

TOWN OF CLOVER, SOUTH CAROLINA

Independent Auditors' Report,
Basic Financial Statements
And Supplementary Information

As of and For the Fiscal Year Ended
June 30, 2012

ISSUED BY:

TOWN OF CLOVER

Management and Finance Departments

**Allison Harvey
Town Administrator**

**Barbara J. Swierszcz
Town Treasurer**

TOWN OF CLOVER, SOUTH CAROLINA
**Independent Auditors' Report,
 Basic Financial Statements
 And Supplementary Information**
 June 30, 2012

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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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clover, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

The prior year summarized comparative information has been derived from the Town's 2011 financial statements and, in our report dated November 15, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 the 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, 2012, and the respective changes in financial position, where applicable, and 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 6, 2012, 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 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 9 and 41 through 53 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, South Carolina's financial statements as a whole. The combining and individual nonmajor fund financial statements and other supplementary information on pages 54 through 65, 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 them.

Faulkner and Thompson, P.A.

November 6, 2012

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, 2012. 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 \$4,971,069 and net assets of governmental activities were \$6,864,297.
- The current year's expense total was \$4,137,011 as compared to the \$4,366,698 generated in fees and charges, grants, general revenues and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$3,931,456 as compared to the \$3,951,649 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, town revenues were \$3,564,238 and expenses were \$2,591,574.
- The annual cost of all town programs was \$6,728,585. The previous year's cost was \$6,279,616.

The Town's total Governmental Fund Balance at the end of the fiscal year totaled \$3,347,846, which is a \$299,574, or 10%, increase over the prior year's Fund Balance of \$3,048,272. The increase is due in large part to the receipt of unanticipated delinquent property taxes (\$83,690) and a disbursement from the Local Government Assurance Group (\$74,074). Of the total fund balance amount, \$1,227,001 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	\$ 3,930,863	\$ 3,684,563	\$ 312,297	\$ 985,984	\$ 4,243,160	\$ 4,670,547
Capital Assets	<u>4,551,030</u>	<u>4,511,118</u>	<u>9,416,133</u>	<u>8,745,839</u>	<u>13,967,163</u>	<u>13,256,957</u>
Total Assets	<u>8,481,893</u>	<u>8,195,681</u>	<u>9,728,430</u>	<u>9,731,823</u>	<u>18,210,323</u>	<u>17,927,504</u>
Long-term Debt Outstanding	800,609	973,499	4,417,170	4,735,735	5,217,779	5,709,234
Other Liabilities	<u>816,987</u>	<u>877,972</u>	<u>340,191</u>	<u>707,283</u>	<u>1,157,178</u>	<u>1,585,255</u>
Total Liabilities	<u>1,617,596</u>	<u>1,851,471</u>	<u>4,757,361</u>	<u>5,443,018</u>	<u>6,374,957</u>	<u>7,294,489</u>
Net Assets						
Invested in Capital Assets, Net of Debt	3,590,799	3,346,184	4,822,585	3,698,502	8,413,384	7,044,686
Restricted	1,423,901	1,536,048	104,036	539,129	1,527,937	2,075,177
Unrestricted (deficit)	<u>1,849,597</u>	<u>1,461,978</u>	<u>44,448</u>	<u>51,174</u>	<u>1,894,045</u>	<u>1,513,152</u>
Total Net Assets	<u>\$ 6,864,297</u>	<u>\$ 6,344,210</u>	<u>\$ 4,971,069</u>	<u>\$ 4,288,805</u>	<u>\$ 11,835,366</u>	<u>\$ 10,633,015</u>

The Town’s combined net assets from the current year are \$11,835,366, as compared to \$10,633,015 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 \$6,864,297 as compared to \$6,344,210 last year. Unrestricted net assets were \$1,849,597 this year as compared to \$1,461,978 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 \$4,971,069 this year as compared to \$4,288,805 last year.

Town revenues (excluding extraordinary items) for the current year were \$7,930,936 as compared to \$6,669,736 in the previous year. The total yearly cost of all programs and services was \$6,728,585 as compared to \$6,279,616 in the previous year. See Table 2 for additional information.

TABLE 2 - CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</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>
Revenues						
Program Revenues						
Charges for Services	\$ 2,132,122	\$ 1,894,750	\$ 2,557,117	\$ 2,474,257	\$ 4,689,239	\$ 4,369,007
Restricted Operating Grants	243,268	260,802	-	-	243,268	260,802
Restricted Capital Grants	10,321	7,213	1,006,014	242,651	1,016,335	249,864
General Revenue						
Property Taxes	1,847,642	1,652,735	-	-	1,847,642	1,652,735
Interest & Investment Income	6,412	12,472	1,107	1,179	7,519	13,651
Other General Revenues	<u>126,933</u>	<u>123,677</u>	<u>-</u>	<u>-</u>	<u>126,933</u>	<u>123,677</u>
Total Revenues	<u>4,366,698</u>	<u>3,951,649</u>	<u>3,564,238</u>	<u>2,718,087</u>	<u>7,930,936</u>	<u>6,669,736</u>
Expenses						
Program Expenses						
General Government	693,833	609,028	-	-	693,833	609,028
Public Safety	1,692,162	1,585,321	-	-	1,692,162	1,585,321
Public Works	1,005,181	954,638	-	-	1,005,181	954,638
Culture & Recreation	601,058	657,394	-	-	601,058	657,394
Interest on Long-Term Debt	16,474	17,097	242,101	203,141	258,575	220,238
Water & Sewer	-	-	2,349,473	2,145,019	2,349,473	2,145,019
Municipal Court	<u>128,303</u>	<u>107,978</u>	<u>-</u>	<u>-</u>	<u>128,303</u>	<u>107,978</u>
Total Expenses	<u>4,137,011</u>	<u>3,931,456</u>	<u>2,591,574</u>	<u>2,348,160</u>	<u>6,728,585</u>	<u>6,279,616</u>
Excess of Revenues Over Expenditures	229,687	20,193	972,664	369,927	1,202,351	390,120
Transfers In/(Out)	<u>290,400</u>	<u>138,450</u>	<u>(290,400)</u>	<u>(138,450)</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	520,087	158,643	682,264	231,477	1,202,351	390,120
Net Assets, Beginning of Year	<u>6,344,210</u>	<u>6,185,567</u>	<u>4,288,805</u>	<u>4,057,328</u>	<u>10,633,015</u>	<u>10,242,895</u>
Net Assets, End of Year	<u>\$ 6,864,297</u>	<u>\$ 6,344,210</u>	<u>\$ 4,971,069</u>	<u>\$ 4,288,805</u>	<u>\$ 11,835,366</u>	<u>\$ 10,633,015</u>

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were \$4,366,698 as compared to \$3,951,649 last year. The year's governmental activities cost was \$4,137,011 as compared to \$3,931,456 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%.

General Fund revenues were \$4,066,422 which exceeded the budget's projected revenue of \$3,620,250 by \$446,172. This overage is due in large part to actual delinquent property taxes received and an unanticipated distribution resulting from the dissolution of the Local Government Assurance Group (LGAG).

General Fund expenses totaled \$4,123,279, which were \$33,229 higher than the budgeted amount of \$4,090,050.

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	\$ 1,531,924	\$ 1,447,712	\$ 1,531,924	\$ 1,435,590
Fire Department	160,238	137,609	50,462	37,888
Public Works	1,005,181	954,638	548,517	502,856
Parks & Recreation	601,058	657,394	211,098	205,516
All Others	<u>838,610</u>	<u>734,103</u>	<u>(590,701)</u>	<u>(413,159)</u>
Totals	<u>\$ 4,137,011</u>	<u>\$ 3,931,456</u>	<u>\$ 1,751,300</u>	<u>\$ 1,768,691</u>

BUSINESS – TYPE ACTIVITIES

This year's business-type activities revenue (see Table 2) was \$3,564,238 as compared to \$2,718,087 last year, which is \$846,151 more than the prior year. The increase is attributable to the reimbursement from the CDBG grant for water line replacements in the Roosevelt Community, the Westgate sewer expansion project, and the rate increase approved that went into effect July 1, 2011 (3% water and 8% sewer).

This year's expenses were \$2,591,574 as compared to \$2,348,160 in the previous year, an increase of \$243,414. This increase is due to overruns associated with the Westgate sewer expansion project which were reimbursed by York County Natural Gas Authority.

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 2011-2012 budget was not amended by the Town Council.

TOWN FUNDS

At year-end, the Town reported a total governmental funds balance of \$3,347,846 as compared to \$3,048,272 in the previous year, an increase of \$299,574.

CAPITAL ASSETS

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

	<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>
Land	\$ 1,056,767	\$ 1,056,767	\$ 41,831	\$ 41,831	\$ 1,098,598	\$ 1,098,598
Construction in Progress	369,896	231,853	-	474,915	369,896	706,768
Equipment & Buildings	3,092,467	3,190,598	676,689	593,690	3,769,156	3,784,288
Infrastructure	<u>31,900</u>	<u>31,900</u>	<u>8,697,613</u>	<u>7,570,501</u>	<u>8,729,513</u>	<u>7,602,401</u>
Totals	<u>\$ 4,551,030</u>	<u>\$ 4,511,118</u>	<u>\$ 9,416,133</u>	<u>\$ 8,680,937</u>	<u>\$ 13,967,163</u>	<u>\$ 13,192,055</u>

At the close of the year, the Town had invested a cumulative total of \$13,967,163 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$13,192,055 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:

- Computer replacement and new scanner for Town Hall;
- Cutter for Fire Department;
- Replacement radio console, in-car digital cameras, walkie talkies and new police vehicle (Dodge Charger);
- Two new trucks, renovations to the Stellie Jackson Enrichment Center, and miscellaneous recreation equipment;
- Ice machine and pipe laser for Streets and Sanitation Department;
- Sonar locator, mower and two replacement maintenance vehicles for Water/Sewer Department;
- Westgate Sewer Expansion completed with funds from SC Department of Commerce, Duke Energy, York County Natural Gas Authority and the Town: and
- Water lines replacement project with funds from CDBG and the Town in the Roosevelt Community.

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)	\$ 175,000	\$ 210,000	\$ -	\$ -	\$ 175,000	\$ 210,000
Revenue Bonds and Notes (backed by specific tax and fee revenues)	541,000	600,000	4,545,000	4,960,000	5,086,000	5,560,000
Capital Leases and Other Outstanding Obligations	<u>244,231</u>	<u>354,934</u>	<u>48,548</u>	<u>22,435</u>	<u>292,779</u>	<u>377,369</u>
Totals	<u>\$ 960,231</u>	<u>\$ 1,164,934</u>	<u>\$ 4,593,548</u>	<u>\$ 4,982,435</u>	<u>\$ 5,553,779</u>	<u>\$ 6,147,369</u>

At the close of the year, the Town had \$5,553,779 in outstanding bonds and capital leases as compared to \$6,147,369 in the previous year (see Table 5).

The Town's total debt decreased by \$593,590, or 9.66%, during the fiscal year ending June 30, 2012.

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 \$13,491,778. Therefore, the current debt limitation for the Town is \$1,079,342. The Town's current debt is

\$904,342 less than the limit allowed by law. The Town could issue additional general obligation debt up to this amount.

During FYE 2012, the Town entered into a lease purchase agreement with BB&T to finance one (1) police patrol vehicle, two (2) recreation trucks and two (2) Public Works maintenance trucks. The amount of the agreement was \$139,000.

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 2012-2013 General Fund Budget revenues were projected to increase from Fiscal Year 2011-2012's budget by \$181,200, an increase of 5%.

General Fund expenses were balanced with projected revenues. Several fund balance allocations were budgeted totaling \$282,700:

- \$175,000 toward the renovation of the new Town Hall Building
- \$35,000 for additional Park upgrades from funds not spent in FYE11
- \$30,900 for Financial Software upgrade from LGAG funds received in FYE12
- \$41,800 anticipated to balance the budget

In the Enterprise Fund, revenues were projected to decrease by \$716,000, or 21.0%. The decrease is attributable to not expecting any major grant funds such as CDBG. Water and sewer rates were not changed.

Enterprise Fund Administration and Legislative expenses were moved to the General Fund in Fiscal Year 2010-2011. Staff analyzed the expenses and assigned a rational percentage for each shared expense. The Enterprise Fund will reimburse the General Fund in quarterly payments for a total of \$297,300. The budget anticipates no specific projects to begin in the upcoming fiscal year.

The property tax millage rate was increased to 114 mills for operating and 4 mills for capital for a total millage of 118 for Tax Year 2012, the first increase since 2007. Larne Building rental fees were reduced for Monday through Thursday rentals. Recreation fees for youth sports that require officiating were increased from \$40 to \$50. There were no significant changes to any other existing fees. A Capital Improvements Plan was updated during Fiscal Year 2010-2011 and was used to guide budget allocations for Fiscal Year 2012-2013.

General obligation debt in the amount of \$800,000 was approved in June 2012 and issued in August 2012. Proceeds will be used for New Centre Park and to purchase a building to be used as new the Town Hall. In June 2012, the 2007 series revenue bond was refinanced from 3.99% to 3.02% and the term was extended from June 2023 to December 2027. The estimated additional cost to the Town is \$258,600 while the estimated annual reduction in debt service payments is \$145,000.

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

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

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF NET ASSETS
 JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Current Assets			
Cash and cash equivalents:			
Cash	\$ 2,748,724	\$ 7,842	\$ 2,756,566
Investments	297,347	200,536	497,883
	3,046,071	208,378	3,254,449
Receivables, net	295,859	265,897	561,756
Due from county government	44,244	-	44,244
Due from state government	40,199	-	40,199
Inventories	398	2,163	2,561
Internal balances	307,771	(307,771)	-
Prepaid expenses	106,559	12,406	118,965
Restricted cash	89,762	104,036	193,798
	3,930,863	285,109	4,215,972
Non-Current Assets			
Capital assets:			
Land	1,056,767	41,831	1,098,598
Buildings, improvements, infrastructure, machinery and equipment, net	3,494,263	9,374,302	12,868,565
Other assets	-	27,188	27,188
	4,551,030	9,443,321	13,994,351
Total current assets			
Total non-current assets			
Total assets	\$ 8,481,893	\$ 9,728,430	\$ 18,210,323

See the accompanying Notes to Financial Statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 161,128	\$ 66,084	\$ 227,212
Accrued expenses	99,918	23,084	123,002
Deferred revenue	278,279	-	278,279
Current portion of long-term debt	277,662	251,023	528,685
Total current liabilities	<u>816,987</u>	<u>340,191</u>	<u>1,157,178</u>
Non-Current Liabilities			
Compensated absences	66,022	14,198	80,220
Customer deposits	-	55,175	55,175
Long-term debt	734,587	4,347,797	5,082,384
Total non-current liabilities	<u>800,609</u>	<u>4,417,170</u>	<u>5,217,779</u>
Total liabilities	<u>1,617,596</u>	<u>4,757,361</u>	<u>6,374,957</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,590,799	4,822,585	8,413,384
Restricted for:			
Debt service	-	104,036	104,036
Fire department	566,357	-	566,357
Capital projects	827,782	-	827,782
Other purposes	29,762	-	29,762
Unrestricted	1,849,597	44,448	1,894,045
Total net assets	<u>6,864,297</u>	<u>4,971,069</u>	<u>11,835,366</u>
Total liabilities and net assets	<u>\$ 8,481,893</u>	<u>\$ 9,728,430</u>	<u>\$ 18,210,323</u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
 JUNE 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 555,511	\$ 1,371,685	\$ 9,530	\$ -
Development	138,322	-	-	-
Fire department	160,238	71,589	38,187	-
Municipal court	128,303	48,096	-	-
Police department	1,531,924	-	-	-
Recreation	601,058	184,088	195,551	10,321
Streets and sanitation	1,005,181	456,664	-	-
Debt service	16,474	-	-	-
Total governmental activities	4,137,011	2,132,122	243,268	10,321
Business-Type Activities:				
Water and sewer	2,591,574	2,557,117	-	1,006,014
Total primary government	<u>\$ 6,728,585</u>	<u>\$ 4,689,239</u>	<u>\$ 243,268</u>	<u>\$ 1,016,335</u>

General revenues:
 Taxes
 Property taxes
 Payments from state government
 Unrestricted investment earnings
 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
\$ 825,704	\$ -	\$ 825,704
(138,322)	-	(138,322)
(50,462)	-	(50,462)
(80,207)	-	(80,207)
(1,531,924)	-	(1,531,924)
(211,098)	-	(211,098)
(548,517)	-	(548,517)
(16,474)	-	(16,474)
(1,751,300)	-	(1,751,300)
-	971,557	971,557
(1,751,300)	971,557	(779,743)
1,847,642	-	1,847,642
126,933	-	126,933
6,412	1,107	7,519
290,400	(290,400)	-
2,271,387	(289,293)	1,982,094
520,087	682,264	1,202,351
6,344,210	4,288,805	10,633,015
<u>\$ 6,864,297</u>	<u>\$ 4,971,069</u>	<u>\$ 11,835,366</u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2012

	General	Capital Projects	Special Revenue	Total Governmental Funds
ASSETS				
Cash and cash equivalents:				
Cash	\$ 1,220,305	\$ 827,782	\$ 700,637	\$ 2,748,724
Investments	297,347	-	-	297,347
	1,517,652	827,782	700,637	3,046,071
Receivables, net of allowance of \$21,000	295,859	-	-	295,859
Due from county government	44,244	-	-	44,244
Due from state government	40,199	-	-	40,199
Inventories	398	-	-	398
Internal balances	291,802	-	15,969	307,771
Prepaid expenses	106,559	-	-	106,559
Restricted cash	29,762	-	60,000	89,762
	Total assets	\$ 2,326,475	\$ 827,782	\$ 776,606
	\$ 2,326,475	\$ 827,782	\$ 776,606	\$ 3,930,863
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 161,128	\$ -	\$ -	\$ 161,128
Accrued expenses	143,610	-	-	143,610
Deferred revenue	278,279	-	-	278,279
	Total liabilities	583,017	-	583,017
	583,017	-	-	583,017
Fund Balances				
Nonspendable	106,957	-	60,000	166,957
Restricted	29,762	-	188,312	218,074
Committed	-	-	-	-
Assigned	379,738	827,782	528,294	1,735,814
Unassigned	1,227,001	-	-	1,227,001
	Total fund balances	1,743,458	827,782	776,606
	1,743,458	827,782	776,606	3,347,846
	Total liabilities and fund balances	\$ 2,326,475	\$ 827,782	\$ 776,606
	\$ 2,326,475	\$ 827,782	\$ 776,606	\$ 3,930,863

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, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	3,347,846
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:		
Capital assets of \$7,284,332, net of accumulated depreciation of \$2,733,302 and associated debt of \$960,231, used in the governmental activities are not financial resources and therefore are not reported in the funds.		3,590,799
Long-term compensated absences are not due and payable in the current period and are not reported in the funds.		(66,022)
Interest on general obligation bonds is not accrued under governmental fund accounting.		(8,326)

NET ASSETS OF GOVERNMENTAL FUNDS	\$	<u><u>6,864,297</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, 2012

	General Fund	Capital Projects	Special Revenue	Total Governmental Funds
REVENUES				
Local revenues	\$ 3,734,408	\$ -	\$ 71,589	\$ 3,805,997
Intermediate revenues	195,551	-	38,187	233,738
Hospitality taxes	-	-	184,088	184,088
State revenues	126,933	-	-	126,933
Federal revenues	9,530	-	-	9,530
Total revenues	<u>4,066,422</u>	<u>-</u>	<u>293,864</u>	<u>4,360,286</u>
EXPENDITURES				
Current				
General government	508,455	-	-	508,455
Development	143,554	-	-	143,554
Fire department	87,841	-	23,213	111,054
Municipal court and legislative	128,200	-	-	128,200
Police department	1,608,594	-	-	1,608,594
Recreation	606,411	-	40,344	646,755
Streets and sanitation	1,040,224	-	-	1,040,224
Capital outlay	-	138,043	-	138,043
Debt service	-	35,000	75,474	110,474
Total expenditures	<u>4,123,279</u>	<u>173,043</u>	<u>139,031</u>	<u>4,435,353</u>
Excess (deficiency) of revenues over expenditures	<u>(56,857)</u>	<u>(173,043)</u>	<u>154,833</u>	<u>(75,067)</u>
OTHER FINANCING SOURCES/(USES)				
Capital lease proceeds	77,829	-	-	77,829
Interest income	1,962	2,817	1,633	6,412
Transfers in	193,134	97,266	-	290,400
Total other financing sources/(uses)	<u>272,925</u>	<u>100,083</u>	<u>1,633</u>	<u>374,641</u>
Net changes in fund balances	216,068	(72,960)	156,466	299,574
FUND BALANCES, BEGINNING OF YEAR	<u>1,527,390</u>	<u>900,742</u>	<u>620,140</u>	<u>3,048,272</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,743,458</u>	<u>\$ 827,782</u>	<u>\$ 776,606</u>	<u>\$ 3,347,846</u>

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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	299,574
 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		1,883
Long-term accrued compensated absences		(25,986)
Principal payments on general obligation bonds are not recorded as an expense in the statement of activities		94,000
Principal payments on capital lease obligations		188,532
Capital lease proceeds		(77,829)
Investments in capital assets (net) are not expenditures in the statement of activities		39,913
 CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	 \$	 <u>520,087</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, 2012

ASSETS**Current Assets**

Cash and cash equivalents:

Cash	\$ 7,842
Investments	200,536

Accounts receivable, net of allowance of \$5,000	265,897
Inventories	2,163
Prepaid expenses	12,406
Restricted cash	104,036

Total current assets	592,880
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Non-Current Assets

Capital assets, net	9,416,133
Other	27,188

Total non-current assets	9,443,321
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Total assets	\$ 10,036,201
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LIABILITIES**Current Liabilities**

Accounts payable	\$ 66,084
Accrued expenses	28,356
Current portion of long-term debt	245,751
Due to general fund	307,771

Total current liabilities	647,962
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Non-Current Liabilities

Compensated absences	14,198
Customer deposits	55,175
Long-term debt	4,347,797

Total non-current liabilities	4,417,170
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Total liabilities	5,065,132
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NET ASSETS

Invested in capital assets, net of depreciation and related debt	4,822,585
Restricted for debt service	104,036
Unrestricted	44,448

Total net assets	4,971,069
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Total liabilities and net assets	\$ 10,036,201
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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, 2012

OPERATING REVENUES

Charges for services:	
Water and sewer fees	\$ 2,397,232
Water and sewer taps	13,905
Service connection fees	29,130
Reconnection fees and penalties	59,297
SCDHEC fees	25,395
Miscellaneous	32,158
	<hr/>
Total operating revenues	2,557,117

OPERATING EXPENSES

Water and sewer purchases	1,292,802
Salaries and wages	140,600
Maintenance and supplies	60,078
General and administrative	366,876
Depreciation	424,214
	<hr/>
Total operating expenses	2,284,570
	<hr/>
Operating income (loss)	272,547

NON-OPERATING REVENUES (EXPENSES)

State grant revenue	608,358
Contributions revenue	397,656
Interest income	1,107
Interest expense	(242,101)
Other expense	(64,903)
	<hr/>
Total non-operating revenues (expenses)	700,117

Income (loss) before transfers	972,664
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TRANSFERS, NET

	<hr/>
Changes in net assets	682,264

NET ASSETS, BEGINNING OF YEAR

	<hr/>
NET ASSETS, END OF YEAR	\$ 4,971,069

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,527,804
Payments to suppliers	(1,779,638)
Payments to employees	(162,742)
Other receipts	22,859
	<u>608,283</u>
Net cash provided by operating activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,356,380)
Principal paid on capital debt	(388,887)
Bond refinancing cost	(64,903)
Gain/loss on disposal of assets	3,723
Grant revenue	1,081,713
Interest paid on capital debt	(242,101)
Interfund transfers	(169,723)
	<u>(1,136,558)</u>
Net cash used for financing activities	
CASH FLOWS FROM RESTRICTED ACTIVITIES	
Decrease in restricted cash	<u>435,093</u>
Net cash provided by restricted activities	
	<u>435,093</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,107</u>
Net cash provided by investing activities	
	<u>1,107</u>
Net increase in cash and cash equivalents	
	(92,075)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
	<u>300,453</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	
	<u><u>\$ 208,378</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 272,547
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	424,214
Changes in assets and liabilities:	
Receivables, net	(29,313)
Inventories and prepaid expenses	6,643
Deposits	14,593
Other assets	1,623
Accounts and other payables	(82,024)
	<u>608,283</u>
Net cash provided by operating activities	
	<u><u>\$ 608,283</u></u>

See the accompanying Notes to Financial Statements.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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, 2012

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, 2012

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, 2012

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.

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, 2012, that are for the 2012 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.

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.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 governmental fund basic financial statements until due and payable.

Fund Balance Reporting

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Town is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by formal action of the Town's highest level of decision-making authority (the Town Council) and that remain binding unless removed or changed in the same manner. The underlying action that imposed the limitation needs to occur before the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the Town's *intent* to be used for specific purposes. The intent can be established by either the Town Council or by a body or an official designated for that purpose. This is also the classification for residual funds in the Town's special revenue funds.
- *Unassigned fund balance* - the residual classification for the Town's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Town Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policy

The Town believes that sound financial management principles require that sufficient funds be retained by the Town to provide a stable financial base at all times. To retain this stable financial base, the Town needs to maintain unrestricted fund balance in its Town funds sufficient to fund cash flows of the Town and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the Town's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

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.

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 deposits to be collateralized. All short-term investments are placed with the South Carolina State Investment Pool.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) of 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.

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, 2012, the Town’s deposits had a carrying amount of \$2,948,852 and a bank balance of \$3,181,829, which was entirely covered by federal depository insurance or collateralized. At June 30, 2012, the Town had \$1,512 cash on hand.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2012, 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>497,883</u>	\$ <u>497,883</u>

Following are the components of the Town's book and fair values for cash and investments at June 30, 2012:

Governmental Fund Deposits

Cash in banks	\$ 2,837,214
S.C. State Investment Pool	297,347
Cash on hand	<u>1,272</u>
	<u>\$ 3,135,833</u>

Proprietary Fund Deposits

Cash in banks	\$ 111,638
S.C. State Investment Pool	200,536
Cash on hand	<u>240</u>
	<u>\$ 312,414</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.

<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	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Qualified securities	<u>-</u>	<u>2,681,829</u>	<u>-</u>	<u>2,681,829</u>	<u>2,681,829</u>
	<u>\$ 500,000</u>	<u>\$ 2,681,829</u>	<u>\$ -</u>	<u>\$ 3,181,829</u>	<u>\$ 3,181,829</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 \$497,883. Of this amount, \$200,536 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.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the African Development Bank, and the Asian Development Bank;
3. Obligations of a corporation, state, or political subdivision denominated in United States dollars, if the obligations bear an investment grade rating of at least two nationally recognized rating services;
4. Certificates of deposit, if the certificates are secured collaterally by securities of the types described in items (1) and (3) of this section and held by a third party as escrow agent or custodian and are of a market value not less than the amount of the certificates of deposit so secured, including interest; except that this collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government;
5. Repurchase agreements, if collateralized by securities of the types described in items (1) and (3) of this section and held by a third party as escrow agent or custodian and of a market value not less than the amount of the repurchase agreement so collateralized, including interest; and
6. Guaranteed investment contracts issued by a domestic or foreign insurance company or other financial institution, whose long-term unsecured debt rating bears the two highest ratings of at least two nationally recognized rating services.

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 to 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 that 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.

NOTE 4 – DEFERRED REVENUE

Deferred revenue totaling \$278,279 in the general fund consists of property taxes receivable but not yet recognized as revenue totaling \$192,817, business licenses of \$169 received by the Town prior to June 30, 2012 that are for the 2013 fiscal year, \$2,450 received for the Recreation Department and \$82,843 for deferred judicial fees and fines deposited as the general fund administers the judicial funds.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities					
Non-depreciable capital assets:					
Land	\$ 1,056,767	\$ -	\$ -	\$ -	\$ 1,056,767
Construction in progress	<u>231,853</u>	<u>138,043</u>	<u>-</u>	<u>-</u>	<u>369,896</u>
Total non-depreciable capital assets	<u>1,288,620</u>	<u>138,043</u>	<u>-</u>	<u>-</u>	<u>1,426,663</u>
Depreciable capital assets:					
General government	524,221	3,883	-	-	528,104
Fire department	1,299,666	4,400	-	-	1,304,066
Municipal court	27,189	1,175	-	-	28,364
Police department	1,276,653	136,665	-	-	1,413,318
Recreation department	1,278,081	92,061	-	-	1,370,142
Street department	1,175,270	6,505	-	-	1,181,775
Infrastructure	<u>31,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,900</u>
Total depreciable capital assets	<u>5,612,980</u>	<u>244,689</u>	<u>-</u>	<u>-</u>	<u>5,857,669</u>
Less accumulated depreciation	(<u>2,390,482</u>)	(<u>342,820</u>)	<u>-</u>	<u>-</u>	(<u>2,733,302</u>)
	<u>\$ 4,511,118</u>	<u>\$ 39,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,551,030</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 29,122
Fire department	53,584
Municipal court	1,278
Police department	120,494
Recreation department	67,655
Streets and sanitation	<u>70,687</u>
Total depreciation, governmental activities	<u>\$ 342,820</u>

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Business-Type Activities					
Water and sewer equipment	\$ 593,690	\$ 82,999	\$ -	\$ -	\$ 676,689
Construction in progress	474,915	1,080,133	-	(1,555,048)	-
Water and sewer infrastructure	14,574,637	-	(39,404)	1,555,048	16,090,281
Land	<u>41,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,831</u>
	<u>15,685,073</u>	<u>1,163,132</u>	<u>(39,404)</u>	<u>-</u>	<u>16,808,801</u>
Less accumulated depreciation	(<u>7,004,136</u>)	(<u>424,214</u>)	<u>35,682</u>	<u>-</u>	(<u>7,392,668</u>)
	<u>\$ 8,680,937</u>	<u>\$ 738,918</u>	<u>\$ (3,722)</u>	<u>\$ -</u>	<u>\$ 9,416,133</u>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Capital lease obligations	\$ 354,934	\$ 77,829	\$(188,532)	\$ 244,231	\$ 130,644
2011 Revenue bond	600,000	-	(59,000)	541,000	60,000
2007 General obligation bond	<u>210,000</u>	<u>-</u>	<u>(35,000)</u>	<u>175,000</u>	<u>35,000</u>
	<u>1,164,934</u>	<u>77,829</u>	<u>(282,532)</u>	<u>960,231</u>	<u>225,644</u>
Compensated absences	<u>86,908</u>	<u>64,200</u>	<u>(33,068)</u>	<u>118,040</u>	<u>52,018</u>
Governmental activities long-term liabilities	<u>\$ 1,251,842</u>	<u>\$ 142,029</u>	<u>\$(315,600)</u>	<u>\$ 1,078,271</u>	<u>\$ 277,662</u>
Business-Type Activities					
Capital lease obligations	\$ 22,435	\$ 61,171	\$(35,058)	\$ 48,548	\$ 11,751
2007 Revenue bond	<u>4,960,000</u>	<u>-</u>	<u>(415,000)</u>	<u>4,545,000</u>	<u>234,000</u>
	<u>4,982,435</u>	<u>61,171</u>	<u>(450,058)</u>	<u>4,593,548</u>	<u>245,751</u>
Compensated absences	<u>73,762</u>	<u>6,047</u>	<u>(60,339)</u>	<u>19,470</u>	<u>5,272</u>
Business-type activities long-term liabilities	<u>\$ 5,056,197</u>	<u>\$ 67,218</u>	<u>\$(510,397)</u>	<u>\$ 4,613,018</u>	<u>\$ 251,023</u>

The Town leases certain property and equipment under capital leases. The net book value of capital leases recorded in the governmental and proprietary activities capital assets consists of the following at June 30, 2012:

Governmental Funds

Police	\$ 239,867
Recreation	85,258
Streets	19,900
Development	<u>24,286</u>
	369,311
Less accumulated amortization	<u>(131,597)</u>
	<u>\$ 237,714</u>

Proprietary Fund

Equipment and vehicles	\$ 87,514
Less accumulated amortization	<u>(9,439)</u>
	<u>\$ 78,075</u>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The following is a schedule of future lease payments under these capital leases at June 30, 2012:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2013	\$ 137,742	\$ 12,800
2014	63,043	12,800
2015	38,942	12,799
2016	<u>16,285</u>	<u>12,799</u>
Total lease payments	256,012	51,198
Less amount representing interest	(<u>11,781</u>)	(<u>2,650</u>)
Present value of future lease payments	<u>\$ 244,231</u>	<u>\$ 48,548</u>

Total interest costs for the year ended June 30, 2012 were \$13,109.

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.

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. All gross revenues of the System are pledged as security for the Series 2007 Bond. During fiscal year 2012, the bank proposed to amend the terms of the Series 2007 Bond as it relates to the outstanding principal. Specifically, the bank proposed to lower the interest rate to 3.02% and to extend the term until December 1, 2027. These amendments were finalized on June 27, 2012. 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 of that fiscal year for all bonds outstanding. As of June 30, 2012, the Town's "annual net earnings" from its water and sewer fund were above the threshold required by the foregoing terms.

The annual debt service requirements to maturity for the Series 2007 Bond as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 234,000	\$ 123,812
2014	231,000	126,704
2015	238,000	119,622
2016	245,000	112,329
2017	253,000	104,810
2018-2022	1,383,000	403,094
2023-2027	1,609,000	177,501
2028	<u>352,000</u>	<u>5,315</u>
	<u>\$ 4,545,000</u>	<u>\$ 1,173,187</u>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 6 – LONG-TERM DEBT (CONTINUED)

On March 8, 2011, the Council adopted an ordinance to provide for the issuance and sale of a \$600,000 Hospitality Fee Revenue Bond, Series 2011. The proceeds of this bond will be used to provide funds for the design, acquisition, construction and equipping of a regional park development project and payment of bond issuance costs. Interest of 2.8% will be payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2011. Principal will be paid each March 1, commencing March 1, 2012 through 2016. The bond is secured by a pledge of the revenues derived from hospitality fees, a lien upon the hospitality fund and a first lien upon the land where the project will be built. The bond agreement requires the Town to maintain cash flow coverage ratio of at least 1.5 times calculated as collected hospitality fees divided by debt service in a given fiscal year. As of June 30, 2012, the Town's cash flow ratio was above the threshold required.

The annual debt service requirements to maturity for the Series 2011 Bond as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 60,000	\$ 15,148
2014	62,000	13,468
2015	64,000	11,732
2016	<u>355,000</u>	<u>9,940</u>
	<u>\$ 541,000</u>	<u>\$ 50,288</u>

Subsequent to year-end, the Town issued an \$800,000 General Obligation Bond. The proceeds of the bond will be used to defray the costs of: (1) purchasing and renovating a new administration building; (2) renovating and rehabilitating the Town's existing administration building; (3) constructing improvements at New Centre Park; (4) renovating and improving an indoor recreation facility and storage area (old National Guard Armory); and (5) issuing the bond. The full faith, credit, resources and taxing power of the Town are irrevocably pledged for the payment of this bond. The bond will be payable in equal annual installments of principal and interest for a period of fifteen (15) years, beginning April 1, 2013 through April 1, 2027.

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 \$13,491,778. Therefore, the current debt limitation for the Town is \$1,079,342. The Town's current debt is \$904,342 less than the limit allowed by law. The Town could issue additional general obligation debt up to this amount.

NOTE 7 – INTERFUND TRANSACTIONS

Individual interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 307,771	\$ 15,969
Enterprise Fund	-	307,771
Hospitality Fund	<u>15,969</u>	<u>-</u>
	<u>\$ 323,740</u>	<u>\$ 323,740</u>

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

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 7 – INTERFUND TRANSACTIONS (CONTINUED)

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, 2012 and 2011 totaled \$15,719 and \$17,826, 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:

\$290,400 transferred from proprietary fund to general fund to reimburse the general fund for expenses related to the operation of the water and sewer utility.

\$97,266 transferred from general fund to capital projects fund to be used for engineering, construction and expansion of the Clover Community Park.

NOTE 8 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 1 for a description of each of these categories). A detailed schedule of fund balance at June 30, 2012 is as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances				
Nonspendable				
Prepaid expenses	\$ 106,559	\$ -	\$ 60,000	\$ 166,559
Inventories	<u>398</u>	<u>-</u>	<u>-</u>	<u>398</u>
Total nonspendable	<u>106,957</u>	<u>-</u>	<u>60,000</u>	<u>166,957</u>
Restricted for				
Purpose of fund	-	-	188,312	188,312
Victim's Fund	18,234	-	-	18,234
DEU Fund	11,365	-	-	11,365
Judicial Fund	<u>163</u>	<u>-</u>	<u>-</u>	<u>163</u>
Total restricted	<u>29,762</u>	<u>-</u>	<u>188,312</u>	<u>218,074</u>
Assigned to				
Purpose of fund	-	827,782	528,294	1,356,076
Irish Downs Bond	85,500	-	-	85,500
FYE 13 Deficit	41,800	-	-	41,800
Judicial Account	11,538	-	-	11,538
New Town Hall renovations	175,000	-	-	175,000
Proceeds from LGAG	30,900	-	-	30,900
FYE 11 Recreation Supplement	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Total assigned	<u>379,738</u>	<u>827,782</u>	<u>528,294</u>	<u>1,735,814</u>
Unassigned	<u>1,227,001</u>	<u>-</u>	<u>-</u>	<u>1,227,001</u>
Total fund balances	<u>\$ 1,743,458</u>	<u>\$ 827,782</u>	<u>\$ 776,606</u>	<u>\$ 3,347,846</u>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – 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 water and sewer fund totaled \$19,470 at June 30, 2012 and \$73,762 at June 30, 2011. The portion of general fund liability expected to be paid from current resources is recorded in the general fund and totaled \$52,018 and \$46,872 at June 30, 2012 and June 30, 2011, 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 \$66,022 and \$40,036 at June 30, 2012 and June 30, 2011, respectively.

NOTE 10 – 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.
- 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.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 10 – PENSION PLANS (CONTINUED)

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 2011-2012 year, the Town contributed at a rate of 9.39% of wages, and the employees contributed at a rate of 6.50% of wages for those participating in the SCRS; for the PORS the Town contributed at a rate of 11.36% of wages and the employees at a rate of 6.50%. 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>
2012	\$107,285	\$76,587	\$74,305	\$43,810
2011	99,525	70,273	70,012	41,039
2010	97,359	65,577	68,489	40,024

The Town's wage expense for the year 2011-2012 totaled \$1,817,148. Wages for employees participating in the SCRS were \$1,143,149, while wages for those participating in the PORS totaled \$673,999.

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 I 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.

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.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – PENSION PLANS (CONTINUED)

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: 7.50% per annum compounded annually.

The total unfunded accrued liability for the entire South Carolina Retirement System at July 1, 2010 was \$14,411 million. The total unfunded accrued liability for the entire Police Officers' Retirement System at July 1, 2010 was \$1,097 million. Obligations for individual employers, such as the Town, are not available. Unfunded accrued liability period as of July 1, 2010 (latest figures available) for SCRS is 30 years and for PORS 22 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 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.

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 forty percent of the truck's operating expenses. The Town of Clover is also responsible for reimbursing forty percent of salary and related employee costs, as well as forty percent 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, 2012 and 2011 were \$37,920 and \$28,153, respectively.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 – COMMITMENTS (CONTINUED)

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 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.

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.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 16 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 6, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE A-1

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2012

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
REVENUES					
Property taxes - current	\$ 1,450,000	\$ 1,450,000	\$ 1,557,721	\$ 107,721	\$ 1,495,521
Property taxes - prior	10,000	10,000	93,690	83,690	9,346
Vehicle property taxes	140,000	140,000	159,722	19,722	134,027
Property tax penalties	10,000	10,000	29,322	19,322	13,841
Garbage revenue	272,000	272,000	275,379	3,379	273,447
Landfill revenue	178,000	178,000	181,286	3,286	178,335
Court fines	75,000	75,000	48,096	(26,904)	59,943
Business licenses	600,000	600,000	612,887	12,887	637,064
Zoning fees	5,000	5,000	1,640	(3,360)	2,452
Building permits	50,000	50,000	62,501	12,501	43,447
Cemetery assessments	12,000	12,000	5,840	(6,160)	8,697
Donations	6,000	6,000	777	(5,223)	415
Shelter fees	500	500	860	360	955
Dog licenses	1,600	1,600	1,517	(83)	1,984
Sponsorship revenue	-	-	-	-	500
Recreation revenue	68,000	68,000	67,317	(683)	64,102
Recreation concessions	10,000	10,000	11,123	1,123	11,366
Sale of assets	5,000	5,000	-	(5,000)	15,208
Miscellaneous revenues	1,500	1,500	28,875	27,375	551
Larne building	13,000	13,000	13,430	430	13,702
Police vest grant	-	-	-	-	175
Recreation supplement	194,000	194,000	195,551	1,551	190,878
Sheriff satellite office	-	-	-	-	2,000
Grant - recreation	6,100	6,100	10,321	4,221	29,000
Miscellaneous grant revenue	6,000	6,000	61,106	55,106	7,213
State apportionments	121,800	121,800	126,933	5,133	123,677
Other revenues	10,350	10,350	99,637	89,287	13,789
Code enforcement	-	-	-	-	37
Franchise fees	340,000	340,000	386,850	46,850	331,740
Payment in lieu of taxes	2,400	2,400	7,186	4,786	4,403
Drink machine revenue	300	300	-	(300)	-
Westgate maintenance	4,700	4,700	7,490	2,790	4,725
York County drug funds	8,000	8,000	9,530	1,530	4,909
St. Patrick's Day revenue	3,000	3,000	5,710	2,710	3,776
Travel fund	16,000	16,000	4,125	(11,875)	5,475
Total revenues	3,620,250	3,620,250	4,066,422	446,172	3,686,700

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES					
General and Administrative					
Salaries	\$ 231,500	\$ 231,500	\$ 231,018	\$ 482	\$ 231,548
Social security	17,700	17,700	17,673	27	17,713
Retirement	21,750	21,750	22,670	(920)	21,698
Insurance - health	32,400	32,400	25,591	6,809	44,215
Workers' compensation	2,000	2,000	2,389	(389)	2,780
Health reimbursements	15,000	15,000	3,279	11,721	4,500
Employee wellness	2,000	2,000	1,333	667	1,000
Utilities	5,000	5,000	5,814	(814)	4,603
Telephone	5,000	5,000	5,165	(165)	4,583
Maintenance and supplies	500	500	312	188	250
Vehicle repairs	500	500	165	335	770
Vehicle routine maintenance	200	200	8	192	-
Vehicle fuel	2,200	2,200	2,098	102	1,984
Insurance - property/liability	2,200	2,200	2,193	7	1,902
Insurance - vehicle	700	700	689	11	397
Insurance - tort	1,400	1,400	1,414	(14)	670
Insurance bond	100	100	48	52	54
Uniform rental	-	-	-	-	(47)
Uniforms and equipment	500	500	417	83	-
Bank charges	6,700	6,700	6,654	46	6,559
Office supplies and expenses	13,000	13,000	11,710	1,290	13,977
Late fee charges	200	200	19	181	82
Drug testing	400	400	85	315	420
Building maintenance	3,500	3,500	4,137	(637)	4,342
Advertisement	1,000	1,000	808	192	659
Dues, subscriptions and donations	2,450	2,450	3,195	(745)	2,667
Training, meetings and travel	4,000	4,000	3,429	571	2,181
Legal fees	6,000	6,000	12,446	(6,446)	3,941
Auditing fees	26,000	26,000	25,045	955	25,000
Election expense	2,000	2,000	1,183	817	1,109
Holiday certificates and awards	8,000	8,000	8,084	(84)	7,463
Computer maintenance and expense	18,600	18,600	29,929	(11,329)	30,523
York County Council on Aging, Inc.	10,000	10,000	10,000	-	10,000
Postage	16,000	16,000	15,906	94	16,046
Chamber of Commerce	2,500	2,500	2,500	-	2,500
Professional services	10,000	10,000	16,134	(6,134)	9,459
Beautification committee	4,000	4,000	-	4,000	4,183
Tax collection fees	2,900	2,900	2,588	312	2,601
Larne delegation	2,500	2,500	554	1,946	1,179
Larne maintenance and supplies	9,000	9,000	6,388	2,612	7,830
Larne utilities	-	-	-	-	4,004

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		(Unfavorable)	
EXPENDITURES (Continued)					
General and Administrative (continued)					
Capital expenditures	\$ 4,000	\$ 4,000	\$ 2,558	\$ 1,442	\$ 9,582
Economic development	15,000	15,000	8,252	6,748	5,331
Equipment lease	12,000	12,000	12,319	(319)	13,620
Capital leases	2,300	2,300	2,256	44	2,256
Total general and administrative	<u>522,700</u>	<u>522,700</u>	<u>508,455</u>	<u>14,245</u>	<u>526,134</u>
Development Services					
Salaries	88,000	88,000	87,495	505	86,403
Social security	6,700	6,700	6,694	6	6,610
Retirement	8,200	8,200	8,635	(435)	8,052
Insurance - health	9,000	9,000	8,414	586	12,489
Workers' compensation	1,000	1,000	697	303	857
Unemployment	4,000	4,000	-	4,000	4,890
Telephone expenses	2,000	2,000	1,919	81	1,869
Maintenance and supplies	600	600	529	71	517
Vehicle repairs	1,000	1,000	625	375	674
Vehicle routine maintenance	600	600	63	537	176
Vehicle fuel	3,000	3,000	3,778	(778)	2,995
Insurance - property	50	50	5	45	5
Insurance - automobile	2,800	2,800	1,350	1,450	2,122
Insurance - tort	2,250	2,250	2,219	31	2,219
Insurance bond	50	50	29	21	22
Uniforms and equipment	1,000	1,000	991	9	614
Office supplies and expenses	2,500	2,500	1,290	1,210	2,524
Drug testing	200	200	-	200	22
Building maintenance	500	500	-	500	289
Advertisement	750	750	-	750	423
Dues, subscriptions and donations	1,200	1,200	948	252	992
Training, meetings and travel	3,000	3,000	809	2,191	3,007
Animal control	750	750	706	44	462
Computer maintenance	2,600	2,600	1,320	1,280	1,367
Postage	250	250	364	(114)	302
Professional services	2,000	2,000	-	2,000	4,468
Capital lease	5,200	5,200	5,164	36	5,164
Planning Committee/BZA	1,000	1,000	377	623	426
Capital expenditures	85,500	85,500	-	85,500	14,996
Planning expense	10,000	10,000	9,133	867	1,799
Total development services	<u>245,700</u>	<u>245,700</u>	<u>143,554</u>	<u>102,146</u>	<u>166,755</u>

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Fire Department					
Volunteer firemen	\$ 25,000	\$ 25,000	\$ 25,980	\$ (980)	\$ 20,100
Firemen/Town employees	2,500	2,500	3,060	(560)	1,960
Social security	200	200	234	(34)	150
Workers' compensation	1,500	1,500	1,623	(123)	1,215
Utilities	5,800	5,800	4,863	937	5,703
Telephone	1,400	1,400	1,240	160	1,318
Maintenance and supplies	5,000	5,000	3,399	1,601	3,132
Vehicle repairs	5,000	5,000	5,895	(895)	6,216
Vehicle routine maintenance	2,100	2,100	31	2,069	5,329
Vehicle fuel	8,000	8,000	7,417	583	8,042
Insurance - property	1,900	1,900	1,879	21	1,912
Insurance - vehicle	2,900	2,900	2,886	14	2,886
Insurance - tort	1,600	1,600	1,630	(30)	1,630
Radio expense	1,400	1,400	1,126	274	-
Building maintenance	1,500	1,500	1,884	(384)	1,277
Contract maintenance	500	500	-	500	-
Dues, subscriptions and donations	1,600	1,600	1,387	213	1,502
Training, meetings and travel	1,500	1,500	488	1,012	604
Auditing fees	1,500	1,500	1,500	-	1,500
Computer maintenance	1,800	1,800	2,031	(231)	1,740
Postage	50	50	11	39	8
Equipment lease	1,400	1,400	431	969	268
Capital expenditures	3,500	3,500	2,432	1,068	9,312
Fire inspections	2,500	2,500	2,210	290	-
Grant match	-	-	12,704	(12,704)	-
Explorer program	1,500	1,500	1,500	-	1,238
Total fire department	81,650	81,650	87,841	(6,191)	77,042
Municipal Court					
Salaries	34,500	34,500	32,221	2,279	23,798
Social security	2,650	2,650	2,465	185	1,821
Retirement	3,250	3,250	3,130	120	2,220
Workers' compensation	200	200	131	69	189
Utilities	1,050	1,050	1,168	(118)	1,015
Telephone	2,550	2,550	1,961	589	1,886
Maintenance and supplies	200	200	60	140	242
Insurance - property	50	50	40	10	40
Insurance - tort	100	100	75	25	75
Insurance - health	4,500	4,500	4,207	293	-
Insurance bond	50	50	10	40	11
Office supplies and equipment	2,000	2,000	2,164	(164)	1,685
Building maintenance	1,700	1,700	1,137	563	1,195

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		(Unfavorable)	
EXPENDITURES (Continued)					
Municipal Court (continued)					
Capital expenditures	\$ 1,800	\$ 1,800	\$ 1,175	\$ 625	\$ -
Dues, subscriptions and donations	200	200	115	85	155
Training, meetings and travel	1,600	1,600	807	793	624
Auditing fees	2,500	2,500	3,455	(955)	3,000
Computer maintenance and programs	1,400	1,400	2,103	(703)	1,361
Postage	400	400	458	(58)	372
Jury fees	1,000	1,000	768	232	792
Professional services	25,300	25,300	25,421	(121)	25,368
Total municipal court	87,000	87,000	83,071	3,929	65,849
Legislative					
Council salaries	22,000	22,000	22,000	-	21,625
Social security	1,700	1,700	1,683	17	1,655
Retirement	-	-	-	-	164
Workers' compensation	400	400	246	154	232
Insurance - tort	6,700	6,700	6,685	15	3,343
Insurance bond	50	50	68	(18)	75
Office supplies and equipment	400	400	251	149	545
Advertisement	150	150	257	(107)	494
Dues, subscriptions and donations	2,000	2,000	3,370	(1,370)	1,731
Training, meetings and travel	10,000	10,000	10,569	(569)	12,612
Total legislative	43,400	43,400	45,129	(1,729)	42,476
Total municipal court and legislative	130,400	130,400	128,200	2,200	108,325
Police Department					
Salaries - police officers	668,000	668,000	649,321	18,679	612,576
Salaries - dispatchers	145,000	145,000	145,037	(37)	131,667
Overtime	25,000	25,000	23,768	1,232	28,253
Social security	61,200	61,200	62,587	(1,387)	59,096
Retirement	88,000	88,000	94,634	(6,634)	87,392
Insurance - health	99,000	99,000	90,732	8,268	137,962
Workers' compensation	20,000	20,000	16,695	3,305	16,172
Unemployment compensation	8,500	8,500	1,304	7,196	3,912
Utilities	10,000	10,000	8,180	1,820	8,379
Telephone	19,000	19,000	20,559	(1,559)	15,158
Maintenance and supplies	3,000	3,000	2,640	360	1,797
Vehicle repairs	6,000	6,000	15,374	(9,374)	4,519
Vehicle routine maintenance	12,000	12,000	12,274	(274)	12,638
Vehicle fuel	40,000	40,000	52,369	(12,369)	43,714
Insurance - property/liability	3,100	3,100	3,328	(228)	3,089

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Police Department (continued)					
Insurance - vehicle	\$ 9,800	\$ 9,800	\$ 9,726	\$ 74	\$ 10,746
Insurance - tort	20,300	20,300	20,302	(2)	18,145
Insurance bond	250	250	234	16	237
Uniforms and equipment	25,000	25,000	25,505	(505)	29,789
Community relations	1,500	1,500	2,120	(620)	1,241
Drug fund expense	-	-	1,944	(1,944)	7,238
Reserve officer	15,000	15,000	17,550	(2,550)	26,683
K-9 Unit program	5,000	5,000	4,031	969	2,338
Office supplies and equipment	10,000	10,000	13,343	(3,343)	9,364
Radio service	2,000	2,000	3,918	(1,918)	2,085
Jail expense	25,000	25,000	30,230	(5,230)	21,794
Drug testing	1,000	1,000	1,866	(866)	1,179
Building maintenance	8,000	8,000	8,356	(356)	16,128
NCIC	2,500	2,500	3,321	(821)	5,486
Advertisement	500	500	233	267	231
Dues, subscriptions and donations	2,000	2,000	2,143	(143)	1,170
Training, meetings and travel	5,000	5,000	4,362	638	6,558
Computer expense	25,000	25,000	26,267	(1,267)	24,523
Postage	500	500	261	239	265
DEU grant expenses	-	-	-	-	824
Grant expenses	15,000	15,000	62,537	(47,537)	3,357
Capital leases	65,950	65,950	144,155	(78,205)	166,716
Equipment lease	1,400	1,400	1,360	40	1,158
Capital expenditures	27,600	27,600	26,028	1,572	7,784
Total police department	1,476,100	1,476,100	1,608,594	(132,494)	1,531,363
Recreation					
Salaries	231,200	231,200	220,659	10,541	202,126
Labor	13,000	13,000	6,664	6,336	8,008
Social security	18,700	18,700	17,352	1,348	16,075
Retirement	21,700	21,700	23,192	(1,492)	19,286
Insurance - health	27,000	27,000	20,334	6,666	34,062
Workers' compensation	3,000	3,000	2,367	633	3,163
Unemployment compensation	-	-	24	(24)	62
Utilities	35,800	35,800	38,007	(2,207)	33,140
Telephone	7,700	7,700	8,481	(781)	6,668
Maintenance and supplies	35,000	35,000	29,380	5,620	31,323
Vehicle repairs	1,500	1,500	1,821	(321)	1,273
Vehicle routine maintenance	1,500	1,500	508	992	635
Vehicle fuel	6,000	6,000	7,824	(1,824)	6,825

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		(Unfavorable)	
EXPENDITURES (Continued)					
Recreation (continued)					
Insurance - property/liability	\$ 4,700	\$ 4,700	\$ 4,733	\$ (33)	\$ 4,707
Insurance - vehicle	5,000	5,000	4,880	120	4,909
Insurance - tort	2,400	2,400	2,359	41	2,593
Insurance bond	100	100	78	22	54
Facility rental	11,000	11,000	9,209	1,791	7,774
Uniforms and equipment	1,100	1,100	789	311	1,252
Office supplies	2,500	2,500	1,373	1,127	1,978
Drug testing	300	300	204	96	295
Building maintenance and repairs	4,500	4,500	6,905	(2,405)	3,451
Advertisement	2,000	2,000	1,483	517	1,081
Umpires, referees, etc.	30,000	30,000	23,105	6,895	27,989
Recreation supplies	50,000	50,000	53,905	(3,905)	49,639
Dues, subscriptions and donations	1,800	1,800	1,638	162	1,400
Training, meetings and travel	3,000	3,000	1,390	1,610	2,968
Computer expense	7,000	7,000	11,906	(4,906)	8,600
Postage	300	300	194	106	237
Recreation trips expense	16,000	16,000	5,113	10,887	5,630
Community Center Park	5,000	5,000	52	4,948	562
Professional services	6,000	6,000	1,318	4,682	736
St. Patrick's Day festival	1,500	1,500	969	531	2,792
Fundraiser	-	-	-	-	-
Capital expenditures	-	-	4,895	(4,895)	17,507
Park upgrades	54,500	54,500	52,262	2,238	10,601
Equipment lease	3,000	3,000	3,486	(486)	2,632
Grant expenses	7,700	7,700	9,864	(2,164)	-
Capital leases	27,000	27,000	27,688	(688)	21,016
Total recreation	648,500	648,500	606,411	42,089	543,049
Streets and Sanitation					
Salaries	295,000	295,000	318,630	(23,630)	283,534
Social security	22,600	22,600	24,413	(1,813)	21,690
Retirement	27,700	27,700	28,187	(487)	23,096
Insurance - health	40,500	40,500	38,006	2,494	60,155
Workers' compensation	6,000	6,000	7,076	(1,076)	7,350
Utilities	71,000	71,000	81,348	(10,348)	71,089
Telephone	1,500	1,500	917	583	1,215
Maintenance and supplies	22,000	22,000	27,284	(5,284)	16,808
Vehicle repairs	10,000	10,000	21,440	(11,440)	7,411
Vehicle routine maintenance	8,000	8,000	9,659	(1,659)	5,094
Vehicle fuel	30,000	30,000	36,820	(6,820)	31,502
Insurance - property	1,700	1,700	1,930	(230)	1,620
Insurance - vehicle	12,000	12,000	11,646	354	12,989

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

SCHEDULE A-1
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
EXPENDITURES (Continued)					
Streets and Sanitation (continued)					
Insurance - tort	\$ 4,800	4,800	\$ 4,807	(7)	\$ 4,330
Insurance bond	100	100	88	12	86
Uniform rental	3,000	3,000	2,446	554	2,774
Uniforms and equipment	1,200	1,200	511	689	1,272
Bad debts	500	500	-	500	-
Waste management	130,000	130,000	133,272	(3,272)	126,552
Landfill fees	78,000	78,000	79,337	(1,337)	77,817
Curbside recycling	29,000	29,000	37,920	(8,920)	28,153
Office supplies and equipment	250	250	865	(615)	180
Drug testing	400	400	812	(412)	429
Building maintenance	5,000	5,000	1,803	3,197	660
Advertising	500	500	91	409	120
Contract maintenance	8,000	8,000	11,223	(3,223)	9,998
Dues, subscriptions and donations	200	200	175	25	150
Training, meetings and travel	200	200	-	200	75
Computer maintenance and programs	3,100	3,100	3,348	(248)	826
Postage	100	100	5	95	12
Professional services	25,000	25,000	14,375	10,625	350
Stormwater repair	10,000	10,000	8,521	1,479	3,315
Pedestrian improvements	2,000	2,000	600	1,400	-
Grant match	-	-	-	-	1,371
Street repair - minor	3,000	3,000	2,334	666	2,111
Street repair - major	10,000	10,000	7,840	2,160	-
Cemetery	10,000	10,000	14,269	(4,269)	8,645
Capital expenditures	15,000	15,000	10,602	4,398	25,076
Garbage truck lease	73,050	73,050	64,995	8,055	64,995
Capital leases	24,600	24,600	32,629	(8,029)	32,629
Total streets and sanitation	985,000	985,000	1,040,224	(55,224)	935,479
Total expenditures	4,090,050	4,090,050	4,123,279	(33,229)	3,888,147
Excess (deficiency) of revenues over expenditures	(469,800)	(469,800)	(56,857)	412,943	(201,447)

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, 2012

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
OTHER FINANCING SOURCES (USES)					
Interest income	\$ 1,200	\$ 1,200	\$ 1,962	\$ 762	\$ 4,879
Lease proceeds	-	-	77,829	77,829	107,000
Transfers in	290,400	290,400	290,400	-	295,500
Transfers out	(97,000)	(97,000)	(97,266)	(266)	(252,489)
 Total other financing sources (uses)	 194,600	 194,600	 272,925	 78,325	 154,890
 Net changes in fund balance	 <u>\$ (275,200)</u>	 <u>\$ (275,200)</u>	 <u>\$ 216,068</u>	 <u>\$ 491,268</u>	 <u>\$ (46,557)</u>

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, 2012

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
OPERATING REVENUES					
Miscellaneous revenues	\$ 10,000	\$ 10,000	\$ (4,076)	\$ (14,076)	\$ 8,625
Set-off debt revenue	6,000	6,000	2,741	(3,259)	8,380
Service connection fees	24,000	24,000	29,130	5,130	30,140
Water revenue	1,230,000	1,230,000	1,197,552	(32,448)	1,193,131
Water taps	10,000	10,000	11,705	1,705	4,038
Water capacity fee	15,000	15,000	26,043	11,043	6,500
Reconnect fees	-	-	-	-	50
Late fees	55,000	55,000	59,297	4,297	55,214
Sewer revenue	1,200,000	1,200,000	1,199,680	(320)	1,132,166
Sewer capacity fee	15,000	15,000	4,850	(10,150)	6,138
Sewer taps	3,000	3,000	2,200	(800)	2,200
Pre-treatment fees	1,500	1,500	900	(600)	900
Transfer fee	1,400	1,400	1,700	300	3,706
SCDHEC fee	26,000	26,000	25,395	(605)	23,069
Total operating revenues	2,596,900	2,596,900	2,557,117	(39,783)	2,474,257
OPERATING EXPENSES					
Depreciation	-	-	424,214	(424,214)	407,282
Unclaimed property	100	100	-	100	-
Total administrative and general	100	100	424,214	(424,114)	407,282
Water and Sewer					
Salaries	183,300	183,300	110,656	72,644	164,085
Social security	14,000	14,000	13,128	872	12,073
Retirement	17,200	17,200	16,816	384	15,181
Insurance - health	25,900	25,900	22,908	2,992	34,062
Workers' compensation	6,000	6,000	4,544	1,456	3,148
Utilities	84,000	84,000	98,282	(14,282)	82,644
Telephone	18,500	18,500	21,395	(2,895)	18,220
Maintenance and supplies	62,000	62,000	60,078	1,922	75,482
Vehicle repairs	3,500	3,500	2,127	1,373	3,322
Vehicle routine maintenance	3,500	3,500	3,507	(7)	2,275
Vehicle fuel	20,000	20,000	25,189	(5,189)	23,367
Loss - sale of fixed assets	-	-	3,721	(3,721)	-

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
For the Year Ended June 30, 2012

SCHEDULE A-2
(Continued)

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
OPERATING EXPENSES (Continued)					
Water and Sewer (continued)					
Insurance - property	\$ 1,900	\$ 1,900	\$ 2,086	\$ (186)	\$ 2,203
Insurance - vehicle	6,200	6,200	7,817	(1,617)	6,514
Insurance - tort	4,200	4,200	4,150	50	8,715
Insurance bond	100	100	49	51	65
Uniform rentals	3,000	3,000	2,266	734	2,603
Uniforms and equipment	1,000	1,000	372	628	1,028
Bad debts	10,000	10,000	23,835	(13,835)	9,191
Bank charges	-	-	95	(95)	226
Office supplies and equipment	1,000	1,000	4,160	(3,160)	1,129
Drug testing	500	500	436	64	183
Building maintenance	5,000	5,000	1,476	3,524	1,470
Advertisement	300	300	915	(615)	-
Contract maintenance	13,000	13,000	14,177	(1,177)	12,175
Dues, subscriptions and donations	500	500	424	76	389
Training, meetings and travel	500	500	332	168	155
Computer expenses	8,800	8,800	5,066	3,734	2,005
Postage	100	100	-	100	94
Professional services	8,000	8,000	7,418	582	3,542
Capital leases	38,800	38,800	2,527	36,273	1,700
Lab testing	15,000	15,000	26,584	(11,584)	20,049
DHEC fee	10,000	10,000	9,709	291	9,490
Capital expenditures	37,700	37,700	7,343	30,357	-
Meter purchase	8,000	8,000	10,708	(2,708)	11,888
Monitoring and surcharges	18,000	18,000	53,258	(35,258)	38,668
Water purchase	550,000	550,000	575,801	(25,801)	610,547
Sewer purchase	600,000	600,000	717,001	(117,001)	545,146
Total water and sewer	1,779,500	1,779,500	1,860,356	(80,856)	1,723,034
Total operating expenses	1,779,600	1,779,600	2,284,570	(504,970)	2,130,316
Operating income (loss)	817,300	817,300	272,547	(544,753)	343,941

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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
NON-OPERATING REVENUES (EXPENSES)					
Grants					
Water department	\$ 500,000	\$ 500,000	\$ 491,979	\$ (8,021)	\$ 91,679
Sewer department	252,400	252,400	514,035	261,635	150,972
	<u>752,400</u>	<u>752,400</u>	<u>1,006,014</u>	<u>253,614</u>	<u>242,651</u>
Miscellaneous income					
Sale of assets	-	-	97	97	-
	<u>-</u>	<u>-</u>	<u>97</u>	<u>97</u>	<u>-</u>
Interest income					
Interest income	800	800	615	(185)	875
Interest income - bond	300	300	395	95	304
	<u>1,100</u>	<u>1,100</u>	<u>1,010</u>	<u>(90)</u>	<u>1,179</u>
Interest expense					
Interest expense	(528,000)	(528,000)	(242,101)	285,899	(203,141)
Grant expenses	(852,400)	(852,400)	-	852,400	(2,500)
Other expense	(124,800)	(124,800)	(64,903)	59,897	(12,203)
	<u>(751,700)</u>	<u>(751,700)</u>	<u>700,117</u>	<u>1,451,817</u>	<u>25,986</u>
Total non-operating revenues (expenses)					
	<u>(751,700)</u>	<u>(751,700)</u>	<u>700,117</u>	<u>1,451,817</u>	<u>25,986</u>
TRANSFERS IN/(OUT)					
Transfers in	-	-	-	-	157,050
Transfers out	(290,400)	(290,400)	(290,400)	-	(295,500)
	<u>(290,400)</u>	<u>(290,400)</u>	<u>(290,400)</u>	<u>-</u>	<u>(138,450)</u>
	<u>\$ (224,800)</u>	<u>\$ (224,800)</u>	<u>\$ 682,264</u>	<u>\$ 907,064</u>	<u>\$ 231,477</u>

See the accompanying Notes to Budgetary Comparison Schedules.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2012

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. Before July 1 of each fiscal year, the Town Administrator submits a proposed operating budget to the Town Council 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, 2012

	Hospitality Tax	Volunteer Fire Department	Totals	
			2012	2011
ASSETS				
Cash and cash equivalents				
Cash on hand	\$ -	\$ 2	\$ 2	\$ 2
Certificate of deposit	-	322,158	322,158	195,811
Cash - checking	134,280	244,197	378,477	390,640
Total cash and cash equivalents	134,280	566,357	700,637	586,453
Interfund receivables	15,969	-	15,969	13,687
Prepaid expenses	60,000	-	60,000	20,000
Total assets	<u>\$ 210,249</u>	<u>\$ 566,357</u>	<u>\$ 776,606</u>	<u>\$ 620,140</u>
LIABILITIES AND FUND BALANCES				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances				
Nonspendable	60,000	-	60,000	20,000
Restricted	150,249	38,063	188,312	439,879
Assigned	-	528,294	528,294	160,261
Total fund balances	210,249	566,357	776,606	620,140
Total liabilities and fund balances	<u>\$ 210,249</u>	<u>\$ 566,357</u>	<u>\$ 776,606</u>	<u>\$ 620,140</u>

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, 2012

	Hospitality Tax	Volunteer Fire Department	Totals	
			2012	2011
REVENUES				
Local Revenue				
Pool fills	\$ -	\$ 65,965	\$ 65,965	\$ 62,981
Donations	-	5,624	5,624	725
Total local revenue	-	71,589	71,589	63,706
Intermediate Revenue				
Recreation (York County)	-	13,454	13,454	12,210
Local (York County)	-	24,733	24,733	23,805
Total intermediate revenue	-	38,187	38,187	36,015
Hospitality Taxes				
Hospitality taxes	184,088	-	184,088	152,756
Total hospitality taxes	184,088	-	184,088	152,756
Total revenues	184,088	109,776	293,864	252,477
EXPENDITURES				
Local Fund				
Office supplies	-	55	55	391
Uniforms and equipment	-	402	402	-
Dues and subscriptions	-	100	100	200
Training and meetings	-	-	-	400
Contributions	-	4,500	4,500	4,000
Equipment	-	-	-	1,356
Capital expenditures	-	4,400	4,400	95,669
Total local fund	-	9,457	9,457	102,016
Recreation Fund				
Convention	-	4,945	4,945	1,415
Firemen's recreation	-	2,772	2,772	3,354
Training and meetings	-	(2,023)	(2,023)	-
Uniforms and service awards	-	5,270	5,270	343
Supplies	-	2,792	2,792	254
Total recreation fund	-	13,756	13,756	5,366
Total fire department	-	23,213	23,213	107,382

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, 2012**

	Hospitality	Volunteer Fire	Totals	
	Tax	Department	2012	2011
EXPENDITURES (Continued)				
Hospitality Fund				
Overtime	\$ 2,632	\$ -	\$ 2,632	\$ 1,177
Festivals	13,975	-	13,975	11,310
Contract maintenance	19,567	-	19,567	15,456
Special events	147	-	147	4,580
Professional fees	2,939	-	2,939	2,376
Advertisement	1,234	-	1,234	1,468
Supplies	(150)	-	(150)	-
Total hospitality fund	<u>40,344</u>	<u>-</u>	<u>40,344</u>	<u>36,367</u>
Total expenditures	<u>40,344</u>	<u>23,213</u>	<u>63,557</u>	<u>143,749</u>
OTHER FINANCING SOURCES (USES)				
Interest				
Local fund	-	1,550	1,550	5,607
Recreation fund	-	32	32	54
Hospitality fund	51	-	51	40
Debt service	(75,474)	-	(75,474)	-
Transfers out	-	-	-	(75,000)
Total other financing sources (uses)	<u>(75,423)</u>	<u>1,582</u>	<u>(73,841)</u>	<u>(69,299)</u>
NET CHANGES IN FUND BALANCES				
Local fund	-	88,415	88,415	(8,898)
Recreation fund	-	(270)	(270)	6,898
Hospitality fund	68,321	-	68,321	41,429
	<u>68,321</u>	<u>88,145</u>	<u>156,466</u>	<u>39,429</u>
FUND BALANCES, BEGINNING OF YEAR				
Local fund, beginning of year	-	439,879	439,879	448,777
Recreation fund, beginning of year	-	38,333	38,333	31,435
Hospitality fund, beginning of year	141,928	-	141,928	100,499
	<u>141,928</u>	<u>478,212</u>	<u>620,140</u>	<u>580,711</u>
FUND BALANCES, END OF YEAR				
Local fund, end of year	-	528,294	528,294	439,879
Recreation fund, end of year	-	38,063	38,063	38,333
Hospitality fund, end of year	210,249	-	210,249	141,928
Fund balances, end of year	<u>\$ 210,249</u>	<u>\$ 566,357</u>	<u>\$ 776,606</u>	<u>\$ 620,140</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
BALANCE SHEET
CAPITAL PROJECTS FUND
 JUNE 30, 2012

	Capital Projects	Totals	
		2012	2011
ASSETS			
Cash and cash equivalents			
Cash - Community Park	\$ 827,782	\$ 827,782	\$ 900,742
Total cash and cash equivalents	<u>827,782</u>	<u>827,782</u>	<u>900,742</u>
Total assets	<u>\$ 827,782</u>	<u>\$ 827,782</u>	<u>\$ 900,742</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance			
Capital projects	<u>827,782</u>	<u>827,782</u>	<u>900,742</u>
Total fund balance	<u>827,782</u>	<u>827,782</u>	<u>900,742</u>
Total liabilities and fund balance	<u>\$ 827,782</u>	<u>\$ 827,782</u>	<u>\$ 900,742</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
 For the Year Ended June 30, 2012

	Capital Projects	Totals	
		2012	2011
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Community Park project	173,043	173,043	134,450
Community Park building	-	-	20,955
Total expenditures	<u>173,043</u>	<u>173,043</u>	<u>155,405</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds		-	600,000
Interest	2,817	2,817	1,892
Transfers in/(out)	97,266	97,266	170,439
Total other financing sources (uses)	<u>100,083</u>	<u>100,083</u>	<u>772,331</u>
NET CHANGES IN FUND BALANCE	(72,960)	(72,960)	616,926
FUND BALANCE, BEGINNING OF YEAR	<u>900,742</u>	<u>900,742</u>	<u>283,816</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 827,782</u></u>	<u><u>\$ 827,782</u></u>	<u><u>\$ 900,742</u></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, 2012

CHANGES IN NET ASSETS OF WATER AND SEWER FUND (EXHIBIT 8)	\$ 682,264
ADJUSTMENTS	
Depreciation	424,214
Interest paid on bonds	242,101
Transfers out to general fund	290,400
Government grants revenue	(1,006,014)
Amortization	<u>64,903</u>
ANNUAL NET EARNINGS (As defined in Section 2.02 of Series 2007 Bond Agreement)	<u>\$ 697,868</u>
120% of Annual Principal and Interest Requirement	<u>\$ 429,374</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, 2012, the Town's "annual net earnings" from its water and sewer fund were above the threshold required by the foregoing terms.

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, 2012

The following information relates to the ten largest water and sewer customers of the System for the fiscal year ended June 30, 2012.

LARGEST WATER CUSTOMERS

<u>Customers</u>	<u>Average Monthly Water Usage (in gallons)</u>	<u>Average Monthly Water Bill</u>	<u>Average Percentage of Total System Monthly Water and Sewer Billings</u>
Tuscarora Yarns	971,317	\$ 5,616	2.8777%
Honeywell	923,250	5,058	2.5918%
Clover High School	466,383	2,564	1.3138%
Town of Clover, Pharr Yarns Swr Pump	272,530	1,995	1.0223%
Town of Clover, Bethel Sch Swr Pump	226,293	1,812	0.9285%
Town of Clover, 2514 Courtland Drive	212,095	1,172	0.6005%
Town of Clover, 2055 Hwy 557 Swr Pump	203,506	1,709	0.8757%
Larne Elementary	130,250	722	0.3700%
S.C. Regional Housing Authority, McConnell Street	113,333	629	0.3223%
Clover Community Park	101,642	565	0.2895%
	<u>3,620,599</u>	<u>\$ 21,842</u>	<u>11.1921%</u>

LARGEST SEWER CUSTOMERS

<u>Customers</u>	<u>Average Monthly Water Usage (in gallons)</u>	<u>Average Monthly Sewer Bill</u>	<u>Average Percentage of Total System Monthly Water and Sewer Billings</u>
Tuscarora Yarns	971,317	\$ 4,118	2.1101%
Honeywell	923,250	3,709	1.9005%
Clover High School & Middle School	466,383	1,882	0.9644%
Larne Elementary	130,250	537	0.2752%
S.C. Regional Housing Authority, McConnell Street	113,333	469	0.2403%
Griggs Road Elementary	91,239	381	0.1952%
S.C. Regional Housing Authority, Pickney Street	73,050	308	0.1578%
Town of Clover, 500 Willow St.	81,100	341	0.1747%
Ind-Tech, Inc.	72,946	308	0.1578%
Rita Summers	69,367	294	0.1506%
	<u>2,992,235</u>	<u>\$ 12,347</u>	<u>6.3266%</u>

See the accompanying Notes to Other Supplementary Information.

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER RATES
 For the Year Ended June 30, 2012

Water and sewer rates were revised by an ordinance (the "Rate Ordinance") enacted June 13, 2011 with new rates effective July 1, 2011.

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 beginning July 1, 2011:

Metered Water Rates Inside Town:	First 1,999 gallons for \$13.87 (minimum) plus \$5.55 per thousand gallons for 2,000-10,000 gallons \$5.53 per thousand gallons for 10,001-100,000 gallons \$5.51 per thousand gallons for 100,001-250,000 gallons \$5.46 per thousand gallons for over 250,000 gallons
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Metered Water Rates Outside Town:	First 1,999 gallons for \$27.76 (minimum) plus \$11.12 per thousand gallons for 2,000-10,000 gallons \$11.09 per thousand gallons for 10,001-100,000 gallons \$11.07 per thousand gallons for 100,001-250,000 gallons \$5.79 per thousand gallons for over 250,000 gallons
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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 beginning July 1, 2011:

	<u>Base Charge</u>	
Sewer Rates Inside Town:	\$16.10	\$4.00 per 1,000 gallons of water usage
Sewer Rates Outside Town:	\$32.23	\$8.01 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 pay an annual charge of \$2.97 to the Town for each sprinkler head forming a part of their sprinkler system, which is 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, 2012**

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	300	725	1,458	300	800
2 Inch Service *	1,810	1,800	848	2,583	1,800	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, 2012

OTHER FEES

\$75	Service connection fee on all water and sewer customers.
\$75	Deposit for connection of water and sewer (subject to reduction to \$30 for customers who meet certain credit requirements.)
\$30	Water disconnection-reconnection fee.
\$50	Additional charge when water is reactivated by the customer or any other parties before the past due bill and the disconnect-reconnect administrative fee has been paid.
\$100	Deposit required prior to reconnection of any customer who has not previously paid a deposit and who has been disconnected four times within a preceeding twelve month period for failure to pay water and/or sewer charges in a timely manner. A disconnect-reconnect administrative fee will also apply.

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, 2012

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; and
- (6) Water and sewer infrastructure to serve tourism-related demand.

State law also allows an amount up to fifty percent (50%) 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:

	For the fiscal year ended June 30,				Cumulative to date
	2012	2011	2010	2009	
Total revenue	\$ 184,088	\$ 152,756	\$ 147,273	\$ 147,929	\$ 632,046
Total expenditures	(40,344)	(36,367)	(51,770)	(49,673)	(178,154)
Interest income	51	40	31	27	149
Debt service	(75,474)	-	-	-	(75,474)
Transfers out	-	(75,000)	(75,000)	(123,350)	(273,350)
Net change	<u>\$ 68,321</u>	<u>\$ 41,429</u>	<u>\$ 20,534</u>	<u>\$ (25,067)</u>	<u>\$ 105,217</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, 2012

COURT FINES, ASSESSMENTS AND SURCHARGES COLLECTED	\$	121,812
<hr style="border-top: 3px double #000;"/>		
COURT ASSESSMENTS FOR STATE		
Court assessments collected	\$	45,269
Court assessments - DUS pullout		1,874
Court assessments - DUI pullout		1,514
Court assessments - DUI surcharge		1,514
Court assessments - DUI assesment		181
Court assessments - Law enforcement surcharge		12,776
Public defenders App fee		40
Court assessments - Criminal justice		2,471
Court assessments - Drug surcharge		1,695
		<hr style="border-top: 1px solid #000;"/>
Court assessments remitted to State Treasurer		67,334
		<hr style="border-top: 1px solid #000;"/>
VICTIM SERVICES		
Court assessments allocated to victim services		5,688
Court surcharges allocated to victim services		3,706
		<hr style="border-top: 1px solid #000;"/>
Funds allocated to victim services		9,394
		<hr style="border-top: 1px solid #000;"/>
GENERAL FUND		
Funds retained by the Town		45,084
		<hr style="border-top: 1px solid #000;"/>
TOTAL FINES, ASSESSMENTS AND SURCHARGES ALLOCATED	\$	121,812
<hr style="border-top: 3px double #000;"/>		
Funds restricted for victim services	\$	9,394
Victim services expenditures		(7,500)
Interest		16
Prior carryforward		16,324
		<hr style="border-top: 1px solid #000;"/>
Total funds available for carryforward	\$	18,234
		<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, 2012

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**

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CERTIFIED IN S.C. AND N.C.

**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, 2012, which collectively comprise the Town of Clover, South Carolina's basic financial statements and have issued our report thereon dated November 6, 2012. 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

Management of the Town of Clover, South Carolina, is responsible for establishing and maintaining effective 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 [2007-01, 2012-01]. 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 as items [2007-01, 2012-01].

We noted certain matters that we reported to management of the Town of Clover, South Carolina, in a separate letter dated November 6, 2012.

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 response and, accordingly, we express no opinion on it.

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 6, 2012

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

Findings Related to Generally Accepted Auditing Standards

Repeat Findings:

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. On a monthly basis, management also reviews bank statements and reconciliations, payroll reports, and other financial reports. Such reviews are intended to discern errors. Effective July 1, 2011, management implemented two changes that have improved accounting controls. Accounts payable checks can only be signed by the Mayor, Treasurer, and Town Administrator. The Billing Clerk is no longer able to sign checks. The second change made was to include the Town Clerk in the process. After accounts payable checks are prepared by the Billing Clerk and signed by the Mayor, Treasurer and/or Administrator (two signatures required), they are given to the Town Clerk so that she can document the date paid and check number on the invoice and verify the check amount with invoice amount. The Town Clerk then mails the checks. 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
For the Year Ended June 30, 2012

Findings Related to Generally Accepted Auditing Standards, Continued

Repeat Findings, Continued:

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: Management fully integrated a financial software package during September 2012.

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. As noted above, it would also assist with training new employees. Management is in the process of finalizing the manual and anticipates completion during fiscal year 2013.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2012

Current Findings:

2012-01 Account Reconciliations

- Criteria: Sound internal controls require that general ledger account balances be reconciled monthly to the subsidiary ledgers. This accounting procedure strengthens internal controls and helps ensure completeness of the account balances reflected in the general ledger. Timely reconciliation of accounts assists in the prevention of errors and irregularities.
- Condition: During our audit we noted that the General Fund, Water and Sewer Accounts Payable and Water and Sewer Accounts Receivable subsidiary ledgers are not reconciled to the general ledger of the Town. Errors and irregularities may occur and not be detected on a timely basis.
- Recommendation: We recommend staff reconcile subsidiary ledgers to the general ledger on a monthly basis. Written policies and procedures could be established for the responsible employee or position.
- Current Status Written policies and procedures will be developed. Monthly reconciliation will be performed going forward.