\$ 623,690
Construction in progress	1,561,395	115,674	(1,591,278)	85,791
Water and sewer infrastructure	12,617,956	188,596	1,591,278	14,397,830
Land	<u>41,831</u>	<u>-</u>	<u>-</u>	<u>41,831</u>
	14,839,036	310,106	-	15,149,142
Less accumulated depreciation	(<u>6,218,512</u>)	(<u>408,342</u>)	<u>-</u>	(<u>6,626,854</u>)
	<u>\$ 8,620,524</u>	<u>\$ (98,236)</u>	<u>\$ -</u>	<u>\$ 8,522,288</u>

NOTE 6 – LONG-TERM DEBT

Assets acquired and liabilities incurred through capital lease agreements for general governmental activities are accounted for under governmental activities. Assets and liabilities related to proprietary type funds are accounted for under the business-type activities.

Long-term debt consists of the following at June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital lease obligations	\$ 456,996	\$ 112,000	\$(152,066)	\$ 416,930	\$ 146,645
Series 2007 bond	<u>280,000</u>	<u>-</u>	<u>(35,000)</u>	<u>245,000</u>	<u>35,000</u>
	<u>\$ 736,996</u>	<u>\$ 112,000</u>	<u>\$(187,066)</u>	<u>\$ 661,930</u>	<u>\$ 181,645</u>
Compensated absences	<u>\$ 90,748</u>	<u>\$ 69,646</u>	<u>\$(82,020)</u>	<u>\$ 78,374</u>	<u>\$ 37,792</u>
Business-Type Activities					
Capital lease obligations	\$ 65,591	\$ -	\$(21,173)	\$ 44,418	\$ 21,983
Series 2007 bond	<u>5,580,000</u>	<u>-</u>	<u>(305,000)</u>	<u>5,275,000</u>	<u>315,000</u>
	<u>\$ 5,645,591</u>	<u>\$ -</u>	<u>\$(326,173)</u>	<u>\$ 5,319,418</u>	<u>\$ 336,983</u>
Compensated absences	<u>\$ 57,091</u>	<u>\$ 25,817</u>	<u>\$(14,416)</u>	<u>\$ 68,492</u>	<u>\$ 10,837</u>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The Town leases certain property and equipment under capital leases. The net book value of capital leases recorded in the governmental activities capital assets consists of the following at June 30, 2010:

Governmental Funds	
Police	\$ 139,035
Recreation	43,800
Streets	497,177
Development	24,000
Less accumulated amortization	(<u>165,269</u>)
	<u>\$ 538,743</u>
 Proprietary Fund	
Equipment and vehicles	\$ 137,630
Less accumulated amortization	(<u>44,511</u>)
	<u>\$ 93,119</u>

The following is a schedule of future lease payments under these capital leases at June 30, 2010:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 161,089	\$ 23,683
2012	161,483	23,293
2013	98,800	-
2014	<u>24,100</u>	<u>-</u>
Total lease payments	445,472	46,976
Less amount representing interest	(<u>28,542</u>)	(<u>2,558</u>)
Present value of future lease payments	<u>\$ 416,930</u>	<u>\$ 44,418</u>

Total interest costs for the year ended June 30, 2010 were \$19,462.

On September 10, 2007, the Council adopted an ordinance to provide for the issuance and sale of \$315,000 General Obligation Bonds, Series 2007, for the purchase of approximately 21 acres of land for the future expansion of the parks and recreational programs and facilities of the Town. A principal payment of \$35,000 is due on September 10 of each year, beginning September 10, 2009, and continuing through September 10, 2016. The bonds are payable from a direct ad valorem tax on all taxable property in the Town.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 6 – LONG-TERM DEBT (CONTINUED)

On October 29, 2007, the Council adopted an ordinance providing for the issuance and sale of Series 2007 Waterworks and Sewer System Improvement and Refunding Revenue Bond (the "Series 2007 Bond") in an amount of \$5,850,000. The ordinance provides for the cost of certain improvements and for the advance refunding and defeasance of Series 1999 revenue bonds. The Series 2007 Bond is dated October 30, 2009 and bears a single interest rate of 3.99% per annum with interest payable semi-annually and principal payable annually through December 1, 2022. All gross revenues of the System are pledged as security for the Series 2007 Bond.

In accordance with the Series 2007 Bond Agreement, the Town will continuously prescribe, maintain and collect rates and charges for the services and facilities furnished by the Waterworks and Sewer System which, together with other income, will yield "annual net earnings" from its water and sewer fund in the current fiscal year equal to at least one hundred twenty percent (120%) of the annual principal and interest requirements in such fiscal year for all bonds outstanding. As of June 30, 2010, the Town's "annual net earnings" from its water and sewer fund were below the threshold required by the foregoing terms. The Town was granted a waiver from the rate covenant requirement for the fiscal year ended June 30, 2010.

As of June 30, 2010, interest expense of \$72,596 has been capitalized and included in capital assets of business-type activities.

The annual debt service requirements to maturity for the Series 2007 Bond as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 315,000	\$ 210,473
2012	330,000	197,904
2013	345,000	184,737
2014	355,000	170,972
2015	375,000	156,807
2016-2020	2,085,000	549,429
2021-2023	<u>1,470,000</u>	<u>89,666</u>
	<u>\$ 5,275,000</u>	<u>\$ 1,559,988</u>

NOTE 7 – COMPENSATED ABSENCES

The Town allows employees to have up to fifteen vacation days per year depending on years of service with the Town. Employees may carry forward nine workweeks of unused leave from one calendar year to the next. Upon separation from employment, all accrued annual leave is paid to the former employee. The Town also allows regular full-time employees sick leave days. Sick leave accrues at the rate of one day per month and a maximum of ninety days of unused sick leave per calendar year may be carried forward. Unused sick leave is not payable upon termination.

The liability for compensated absences related to the enterprise fund totaled \$68,492 at June 30, 2010 and \$57,091 at June 30, 2009. The portion of general fund liability expected to be paid from current resources is recorded in the general fund and totaled \$37,792 and \$52,673 at June 30, 2010 and June 30, 2009, respectively. The portion expected to be paid from non-current resources is reported as a non-current liability on the government-wide statement of net assets and was \$40,582 and \$38,075 at June 30, 2010 and June 30, 2009, respectively.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 8 – INTERFUND TRANSACTIONS

Individual interfund receivable and payable balances at June 30, 2010 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 166,295	\$ -
Enterprise fund	-	166,295
	\$ 166,295	\$ 166,295

Governmental funds interfund receivables and payables represent lending/borrowing arrangements resulting from the timing of expenditures versus the receipt of revenues.

Internal balances are eliminated in the government-wide statement of net assets. Amounts billed by the water and sewer fund to the general fund for water and sewer services for the years ended June 30, 2010 and 2009 totaled \$16,927 and \$11,495, respectively, and are included in utilities expense for the various departments of the general fund and in water and sewer revenue in the water and sewer fund.

The Town made the following interfund transfers during the current year:

\$273,525 transferred from general fund to proprietary fund. The transfer was made to cover a shortfall in the water and sewer fund.

\$75,000 transferred from hospitality fund and \$249,746 from general fund to capital projects fund to be used for engineering, construction and expansion of the Clover Community Park.

NOTE 9 – PENSION PLANS

Substantially all Town employees are members of the South Carolina Retirement System (SCRS) Class II or the Police Officers Retirement System (PORS) Class II. These systems are cost sharing, multiple-employer pension systems. The administration of the SCRS is vested in the State Budget and Control Board.

A brief summary of benefit provisions, eligibility criteria and vesting is presented below:

Membership

- SCRS Generally all employees are required to participate in and contribute to the System as a condition of employment.
- PORS Generally all full-time employees whose principle duties are the preservation of public order and the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment.

Pension Benefits

- SCRS Monthly pension is payable at age sixty-five with a minimum five years service, or for twenty-eight years service. Reduced pension benefits (early retirement) are payable after five years of earned service and age sixty. Benefits are permanently reduced five percent for each year of age less than sixty-five, or age fifty-five or older with twenty-five years or more of service credit, five years of which must be earned service. Benefits are permanently reduced four percent for each year of service credit less than twenty-eight years.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 9 – PENSION PLANS (CONTINUED)

PORS Monthly pension is payable at age fifty-five with a minimum five years service or twenty-five years credited service regardless of age. Member is vested for a deferred annuity with five years service.

The Town and the employees are required to contribute to the retirement systems under authority of Title 9 of the SC Code of Laws. For the 2009-2010 year, the Town contributed at a rate of 9.24% of wages, and the employees contributed at a rate of 6.5% of wages for those participating in the SCRS; for the PORS the Town contributed at a rate of 10.65% of wages and the employees at a rate of 6.5%. The Town pays 0.15% of earnable compensation under the SCRS and 0.20% of earnable compensation under PORS to provide group life insurance to retired members. The Town does not participate in the accidental death program under the PORS. Generally, all employees are required to participate and contribute unless they are part-time employees who have the option to participate if they choose to do so.

Total Town and member contributions were as follows:

<u>Year Ending June 30,</u>	<u>Employer SCRS</u>	<u>Employer PORS</u>	<u>Employee SCRS</u>	<u>Employee PORS</u>
2010	97,359	65,577	68,489	40,024
2009	93,269	67,345	65,611	41,103
2008	84,810	60,846	60,075	37,911

The Town’s wage expense for the year 2009-2010 totaled \$1,603,880. Wages for employees participating in the SCRS were \$1,051,673, while wages for those participating in the PORS totaled \$552,207.

Both systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance and survivor benefits. Members’ accounts for both systems are vested after five years of service payable in the form of annuities beginning after age sixty for SCRS and age fifty-five for PORS. Contribution rates are determined through actuarial calculations.

The pension benefit obligation, which is the actuarial present value of credited projected benefits for all employees of all employers participating in the Plan, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date.

The formula for normal service retirement Class I SCRS members is 1.45% of average final compensation times years of credited service. For Class II PORS, it is 10.97% per month for each year of service.

The formula for normal service retirement Class II SCRS members is 1.82% of average final compensation times years of credited service. For Class II PORS, it is 2.14% of average final compensation times years of credited service.

Requirements for disability retirement under both SCRS and PORS are five years of service unless an injury is job related. The disability retirement benefit for SCRS members is based on a projection of service to age sixty-five with an actuarial reduction. For PORS members, the disability retirement benefit is based on a projection of service to age fifty-five.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 – PENSION PLANS (CONTINUED)

Benefit options under both SCRS and PORS are:

- Option A: (Maximum/retiree only) Formula benefit as calculated above. Non-recovered contribution paid upon death.
- Option B: (100%/100% joint retiree/survivor) Provides a reduced from option A lifetime benefit that upon retiree's death will continue to retiree's beneficiary.
- Option C: (100%/50% joint retiree/survivor) Provides a reduced from option A lifetime benefit that upon retiree's death will continue to retiree's beneficiary at 50% of the retiree's annuity.

Death benefits for SCRS and PORS members are as follows:

Lump sum payment equal to one year's salary payable to the beneficiary upon death of an active member with at least one year of service.

No service requirements for death resulting from actual performance of duties for an active member.

Lump-sum payment to retiree's beneficiary of up to \$6,000 based on years of service at retirement.

Withdrawal of employee contributions: Accumulated contributions, plus interest, payable 90 days after termination of all covered employment.

Actuarial valuation method: Projected benefit with level percentage entry age normal cost and open-end unfunded actuarial accrued liability.

Accrual interest rate assumption: 8% per annum compounded annually.

The total unfunded accrued liability for the entire South Carolina Retirement System at July 1, 2009 was \$11,967 millions. The total unfunded accrued liability for the entire Police Officers' Retirement System at July 1, 2009 was \$1,082 millions. Obligations for individual employers, such as the Town, are not available. Unfunded accrued liability period as of July 1, 2009 (latest figures available) for SCRS is 30 years and for PORS 30 years.

The South Carolina Retirement System issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS and PORS, which is publicly available on their website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

NOTE 10 – LITIGATION

The Town attorney indicates that the Town is a defendant in two lawsuits, claims or assessments as of June 30, 2010. The outcome of these cases is uncertain but it is believed that any judgment against the Town would not have a material effect on the Town. Additionally, the State Insurance Reserve continues to be available for the defense of these cases.

NOTE 11 – DONATIONS

The Town Council budgeted and paid \$10,000 to the York County Council on Aging, Inc. for the support of programs for the senior citizens of Clover.

The Town Council budgeted and donated \$2,500 to the Clover Chamber of Commerce for the Christmas Parade and other Chamber events.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – COMMITMENTS

In April 1994, the Governor's Office of Energy Programs awarded a grant for a curbside recycling project to the City of York. Under the terms of the grant application, \$82,200 was to be used to purchase curbside containers and a recycling vehicle to be housed and maintained by the City of York. The Town of Clover reimburses the City of York for 40% of the truck's operating expenses. The Town of Clover is also responsible for reimbursing 40% of salary and related employee costs, as well as 40% of supply, printing, postage, and recycling costs to the City of York. The recycling program began in November 1995. Recycling costs for the years ended June 30, 2010 and 2009 were \$23,351 and \$18,437, respectively.

On June 18, 1996, the Town of Clover entered into an agreement with the City of Gastonia, North Carolina, for the purchase of water for a period of twenty five years from the date which water was first delivered to the Town in August 1997. Gastonia agreed to install a water line along US 321 to the South Carolina line with the Town of Clover providing lines and required meters from the South Carolina line. The Town is billed on a monthly basis for all metered water furnished to the Town by Gastonia at a rate equal to that charged users inside the City of Gastonia. The rate is subject to a discounted volume allowance, the terms of which are detailed in the agreement; however, the water loss engineering report required to be provided to the City of Gastonia to obtain such allowance has not been prepared. The agreement mandates usage limit at 10,400,000 gallons per calendar month with the initial maximum monthly limit at 18,912,000.

On November 4, 1996, the Town of Clover and the City of Gastonia, North Carolina, entered into an agreement for the City of Gastonia to provide wastewater treatment services to the Town of Clover. The twenty-five year agreement became effective on the first date that Gastonia provided wastewater treatment service to the Town in December 1997. The City of Gastonia provided a sewer line to the South Carolina line while the Town of Clover was responsible for a measuring device at the state line, vault and appurtenant structures and the necessary sewer line from the measuring point at the state line. The rates charged are to be equal to those of users inside Gastonia city limits. There is a minimum monthly charge for 9,000,000 gallons of wastewater flow per month while the initial maximum monthly flow to which the aforementioned rate applies is 18,620,000 gallons.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town pays premiums from both the general fund and the water and sewer fund to the South Carolina Insurance Reserve Fund for tort and property insurance coverage. Employees' bond coverage is purchased through a commercial agency. Workers' compensation coverage was maintained through payments to the South Carolina State Accident Fund until December 31, 2000. Afterwards payments were made to the South Carolina Municipal Trust Fund. Coverage is reviewed by management for completeness and adequacy. Claims are filed with the appropriate agency and coverage deductible amounts are paid by the Town.

NOTE 14 – GRANTS

The Town participates in a number of federal and state assisted grant programs. Funds received from federal and state grants and programs are often subject to expenditure for designated purposes only and are subject to audit by various federal and state agencies. The Town can be required to replace any funds not used for the purposes of the grants.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 15 – ARBITRAGE REBATE LIABILITY

The Internal Revenue Code of 1986 requires that most tax-exempt bond issues rebate any arbitrage profits to the United States Government. Sections 103 and 148 of the Internal Revenue Code pertain to Arbitrage Rebate. These laws stipulate that any earnings over the declared yield of tax-exempt issue must be rebated to the Federal Government. These excess earnings are defined as “arbitrage.” The calculation needed to determine the amount, if any, that must be rebated must be performed at least every five years over the life of the issue, even if the issue does not earn arbitrage. Failure to comply with the rebate requirement may result in the retroactive loss of the tax-exempt status of the bonds, as well as further financial penalties for the issuer and the obligated party.

NOTE 16 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 5, 2010, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE A-1

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2010

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
REVENUES					
Property taxes - current	\$ 1,312,000	\$ 1,405,000	\$ 1,490,321	\$ 85,321	\$ 1,348,373
Property taxes - prior	15,000	114,000	115,800	1,800	30,157
Vehicle property taxes	155,000	145,000	137,069	(7,931)	146,712
Property tax penalties	10,000	10,000	13,579	3,579	14,732
Garbage revenue	269,500	269,500	270,467	967	270,175
Landfill revenue	170,000	170,000	176,537	6,537	162,319
Court fines	65,000	78,000	78,111	111	92,808
Business licenses	533,000	550,000	616,114	66,114	877,345
Zoning fees	8,000	8,000	6,585	(1,415)	10,024
Building permits	44,400	50,000	50,425	425	47,360
Cemetery assessments	25,000	20,000	25,725	5,725	3,014
Donations	500	2,500	2,745	245	-
Shelter fees	500	500	375	(125)	660
Dog licenses	1,400	1,400	1,626	226	1,605
Sponsorship revenue	-	-	-	-	3,075
Recreation revenue	70,000	70,000	70,646	646	66,219
Recreation concessions	6,000	6,000	7,718	1,718	9,585
Sale of assets	2,500	2,500	-	(2,500)	4,700
Miscellaneous revenues	3,500	1,500	1,601	101	2,437
Larne building	13,000	11,000	9,888	(1,112)	15,938
Police vest grant	-	-	-	-	2,266
Recreation supplement	186,000	189,400	189,492	92	186,141
Sheriff satellite office	-	-	-	-	1,800
Drug Enforcement Unit (DEU) grant	-	-	-	-	563
Grant - recreation	4,200	4,200	4,075	(125)	5,000
Miscellaneous grant revenue	69,700	89,300	89,536	236	4,000
State apportionments	109,600	136,200	132,278	(3,922)	152,619
Other revenues	10,000	100,500	100,182	(318)	20,427
Franchise fees	254,000	304,000	308,672	4,672	43,901
Hospitality tax	-	-	-	-	-
Payment in lieu of taxes	2,900	2,400	2,411	11	2,689
Drink machine revenue	200	200	435	235	-
Westgate maintenance	4,800	4,800	4,725	(75)	4,500
York County drug funds	8,000	8,000	6,935	(1,065)	10,633
St. Patrick's Day revenue	1,500	1,500	7,632	6,132	2,348
Travel fund	20,000	15,000	15,151	151	15,338
Total revenues	3,375,200	3,770,400	3,936,856	166,456	3,559,463

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES					
General and Administrative					
Salaries	\$ 95,600	\$ 95,600	\$ 100,572	\$ (4,972)	\$ 177,926
Social security	7,300	7,300	8,447	(1,147)	13,528
Retirement	9,000	9,000	10,930	(1,930)	16,498
Insurance - health	15,600	15,600	15,518	82	30,367
Workers' compensation	2,800	2,800	1,749	1,051	4,212
Employee wellness	1,000	1,000	444	556	210
Utilities	2,500	2,500	3,134	(634)	2,814
Telephone	3,700	3,700	3,408	292	4,472
Maintenance and supplies	500	750	(521)	1,271	2,480
Vehicle repairs	100	100	-	100	-
Vehicle routine maintenance	100	500	441	59	209
Vehicle fuel	600	900	834	66	2,655
Insurance - property/liability	1,900	1,900	1,907	(7)	1,901
Insurance - vehicle	350	350	1,707	(1,357)	1,481
Insurance - tort	700	700	2,889	(2,189)	3,565
Insurance bond	50	50	32	18	36
Uniforms and equipment	300	300	-	300	-
Bank charges	200	200	-	200	70
Office supplies and expenses	6,000	6,000	7,165	(1,165)	6,641
Late fee charges	200	200	143	57	754
Drug testing	100	250	200	50	249
Building maintenance	2,200	2,200	2,492	(292)	2,075
Advertisement	700	700	297	403	1,249
Dues, subscriptions and donations	2,600	2,600	1,810	790	3,699
Training, meetings and travel	3,000	3,000	4,681	(1,681)	3,483
Legal fees	9,000	9,000	6,050	2,950	4,388
Auditing fees	13,300	13,300	12,100	1,200	12,400
Animal control	-	-	-	-	752
Election expense	2,000	300	296	4	-
Rescue Squad expense	-	-	-	-	3,897
Holiday certificates and awards	8,000	7,400	7,340	60	7,961
Computer maintenance and expense	10,500	10,500	6,562	3,938	8,289
York County Council on Aging, Inc.	10,000	10,000	10,000	-	10,000
Postage	2,000	2,000	2,344	(344)	3,141
Chamber of Commerce	2,500	2,500	2,500	-	2,500
Professional services	8,000	8,500	9,458	(958)	31,465
Beautification committee	5,000	7,500	272	7,228	4,545
Tax collection fees	2,500	2,900	2,920	(20)	2,487
Larne delegation	4,000	4,000	3,297	703	1,357
			-		

See the accompanying Notes to Budgetary Comparison Schedules.

**SCHEDULE A-1
(Continued)**

**TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010**

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		(Unfavorable)	
EXPENDITURES (Continued)					
General and Administrative (continued)					
Lane maintenance and supplies	\$ 5,000	\$ 5,000	\$ 5,349	\$ (349)	\$ 7,189
Lane utilities	3,500	4,000	3,783	217	3,380
Planning commission	-	-	-	-	103
Capital expenditures	5,000	7,500	2,314	5,186	2,027
Planning	-	-	-	-	1,372
Economic development	8,000	8,000	4,316	3,684	-
Equipment lease	9,000	5,000	4,914	86	6,609
Capital leases	2,300	2,300	2,256	44	2,257
Grant match	-	150	110	40	-
	<u>266,700</u>	<u>268,050</u>	<u>254,460</u>	<u>13,590</u>	<u>396,693</u>
Total general and administrative					
Development Services					
Salaries	85,000	86,500	91,235	(4,735)	-
Social security	6,500	6,600	6,980	(380)	-
Retirement	8,000	8,100	8,007	93	-
Insurance - health	11,400	11,400	11,314	86	-
Workers' compensation	2,600	1,600	1,625	(25)	-
Telephone expenses	550	1,650	1,623	27	-
Maintenance and supplies	600	600	444	156	-
Vehicle repairs	400	600	586	14	-
Vehicle routine maintenance	250	550	639	(89)	-
Vehicle fuel	2,500	2,000	1,907	93	-
Insurance - property	-	-	-	-	-
Insurance - automobile	1,350	1,350	34	1,316	-
Insurance - tort	2,250	2,250	-	2,250	-
Insurance bond	50	50	22	28	-
Uniforms and equipment	250	400	358	42	-
Office supplies and expenses	4,000	5,200	5,039	161	-
Drug testing	200	200	-	200	-
Building maintenance	-	800	823	(23)	-
Advertisement	500	-	-	-	-
Dues, subscriptions and donations	750	400	695	(295)	-
Training, meetings and travel	2,000	3,000	3,227	(227)	-
Animal control	1,000	600	706	(106)	-
Computer maintenance	700	250	297	(47)	-
Postage	250	100	97	3	-
Professional services	-	1,000	1,888	(888)	-
Capital lease	6,100	5,200	5,165	35	-
Planning Committee/BZA	500	500	2,598	(2,098)	-
Planning expense	15,000	6,000	3,407	2,593	-
	<u>152,700</u>	<u>146,900</u>	<u>148,716</u>	<u>(1,816)</u>	<u>-</u>
Total development services					

See the accompanying Notes to Budgetary Comparison Schedules.

**SCHEDULE A-1
(Continued)**

**TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010**

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Fire Department					
Volunteer firemen	\$ 18,000	\$ 18,000	\$ 22,060	\$ (4,060)	\$ 15,090
Firemen/Town employees	2,000	2,000	2,430	(430)	3,730
Social security	350	350	186	164	285
Workers' compensation	2,200	2,200	2,090	110	1,856
Utilities	5,800	5,800	5,406	394	5,372
Telephone	1,000	1,000	1,198	(198)	1,180
Maintenance and supplies	6,000	6,000	3,349	2,651	4,189
Vehicle repairs	5,000	5,000	1,856	3,144	1,931
Vehicle routine maintenance	2,000	2,000	1,638	362	1,479
Vehicle fuel	6,000	6,000	5,803	197	6,534
Insurance - property	1,700	1,700	1,848	(148)	1,520
Insurance - vehicle	2,900	2,900	2,915	(15)	2,207
Insurance - tort	1,600	1,600	1,630	(30)	1,599
Building maintenance	1,500	1,500	2,942	(1,442)	2,772
Dues, subscriptions and donations	1,500	1,500	1,397	103	1,402
Training, meetings and travel	1,000	1,000	886	114	374
Auditing fees	1,500	1,500	1,500	-	1,400
Computer maintenance	1,500	1,500	1,695	(195)	1,322
Postage	50	50	3	47	9
Equipment lease	-	-	269	(269)	17
Capital expenditures	17,800	17,800	14,794	3,006	1,450
Explorer program	1,500	1,500	1,460	40	1,811
Total fire department	80,900	80,900	77,355	3,545	57,529

See the accompanying Notes to Budgetary Comparison Schedules.

**SCHEDULE A-1
(Continued)**

**TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010**

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Municipal Court					
Salaries	\$ 22,000	\$ 22,000	\$ 21,581	\$ 419	\$ 30,067
Social security	1,700	1,700	1,789	(89)	2,308
Retirement	2,100	2,100	2,161	(61)	2,934
Insurance - health	-	-	-	-	2,806
Workers' compensation	600	600	483	117	677
Utilities	1,000	1,000	904	96	865
Telephone	1,600	1,600	1,634	(34)	1,640
Maintenance and supplies	200	200	-	200	2
Insurance - property	50	50	40	10	33
Insurance - tort	100	100	75	25	74
Insurance bond	-	-	11	(11)	12
Office supplies and equipment	1,000	1,000	1,298	(298)	1,920
Building maintenance	1,250	1,250	1,007	243	1,195
Dues, subscriptions and donations	200	200	155	45	-
Training, meetings and travel	1,600	1,600	668	932	408
Auditing fees	1,600	1,600	1,600	-	1,400
Computer maintenance and programs	1,300	1,300	1,370	(70)	1,922
Postage	300	300	400	(100)	259
Jury fees	1,000	1,000	372	628	85
Professional services	25,300	25,300	25,275	25	25,275
Total municipal court	62,900	62,900	60,823	2,077	73,882
Legislative					
Council salaries	11,000	11,000	11,000	-	11,000
Social security	850	850	842	8	842
Retirement	300	300	164	136	281
Workers' compensation	300	300	180	120	181
Insurance - tort	3,400	3,400	3,342	58	3,280
Insurance bond	50	50	38	12	42
Office supplies and equipment	200	200	117	83	177
Advertisement	100	100	-	100	105
Dues, subscriptions and donations	1,000	1,000	861	139	936
Training, meetings and travel	5,000	5,000	2,764	2,236	3,516
Total legislative	22,200	22,200	19,308	2,892	20,360
Total municipal court and legislative	85,100	85,100	80,131	4,969	94,242

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Police Department					
Salaries - police officers	\$ 580,500	\$ 560,000	\$ 556,707	\$ 3,293	\$ 574,199
Salaries - dispatchers	141,500	130,000	122,960	7,040	130,975
Overtime	30,000	38,000	42,216	(4,216)	38,602
Social security	57,500	57,500	59,421	(1,921)	56,522
Retirement	81,600	81,600	81,598	2	78,195
Insurance - health	116,300	116,300	106,281	10,019	100,550
Military retirement	-	-	-	-	2,356
Workers' compensation	39,000	25,200	25,192	8	27,312
Unemployment compensation	-	5,000	8,639	(3,639)	8,476
Utilities	8,800	8,800	8,839	(39)	9,556
Telephone	14,800	16,500	15,847	653	10,671
Maintenance and supplies	-	-	1,002	(1,002)	40
Vehicle repairs	7,000	5,000	2,285	2,715	6,875
Vehicle routine maintenance	10,000	10,000	10,244	(244)	10,665
Vehicle fuel	28,000	30,000	31,141	(1,141)	29,785
Insurance - property/liability	3,300	3,300	3,072	228	2,092
Insurance - vehicle	9,300	9,500	9,369	131	7,761
Insurance - tort	18,100	18,100	18,070	30	16,711
Insurance bond	200	200	237	(37)	208
Uniform rental	-	-	-	-	879
Uniforms and equipment	16,000	16,000	23,772	(7,772)	22,726
Community relations	1,400	1,400	1,330	70	2,027
Drug fund expense	-	-	1,022	(1,022)	1,426
Office supplies and equipment	13,000	13,000	14,195	(1,195)	13,816
Radio service	2,000	2,000	938	1,062	1,190
Jail expense	30,000	30,000	28,346	1,654	34,101
Drug testing	600	1,000	1,013	(13)	662
Building maintenance	10,600	10,600	11,491	(891)	3,653
NCIC	6,500	4,800	4,761	39	9,548
Advertisement	300	1,900	1,911	(11)	226
Dues, subscriptions and donations	2,000	2,000	1,907	93	2,176
Training, meetings and travel	6,500	7,500	7,470	30	3,426
Computer expense	15,500	20,000	15,603	4,397	12,357
Postage	400	500	427	73	311
DEU grant expenses	-	-	236	(236)	-
Grant expenses	65,700	92,300	89,054	3,246	-
Capital expenditures	29,100	35,100	35,033	67	12,081
Equipment lease	1,200	1,400	1,340	60	917
Capital leases	10,000	5,000	2,937	2,063	70,887
Total police department	1,356,700	1,359,500	1,345,906	13,594	1,303,960

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Recreation					
Salaries	\$ 192,100	\$ 192,100	\$ 198,117	\$ (6,017)	\$ 188,681
Labor	12,300	12,300	11,948	352	9,992
Social security	15,600	15,600	16,833	(1,233)	15,002
Retirement	16,800	17,600	19,462	(1,862)	17,701
Insurance - health	28,400	28,400	28,284	116	28,062
Workers' compensation	5,500	3,500	3,488	12	3,773
Unemployment compensation	-	5,000	3,136	1,864	35
Utilities	34,800	32,000	30,493	1,507	25,328
Telephone	11,500	6,800	5,860	940	5,605
Maintenance and supplies	27,000	27,000	29,087	(2,087)	27,790
Vehicle repairs	1,000	1,400	1,772	(372)	1,257
Vehicle routine maintenance	2,000	1,400	1,311	89	1,128
Vehicle fuel	6,500	6,000	5,892	108	6,036
Insurance - property/liability	3,550	3,550	4,481	(931)	2,230
Insurance - vehicle	4,200	4,200	4,205	(5)	3,056
Insurance - tort	2,600	2,600	2,593	7	1,838
Insurance bond	100	100	54	46	36
Facility rental	12,000	12,000	9,915	2,085	6,976
Uniforms and equipment	2,500	2,500	2,023	477	810
Office supplies	2,500	2,500	2,146	354	1,760
Drug testing	300	300	229	71	197
Building maintenance and repairs	4,000	1,500	7,748	(6,248)	1,283
Advertisement	2,000	2,000	1,344	656	1,284
Umpires, referees, etc.	27,000	27,000	25,636	1,364	28,523
Recreation supplies	45,000	45,000	47,739	(2,739)	51,458
Dues, subscriptions and donations	1,800	1,800	1,790	10	2,441
Training, meetings and travel	2,500	2,500	2,515	(15)	1,956
Computer expense	1,500	2,800	3,627	(827)	1,672
Postage	300	300	239	61	257
Recreation trips expense	20,000	15,000	17,315	(2,315)	15,731
Professional services	500	500	220	280	-
St. Patrick's Day festival	500	850	844	6	188
Fundraiser	-	-	150	(150)	-
Grant match	5,250	-	-	-	34,283
Capital expenditures	52,200	55,000	30,500	24,500	1,307
Park upgrades	46,500	46,500	61,170	(14,670)	62,687
Equipment lease	1,000	1,000	625	375	865
Capital leases	22,100	21,050	21,016	34	9,476
Total recreation	613,400	599,650	603,807	(4,157)	560,704

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Streets and Sanitation					
Salaries	\$ 220,000	\$ 220,000	\$ 226,602	\$ (6,602)	\$ 215,568
Social security	16,800	16,800	18,334	(1,534)	16,349
Retirement	17,700	17,700	19,447	(1,747)	17,136
Insurance - health	45,400	45,400	44,305	1,095	44,899
Workers' compensation	13,100	8,600	8,571	29	10,462
Utilities	64,000	64,000	64,770	(770)	62,921
Telephone	1,600	900	858	42	656
Maintenance and supplies	14,000	20,000	20,623	(623)	15,918
Vehicle repairs	10,000	12,000	11,970	30	12,949
Vehicle routine maintenance	8,000	10,000	9,761	239	5,875
Vehicle fuel	16,000	24,500	24,892	(392)	24,239
Insurance - property	1,100	1,600	1,173	427	1,422
Insurance - vehicle	10,800	12,000	13,080	(1,080)	9,979
Insurance - tort	4,300	4,300	4,330	(30)	4,249
Insurance bond	100	100	86	14	96
Uniform rental	3,000	3,000	2,671	329	2,906
Uniforms and equipment	1,000	1,000	157	843	200
Bad debts	2,000	2,000	-	2,000	1,174
Waste management	108,000	115,000	116,028	(1,028)	108,184
Landfill fees	73,500	78,000	79,195	(1,195)	77,485
Curbside recycling	22,000	23,000	23,351	(351)	18,437
Office supplies and equipment	500	250	128	122	396
Drug testing	350	450	378	72	288
Building maintenance	3,000	1,500	350	1,150	482
Advertising	500	500	209	291	30
Contract maintenance	8,000	8,000	7,100	900	13,452
Dues, subscriptions and donations	-	100	25	75	-
Training, meetings and travel	200	200	-	200	-
Postage	50	100	93	7	16
Professional services	3,000	1,000	660	340	2,113
Stormwater repair	6,000	7,500	6,375	1,125	649
Pedestrian improvements	-	-	-	-	1,713
Equipment rental	500	500	-	500	1,095
Street repair - minor	2,500	2,500	2,154	346	2,350
Cemetery	15,000	15,000	15,981	(981)	-
Capital expenditures	15,000	25,000	18,034	6,966	15,618
Garbage truck lease	73,200	65,100	65,312	(212)	73,133
Capital leases	43,500	40,500	40,237	263	26,739
Chassis lease	-	-	-	-	9,135
Total streets and sanitation	823,700	848,100	847,240	860	798,313

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2010

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 120,520
Total expenditures	3,379,200	3,388,200	3,357,615	30,585	3,331,961
Excess (deficiency) of revenues over expenditures	(4,000)	382,200	579,241	197,041	227,502
OTHER FINANCING SOURCES (USES)					
Interest income	4,000	2,600	2,173	(427)	6,162
Transfers out	-	(521,625)	(523,271)	(1,646)	(239,900)
Total other financing sources (uses)	4,000	(519,025)	(521,098)	(2,073)	(233,738)
Net changes in fund balance	\$ -	\$ (136,825)	\$ 58,143	\$ 194,968	\$ (6,236)

See the accompanying Notes to Budgetary Comparison Schedules.

SCHEDULE A-2

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
 For the Year Ended June 30, 2010

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
OPERATING REVENUES					
Miscellaneous revenues	\$ 10,000	\$ 12,200	\$ 13,046	\$ 846	\$ 6,532
Set-off debt revenue	5,800	5,800	5,877	77	4,498
Service connection fees	28,000	30,000	28,485	(1,515)	32,213
Water revenue	1,150,000	1,088,000	1,110,950	22,950	1,085,805
Water taps	20,500	15,000	13,308	(1,692)	30,305
Water capacity fee	68,500	27,500	24,643	(2,857)	55,572
Late fees	48,000	53,500	52,685	(815)	48,242
Sewer revenue	1,060,000	1,025,000	1,042,260	17,260	994,882
Sewer capacity fee	75,000	24,000	24,000	-	36,650
Sewer taps	2,000	4,450	4,450	-	3,650
Pre-treatment fees	1,000	1,750	1,750	-	-
Transfer fee	1,800	1,400	1,525	125	1,975
SCDHEC fee	25,000	25,000	25,054	54	24,666
	<u>2,495,600</u>	<u>2,313,600</u>	<u>2,348,033</u>	<u>34,433</u>	<u>2,324,990</u>
Total operating revenues					
OPERATING EXPENSES					
Administrative and General					
Salaries	127,300	127,300	128,743	(1,443)	125,828
Social security	9,800	9,800	10,093	(293)	9,451
Retirement	12,000	12,000	12,375	(375)	11,579
Insurance - health	21,300	21,300	21,175	125	21,013
Workers' compensation	3,600	3,600	2,228	1,372	2,703
Utilities	2,500	2,500	1,424	1,076	1,744
Telephone	2,900	2,900	1,930	970	2,918
Maintenance and supplies	500	250	250	-	534
Vehicle repairs	100	100	-	100	-
Vehicle routine maintenance	100	450	433	17	34
Vehicle fuel	600	1,000	834	166	777
Insurance - property	300	300	291	9	243
Insurance - vehicle	350	350	356	(6)	313
Insurance - tort	750	750	745	5	731
Insurance bond	50	50	22	28	36
Other expenses	-	-	-	-	4,694
Bank charges	5,000	7,500	7,705	(205)	4,258
Office supplies and equipment	8,000	6,000	5,413	587	6,106
Late fee charges	200	200	51	149	160
Drug testing	100	100	-	100	210
Building maintenance	2,200	2,200	1,145	1,055	1,661
Advertisement	400	400	26	374	22
Dues, subscriptions and donations	1,700	1,200	912	288	2,043

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
For the Year Ended June 30, 2010

SCHEDULE A-2
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
OPERATING EXPENSES (Continued)					
Administrative and General (continued)					
Training, meetings and travel	\$ 2,000	\$ 1,600	\$ 864	\$ 736	\$ 1,116
Legal fees	4,000	3,300	833	2,467	2,009
Auditing fees	13,300	13,300	13,300	-	12,300
Computer maintenance and programs	8,000	8,000	5,947	2,053	5,742
Postage	15,000	15,000	14,198	802	14,880
Professional services	6,800	5,000	2,769	2,231	11,344
Equipment lease	9,000	5,000	5,675	(675)	8,363
Depreciation	-	-	408,343	(408,343)	342,186
Unclaimed property	-	150	116	34	-
Capital expenditures	-	2,250	-	2,250	-
Total administrative and general	<u>257,850</u>	<u>253,850</u>	<u>648,196</u>	<u>(394,346)</u>	<u>594,998</u>
Legislative					
Council salaries	11,000	11,000	11,250	(250)	11,581
Social security	850	850	861	(11)	842
Retirement	300	300	258	42	282
Workers' compensation	300	300	180	120	169
Insurance - tort	3,400	3,400	3,343	57	3,280
Insurance bond	50	50	38	12	42
Office supplies and equipment	200	200	103	97	55
Advertisement	100	100	-	100	116
Dues, subscriptions and donations	1,000	1,000	861	139	861
Training, meetings and travel	5,000	5,000	869	4,131	3,407
Total legislative	<u>22,200</u>	<u>22,200</u>	<u>17,763</u>	<u>4,437</u>	<u>20,635</u>
Water and Sewer					
Salaries	208,000	208,000	203,331	4,669	204,156
Social security	15,900	15,900	20,392	(4,492)	15,426
Retirement	19,500	19,500	24,986	(5,486)	18,862
Insurance - health	34,000	34,000	33,941	59	34,142
Workers' compensation	10,500	7,000	6,883	117	7,931
Unemployment	-	-	-	-	3,331
Utilities	75,000	94,000	89,003	4,997	78,278
Telephone	17,000	17,000	17,869	(869)	17,546
Maintenance and supplies	60,000	60,000	61,072	(1,072)	59,174
Vehicle repairs	3,500	1,500	1,809	(309)	1,916
Vehicle routine maintenance	3,500	7,000	7,004	(4)	2,459
Vehicle fuel	17,000	19,000	19,173	(173)	17,997

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
For the Year Ended June 30, 2010

SCHEDULE A-2
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
OPERATING EXPENSES (Continued)					
Water and Sewer (continued)					
Insurance - property	\$ 2,100	\$ 2,100	\$ 2,069	\$ 31	\$ 1,626
Insurance - vehicle	6,250	6,250	6,250	-	6,610
Insurance - tort	4,650	4,650	4,628	22	4,625
Insurance bond	100	100	65	35	96
Uniform rentals	2,800	2,800	2,388	412	2,926
Uniforms and equipment	1,000	500	293	207	100
Bad debts	8,000	18,000	12,500	5,500	23,582
Office supplies and equipment	1,000	1,000	1,018	(18)	675
Drug testing	500	500	250	250	298
Building maintenance	7,000	3,800	3,315	485	7,097
Advertisement	400	400	56	344	-
Contract maintenance	10,000	12,000	12,764	(764)	12,021
Dues, subscriptions and donations	1,000	500	389	111	739
Training, meetings and travel	1,500	100	-	100	-
Computer expenses	2,500	2,500	2,626	(126)	2,302
Postage	200	100	112	(12)	985
Professional services	16,000	8,000	10,999	(2,999)	2,003
Capital leases	27,300	23,700	2,510	21,190	3,291
Lab testing	17,000	17,000	18,459	(1,459)	19,214
DHEC fee	10,000	12,000	9,381	2,619	9,300
Grant expenses	152,000	152,000	4,920	147,080	39,060
Capital expenditures	25,000	46,500	-	46,500	49,819
Capital expenditures - revenue bond	403,000	-	-	-	-
Meter purchase	8,000	8,500	8,981	(481)	8,094
Water purchase	480,000	480,000	479,802	198	460,942
Sewer purchase	600,500	734,000	735,725	(1,725)	653,679
Total water and sewer	2,251,700	2,019,900	1,804,963	214,937	1,770,302
Total operating expenses	2,531,750	2,295,950	2,470,922	(174,972)	2,385,935
Operating income (loss)	(36,150)	17,650	(122,889)	(140,539)	(60,945)

See the accompanying Notes to Budgetary Comparison Schedules.

**SCHEDULE A-2
(Continued)**

**TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
For the Year Ended June 30, 2010**

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
NON-OPERATING REVENUES (EXPENSES)					
Grants					
Water department	\$ -	\$ -	\$ -	\$ -	\$ 152,000
Sewer department	-	750	788	38	100,000
	-	750	788	38	252,000
Interest income					
Interest income	7,200	1,450	1,475	25	3,837
Interest income - bond	500	400	431	31	1,380
	7,700	1,850	1,906	56	5,217
Interest expense	(526,550)	(526,550)	(142,947)	383,603	(150,656)
Other expense	-	-	(12,203)	(12,203)	(12,203)
 Total non-operating revenues (expenses)	 (518,850)	 (523,950)	 (152,456)	 371,494	 94,358
TRANFERS IN/(OUT)	-	273,625	273,525	(100)	2,018
 Net income (loss)	 \$ (555,000)	 \$ (232,675)	 \$ (1,820)	 \$ 230,855	 \$ 35,431

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010

BUDGET POLICIES

The Town of Clover adopts an annual operating budget for the general fund and the enterprise fund. The enterprise fund (water and sewer fund) is reported as other supplementary information. Prior to July 1 of each fiscal year, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are then conducted to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures/expenses of any fund must be approved by the Town Council. The budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the enterprise fund is prepared on a basis consistent with GAAP. Budgeted amounts are as originally adopted or as amended by the Town Council.

The Town does not budget for the special revenue funds.

BUDGET BASIS TO GAAP BASIS RECONCILIATION

Even though the general fund budget was not prepared with the intention of being on a GAAP basis, no adjustments are necessary to bring the budget into conformity with GAAP except principal payments on debt service.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed in the governmental funds.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CLOVER, SOUTH CAROLINA
BALANCE SHEET
SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Hospitality Tax	Volunteer Fire Department	Totals	
			2010	2009
ASSETS				
Cash and cash equivalents				
Cash on hand	\$ -	\$ 2	\$ 2	\$ 2
Certificate of deposit	-	190,548	190,548	183,838
Cash - checking	100,499	289,662	390,161	305,824
Total cash and cash equivalents	100,499	480,212	580,711	489,664
Interfund receivables	-	-	-	13,370
Prepaid expenses	-	-	-	673
Total assets	\$ 100,499	\$ 480,212	\$ 580,711	\$ 503,707
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable				
Local fund	\$ -	\$ -	\$ -	\$ -
Recreation fund	-	-	-	-
Hospitality fund	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances				
Local fund	-	428,777	428,777	369,458
Recreation fund	-	31,435	31,435	34,284
Hospitality fund	100,499	-	100,499	79,965
Capital projects	-	20,000	20,000	20,000
Total fund balances	100,499	480,212	580,711	503,707
Total liabilities and fund balances	\$ 100,499	\$ 480,212	\$ 580,711	\$ 503,707

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2010

	Hospitality Tax	Volunteer Fire Department	Totals	
			2010	2009
REVENUES				
Local Revenue				
Pool fills	\$ -	\$ 59,550	\$ 59,550	\$ 59,235
Donations	-	4,875	4,875	5,465
Total local revenue	-	64,425	64,425	64,700
Intermediate Revenue				
Recreation (York County)	-	11,386	11,386	11,215
Local (York County)	-	22,683	22,683	21,865
Total intermediate revenue	-	34,069	34,069	33,080
Hospitality Taxes				
Hospitality taxes	147,273	-	147,273	147,929
Total hospitality taxes	147,273	-	147,273	147,929
Total revenues	147,273	98,494	245,767	245,709
EXPENDITURES				
Local Fund				
Maintenance and supplies	-	-	-	716
Office supplies	-	3,305	3,305	341
Dues and subscriptions	-	-	-	50
Uniforms and service awards	-	-	-	19,834
Contributions	-	4,500	4,500	5,150
Supplies	-	-	-	136
Vehicle expense	-	-	-	1,652
Capital expenditures	-	27,172	27,172	-
Total local fund	-	34,977	34,977	27,879
Recreation Fund				
Convention	-	4,766	4,766	3,286
Firemen's recreation	-	6,319	6,319	5,959
Uniforms and service awards	-	3,102	3,102	5,058
Supplies	-	125	125	1,243
Total recreation fund	-	14,312	14,312	15,546
Total fire department	-	49,289	49,289	43,425

See the accompanying Notes to Other Supplementary Information.

**SCHEDULE B-2
(Continued)**

**TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2010**

	Hospitality Tax	Volunteer Fire Department	Totals	
			2010	2009
EXPENDITURES (Continued)				
Hospitality Fund				
Festivals	\$ 15,941	\$ -	\$ 15,941	\$ 18,857
Contract maintenance	14,735	-	14,735	12,449
Special events	10,069	-	10,069	12,317
Professional fees	9,215	-	9,215	-
Advertisement	1,755	-	1,755	6,050
Supplies	55	-	55	-
Total hospitality fund	51,770	-	51,770	49,673
Total expenditures	51,770	49,289	101,059	93,098
OTHER FINANCING SOURCES (USES)				
Interest				
Local fund	-	7,188	7,188	10,001
Recreation fund	-	77	77	279
Hospitality fund	31	-	31	27
Transfers out	(75,000)	-	(75,000)	(123,350)
Total other financing sources (uses)	(74,969)	7,265	(67,704)	(113,043)
NET CHANGES IN FUND BALANCES				
Local fund	-	59,319	59,319	68,687
Recreation fund	-	(2,849)	(2,849)	(4,052)
Hospitality fund	20,534	-	20,534	(25,067)
	20,534	56,470	77,004	39,568
FUND BALANCES, BEGINNING OF YEAR				
Local fund, beginning of year	-	389,458	389,458	320,771
Recreation fund, beginning of year	-	34,284	34,284	38,336
Hospitality fund, beginning of year	79,965	-	79,965	105,032
	79,965	423,742	503,707	464,139
FUND BALANCES, END OF YEAR				
Local fund, end of year	-	448,777	448,777	389,458
Recreation fund, end of year	-	31,435	31,435	34,284
Hospitality fund, end of year	100,499	-	100,499	79,965
Fund balances, end of year	\$ 100,499	\$ 480,212	\$ 580,711	\$ 503,707

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
BALANCE SHEET
CAPITAL PROJECTS FUND
 JUNE 30, 2010

	Capital Projects	Totals	
		2010	2009
ASSETS			
Cash and cash equivalents			
Cash - Community Park	\$ 422,734	\$ 422,734	\$ 239,913
Cash - Streetscape projects	-	-	30,359
Total cash and cash equivalents	<u>422,734</u>	<u>422,734</u>	<u>270,272</u>
Total assets	<u>\$ 422,734</u>	<u>\$ 422,734</u>	<u>\$ 270,272</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 138,918	\$ 138,918	\$ -
Total liabilities	<u>138,918</u>	<u>138,918</u>	<u>-</u>
Fund Balances			
Capital projects	<u>283,816</u>	<u>283,816</u>	<u>270,272</u>
Total fund balances	<u>283,816</u>	<u>283,816</u>	<u>270,272</u>
Total liabilities and fund balances	<u>\$ 422,734</u>	<u>\$ 422,734</u>	<u>\$ 270,272</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2010

	Capital Projects	Totals	
		2010	2009
REVENUES			
Donations	\$ -	\$ -	\$ 1,281
Grant revenue	-	-	194,143
Total revenues	-	-	195,424
EXPENDITURES			
Community Park project	186,598	186,598	74,970
Community Park building	126,977	126,977	150,000
Woodside Cemetery	-	-	2,875
Streetscape Phase	-	-	317,055
Total expenditures	313,575	313,575	544,900
OTHER FINANCING SOURCES (USES)			
Interest	2,373	2,373	3,385
Transfers in/(out)	324,746	324,746	363,350
Total other financing sources (uses)	327,119	327,119	366,735
NET CHANGES IN FUND BALANCES	13,544	13,544	17,259
FUND BALANCES, BEGINNING OF YEAR	270,272	270,272	253,013
FUND BALANCES, END OF YEAR	<u>\$ 283,816</u>	<u>\$ 283,816</u>	<u>\$ 270,272</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
ENTERPRISE FUND - ANNUAL NET EARNINGS
 For the Year Ended June 30, 2010

CHANGES IN NET ASSETS OF WATER AND SEWER FUND (EXHIBIT 8)	\$	(1,820)
ADJUSTMENTS		
Depreciation		408,343
Interest paid on bonds		142,947
Transfers in from general fund		(273,525)
Government grants expenses		(788)
Amortization		<u>12,203</u>
ANNUAL NET EARNINGS (As defined in Section 2.02 of Series 2007 Bond Agreement)	\$	<u>287,360</u>
120% of Annual Principal and Interest Requirement	\$	<u>625,869</u>

In accordance with the Series 2007 Bond Agreement, the Town will prescribe, maintain and collect rates and charges for the services and facilities furnished by the Waterworks and Sewer System which, together with other income, will yield "annual net earnings" from its water and sewer fund in the current fiscal year equal to at least one hundred twenty percent (120%) of the annual principal and interest requirements in such fiscal year for all bonds outstanding. As of June 30, 2010, the Town's "annual net earnings" from its water and sewer fund were below the threshold required by the foregoing terms. The Town was granted a waiver from the rate covenant requirement for the fiscal year ended June 30, 2010.

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER SYSTEM CUSTOMER INFORMATION
 For the Year Ended June 30, 2010

The following information relates to the ten largest water and sewer customers of the System for the fiscal year ended June 30, 2009.

LARGEST WATER CUSTOMERS

Customers	Average Monthly Water Usage (in gallons)	Average Monthly Water Bill	Average Percentage of Total System Monthly Water and Sewer Billings
Clover Tex/Four Leaf Textiles/Tuscarora Yarns	858,967	\$ 4,486	5.0000%
Clover High School	490,452	2,564	1.0000%
North Safety	232,000	1,222	0.1700%
S.C. Regional Housing Authority, McConnell Street	112,408	593	0.0500%
Larne Elementary	109,123	578	0.0400%
Griggs Road Elementary	106,694	566	0.0600%
Bethel Elementary	105,660	556	0.0300%
S.C. Regional Housing Authority, Pickney Street	99,408	526	0.0400%
Clover High Tech	90,583	479	0.0400%
Outlaw Enterprises	69,108	367	0.0400%
	<u>2,274,403</u>	<u>\$ 11,937</u>	<u>6.4700%</u>

LARGEST SEWER CUSTOMERS

Customers	Average Monthly Water Usage (in gallons)	Average Monthly Sewer Bill	Average Percentage of Total System Monthly Water and Sewer Billings
Clover Tex/Four Leaf Textiles/Tuscarora Yarns	858,967	\$ 3,135	3.0000%
Clover High School	490,452	1,793	1.0000%
Honeywell	232,000	858	0.0400%
Bethel Elementary	125,098	459	0.0300%
S.C. Regional Housing Authority, McConnell Street	113,625	419	0.0300%
Larne Elementary	109,123	410	0.0200%
Griggs Road Elementary	106,694	403	0.0400%
S.C. Regional Housing Authority, Pickney Street	99,408	376	0.0300%
Outlaw Enterprises	69,108	266	0.0400%
Performance Friction	63,557	241	0.0400%
	<u>2,268,032</u>	<u>\$ 8,360</u>	<u>4.2700%</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER RATES
 For the Year Ended June 30, 2010

Water and sewer volume rates were revised by an ordinance (the "Rate Ordinance") enacted September 16, 2002 with new rates effective January 1, 2010.

WATER RATES

Customers are billed for water usage based upon a minimum charge plus a volume charge for monthly usage in excess of the applicable minimum usage. The following rates for water usage within and outside Town limits were effective for usage after January 1, 2010:

Metered Water Rates Inside Town: First 1,999 gallons for \$13.47 (minimum) plus
 \$5.39 per thousand gallons for 2,000-10,000 gallons
 \$5.37 per thousand gallons for 10,001-100,000 gallons
 \$5.35 per thousand gallons for 100,001-250,000 gallons
 \$5.30 per thousand gallons over 250,000 gallons

Metered Water Rates Outside Town: First 1,999 gallons for \$26.95 (minimum) plus
 \$10.80 per thousand gallons for 2,000-10,000 gallons
 \$10.77 per thousand gallons for 10,001-100,000 gallons
 \$10.75 per thousand gallons for 100,001-250,000 gallons
 \$5.62 per thousand gallons over 250,000 gallons

SEWER RATES

The Town charges for wastewater treatment based upon the number of gallons of water consumed and by the type of customer. The following rates for wastewater treatment within and outside Town limits were effective for usage after September 16, 2002.

	<u>Base Charge</u>	
Sewer Rates Inside Town:	\$ 14.91	\$3.70 per 1,000 gallons of water usage
Sewer Rates Outside Town:	\$ 29.84	\$7.42 per 1,000 gallons of water usage

SPRINKLER HEAD FEE OUTSIDE TOWN

All businesses located outside the corporate limits of the Town having a sprinkler system tap on to the Town's water system shall pay an annual charge to the Town of \$2.97 for each sprinkler head forming a part of said sprinkler system, to be billed and paid monthly.

See the accompanying Notes to Other Supplementary Information

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER RATES
 For the Year Ended June 30, 2010

SCHEDULE B-7
(Continued)

SANITATION AND LANDFILL FEES

The Town charges monthly rates for the sanitation and landfill services provided based on the type of customer and the size of the container.

Residential Garbage Collection:

\$7.30 Landfill charges

\$7.70 Sanitation charges

Business and Commercial Garbage Collection:

\$25 minimum per month

\$66 four collections per month 2-yard container

\$75 four collections per month 4-yard container

\$100 four collections per month 6-yard container

\$120 four collections per month 8-yard container

WATER CONNECTION CHARGES

Size	Inside City			Outside City		
	Capacity Charge	Meter Charge	Installation Charge**	Capacity Charge	Meter Charge	Installation Charge**
3/4 Inch Service	\$ 500	\$ 150	\$ 644	\$ 900	\$ 150	\$ 700
1 Inch Service	1,000	200	725	1,458	200	800
* 2 Inch Service	1,810	400	848	2,583	400	950
* 4 Inch Compound	8,730	actual cost	actual cost	12,492	actual cost	actual cost
* 6 Inch Compound	13,095	actual cost	actual cost	18,882	actual cost	actual cost
* 8 Inch Compound	18,080	actual cost	actual cost	25,848	actual cost	actual cost
* 10 Inch Compound	23,695	actual cost	actual cost	35,739	actual cost	actual cost

SEWER CONNECTION CHARGES

Size	Inside City		Outside City	
	Capacity Charge	Installation Charge**	Capacity Charge	Installation Charge
4 Inch Sewer Tap	\$ 550	\$ 550	\$ 1,000	\$ 600
6 Inch Sewer Tap	6,050	actual cost	11,000	actual cost
8 Inch Sewer Tap	13,750	actual cost	25,000	actual cost

* Note: Customer to furnish meter pit built to the Town's specifications.

** Note: Meter and installation costs reflect DHEC requirements and cost incurred at time of installation.

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER RATES
For the Year Ended June 30, 2010

SCHEDULE B-7
(Continued)

OTHER FEES

- \$ 75 Service connection fee on all water customers.
- \$ 75 Deposit for connection of water and sewer (subject to reduction to \$30 for customers who meet certain credit requirements).
- \$ 30 Water reconnection fee.
- \$ 50 Additional charge when water is reactivated by the customer or any other parties, before the past due bill and the reconnect fee have been paid.

SPECIAL RATES

The Council may negotiate special water and/or sewer rates for any customer classification that makes a significant capital contribution to the System.

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
HOSPITALITY FUND
 For the Year Ended June 30, 2010

Effective January 1, 2007, the Town of Clover implemented a 2% Local Hospitality Tax applied to the total amount of the charge for prepared or modified foods and beverages intended for immediate consumption and sold within the municipal limits of the Town of Clover.

Hospitality Tax expenditures are restricted by State law. Tax proceeds can fund:

- (1) Tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;
- (2) Tourism-related cultural, recreational, or historic facilities;
- (3) Beach access and renourishment;
- (4) Highways, roads, streets, and bridges providing access to tourist destinations;
- (5) Advertisements and promotions related to tourism development; or
- (6) Water and sewer infrastructure to serve tourism-related demand.

State law also allows an amount up to fifty (50%) percent of the prior year's hospitality tax collections to be used during the current year for operation and maintenance of those items listed above including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

A summary of historic Hospitality revenue and expenditures is as follows:

<u>Fiscal year ended</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Cummulative to date</u>
Total revenue	\$ 147,273	\$ 147,929	\$ 206,999	\$ 502,201
Total expenditures	(51,770)	(49,673)	(27,032)	(128,475)
Interest income	31	27	65	123
Transfers out	<u>(75,000)</u>	<u>(123,350)</u>	<u>(75,000)</u>	<u>(273,350)</u>
Net change	<u>\$ 20,534</u>	<u>\$ (25,067)</u>	<u>\$ 105,032</u>	<u>\$ 100,499</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES - GENERAL FUND
 For the Year Ended June 30, 2010

COURT FINES, ASSESSMENTS AND SURCHARGES COLLECTED	\$ 204,076
<hr style="border-top: 3px double #000;"/>	
COURT ASSESSMENTS FOR STATE	
Court assessments collected	73,317
Court assessments - DUS pullout	3,581
Court assessments - DUI pullout	289
Court assessments - DUI surcharge	2,413
Court assessments - Drug pullout	2,413
Court assessments - State surcharge	27,859
Court assessments - DUI spinal cord research	6,891
	<hr/>
Court assessments remitted to State Treasurer	116,763
	<hr/>
VICTIM SERVICES	
Court assessments allocated to victim services	9,215
Court surcharges allocated to victim services	4,164
	<hr/>
Funds allocated to victim services	13,379
	<hr/>
GENERAL FUND	
Funds retained by the Town	73,934
	<hr/>
TOTAL FINES, ASSESSMENTS AND SURCHARGES ALLOCATED	\$ 204,076
	<hr style="border-top: 3px double #000;"/>
Funds restricted for victim services	\$ 13,379
Victim services expenditures	(9,215)
Interest	27
Prior carryforward	10,101
	<hr/>
Total funds available for carryforward	\$ 14,292
	<hr style="border-top: 3px double #000;"/>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2010

COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying supplemental financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts from the prior year have been reclassified to conform to current presentation.

**FAULKNER AND THOMPSON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

ROBERT E. FAULKNER
T. DALE THOMPSON

226 NORTHPARK DRIVE, SUITE 110
POST OFFICE BOX 2456
ROCK HILL, SOUTH CAROLINA 29732
TELEPHONE: 803-324-3160
FACSIMILE: 803-324-2767

NORTH CAROLINA OFFICE:
10800 SIKES PLACE, SUITE 300
CHARLOTTE, NORTH CAROLINA 28277

CERTIFIED IN S.C. AND N.C.

TELEPHONE: 704-541-6180

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

The Honorable Mayor and
Members of the Town Council
The Town of Clover
Clover, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clover, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Town of Clover, South Carolina's basic financial statements and have issued our report thereon dated November 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clover, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures 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 of Clover, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clover, South Carolina's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting [2007-1, 2007-2]. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clover, South Carolina's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses [2007-1, 2007-2].

The Town of Clover, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Clover, South Carolina's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Faulkner and Thompson, P.A.

November 5, 2010

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

2007-01 Segregation of Duties

- Criteria: Internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.
- The Town's internal control structure consists of policies and procedures established by management to provide reasonable but not absolute assurance that financial data is recorded, processed, summarized and reported consistent with the assertions embodied in the financial statement. In establishing those policies and procedures, management assesses their expected benefits and related costs. Because of the inherent limitations in any internal control structure, errors or irregularities may never less occur and not be detected. Also, projection of any assessment of the internal control structure to future periods is subject to the risk that policies or procedures may become inadequate because of the changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.
- Condition: Weaknesses were noted in the area of segregation of duties as it relates to accounting controls over cash and investments, accounts payable, payroll and journal entries.
- Recommendation: We understand the limitations of staff and financial resources in a small organization and that such limitations restrain the level of segregation in internal controls. However, we recommend periodic reviews and assessments of internal controls particularly related to cash, investments, cash receipts, purchasing and payroll, to ensure segregation of duties are maximized. We believe the segregation of these accounting duties will add to the integrity of the Town's internal controls and improve the Town's financial reporting system.
- Current Status: At the present time, there are too few administrative employees to implement most of the above-described recommended accounting controls. Town management provides oversight and budgetary review (budget to actual) on a consistent basis. Such reviews are intended to discern errors. Management will continue to strive for improved internal controls and will take the recommendations under advisement.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

2007-02 Integration of Accounting Software

- Criteria: Manual entries require additional procedures and can reduce the effectiveness of internal controls.
- Condition: During our audit we noted the Town's accounting software for the Enterprise Fund (Water and Sewer Fund) is not integrated with the Town's general accounting software. This is also the case for the accounting software related to building and business permits. As a separate system, entries must be made manually to record this activity on the Town's general ledger.
- Recommendation: We recommend the Town consider evaluating its current accounting software and consider an upgrade to its data processing capabilities so that all accounting modules are interfaced. Such integration should reduce the need for manually recording accounting data while strengthening internal controls.
- Current Status: At one time, the Enterprise Fund accounting software was integrated with the Town's general accounting software. However, there were many errors because of the limited capability of the software systems. The Town integrated business license and business permit software during July 2009. The Request for Proposals included a requirement to provide information on the additional integrated modules that would be available should the Town decide to replace the existing financial software. It is management's goal to have a fully integrated financial software package within the next five years provided funding is available.

2008-1 Accounting Policy Manual

- Criteria: Sound internal controls require effective and efficient accounting policies and procedures. The components of internal controls should be adequately documented.
- Condition: The Town has set policies and procedures for its accounting functions. However, during our audit, we noted the procedures have not been documented in a policy and procedures manual.
- Recommendation: We recommend the Town develop a written accounting policy and procedures manual. Such a manual could include procedures developed for each job description and reduce to writing procedures currently performed by each employee. By reducing all procedures to writing, the training of new employees may be improved and the organization of duties could be reviewed to maximize the segregation of duties.
- Current Status: A written accounting policy and procedures manual would be an excellent addition to other policies and procedures manuals. It would also assist, as noted above, with training new employees. Management will continue working on a manual with an anticipated completion date of December 2010.