

TOWN OF CLOVER, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

TOWN OF CLOVER, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2013

FINANCIAL SECTION

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds - Water and Sewer Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds - Water and Sewer Funds	19
Statement of Cash Flows - Proprietary Funds - Water and Sewer Funds	20
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund	Schedule A-1 46
Notes to Budgetary Comparison Schedule	54

TOWN OF CLOVER, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2013

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION	
<u>Schedules:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - Water and Sewer Fund	Schedule B-1 56
Balance Sheet - Special Revenue Funds	Schedule B-2 58
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds	Schedule B-3 59
Balance Sheet - Capital Project Fund	Schedule B-4 61
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Capital Project Fund	Schedule B-5 62
Balance Sheet - Debt Service Fund	Schedule B-6 63
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Debt Service Fund	Schedule B-7 64
OTHER INFORMATION	
Enterprise Fund - Annual Net Earnings	Schedule B-8 66
Water and Sewer System Customer Information	Schedule B-9 67
Water and Sewer Rates	Schedule B-10 68
Water and Sewer Total Customer and Usage	Schedule B-11 71
Hospitality Tax Fund	Schedule B-12 72
Schedule of Fines, Assessments, and Surcharges	Schedule B-13 73

COMPLIANCE SECTION

Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
--	----



Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Clover
Clover, South Carolina

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clover, South Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual - General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 3, 2013

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

This discussion and analysis of the Town of Clover's (the "Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year by approximately \$12,461,000 (*net position*). Of this amount, approximately \$7,722,000 and \$4,740,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$1,879,000 for its governmental activities and approximately (\$58,000) for its business-type activities.
- The government's total net position increased by approximately \$857,000 for governmental activities and decreased by approximately \$232,000 for business-type activities as total revenues of approximately \$7,626,000 exceeded total expenses of approximately \$7,001,000.
- The current year's expense total was approximately \$4,493,000 as compared to the approximately \$5,053,000 generated in fees and charges, grants, general revenues and taxes for governmental programs. In the previous year, expenses were approximately \$4,137,000 as compared to the approximately \$4,367,000 generated in fees and charges, grants, taxes and other revenues for governmental programs.
- For business-type activities, town revenues were approximately \$2,573,000 and expenses were approximately \$2,507,000.
- The annual cost of all town programs was approximately \$7,001,000. The previous year's cost was approximately \$6,729,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$3,077,000 a decrease of approximately \$271,000 from the prior year's fund balance. The decrease is due in large part to the Town completing Phase I of the Centre Park partially offset by an the Hospitality Tax fund and the Volunteer Fire Department fund both having a positive increase in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$1,360,000. This represents approximately (33%) of total General Fund expenditures for the year ended June 30, 2013.
- The Town's total capital assets increased by approximately \$1,097,000 during the current fiscal year primarily due to new capital asset additions of approximately \$2,055,000 exceeding depreciation expense of approximately \$800,000 partially offset by disposals of approximately \$158,000. Capital asset additions were primarily related to completion of the Community Centre Park Phase One.
- The Town's total debt (including capital leases, but not compensated absences) increased by approximately \$357,000 (6%) during the current year due to new debt and capital leases of approximately \$900,000 offset by principal and other reductions of approximately \$543,000 made during the year.
- The Town implemented Governmental Accounting Standards Board ("GASB") Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB 63" or "Statement") in 2013. This Statement establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "Elements of Financial Statements". In Concepts Statement No. 4, the GASB defines a deferred outflow of resources as a consumption of net assets by a government that is applicable to a future reporting period; a deferred inflow of resources as an acquisition of net assets by a government that is applicable to a future reporting period; and net position as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB 63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the Town had no deferred outflows or inflows of resources at June 30, 2013, the Town's implementation of GASB 63 had no material effect on the presentation of its 2013 financial statements.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains required and supplementary information that will enhance the reader's understanding of the financial condition of the Town.

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the Town. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, public safety, and public works. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities are the Town's water and sewer operations for which it charges its customers to provide.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Funds (including Hospitality Tax Fund, Volunteer Fire Department Fund, and Drug Fund), Capital Projects Fund, and Debt Service Fund. The governmental fund financial statements can be found as listed in the table of contents.

TOWN OF CLOVER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Proprietary Funds – The Town maintains one type of proprietary fund. Enterprise Funds are used to account for operations that (a) 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. Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. The Town’s enterprise fund, a component of proprietary funds, is 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 the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found as listed in the table of contents.

Supplementary information is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Figure A-1 Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government including the Town’s blended component units	The activities of the Town that are not proprietary	Activities the Town operates similar to private businesses, in the Town’s case, the water and sewer operations
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Activities 	<ul style="list-style-type: none"> ▪ Balance Sheet ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Revenues, Expenses, and Changes in Net Position ▪ Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for 2013 compared to 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	\$ 3,526,731	3,930,863	352,314	312,297	3,879,045	\$ 4,243,160
Capital Assets, Net	6,077,379	4,551,030	8,986,767	9,416,133	15,064,146	13,967,163
Total Assets	9,604,110	8,481,893	9,339,081	9,728,430	18,943,191	18,210,323
Liabilities:						
Other Liabilities	192,353	800,609	219,187	4,417,170	411,540	5,217,779
Long-Term Debt Outstanding	1,690,033	816,987	4,380,339	340,191	6,070,372	1,157,178
Total Liabilities	1,882,386	1,617,596	4,599,526	4,757,361	6,481,912	6,374,957
Net Position:						
Net Investment in						
Capital Assets	4,887,847	3,590,799	4,627,016	4,822,585	9,514,863	8,413,384
Restricted	954,622	1,423,901	170,770	104,036	1,125,392	1,527,937
Unrestricted	1,879,255	1,849,597	(58,231)	44,448	1,821,024	1,894,045
Total Net Position	\$ 7,721,724	6,864,297	4,739,555	4,971,069	12,461,279	\$ 11,835,366

The Town's total assets of approximately \$18,943,000 increased approximately \$733,000 from the prior year. The increase is mainly due to an increase in capital assets due to some completed construction projects. The Town's total liabilities increased approximately \$107,000 due to an increase in long-term debt partially offset by a decrease in accounts payable.

The Town's net position for governmental activities was approximately \$7,722,000 compared to approximately \$6,864,000 last year. Unrestricted net position was approximately \$1,879,000 this year as compared to approximately \$1,850,000 last year. Unrestricted net position is used to finance daily operations without restrictions set by legislation, debt covenants, grant agreements or other legal regulations.

The net position of the Town's business-type activities was approximately \$4,740,000 this year as compared to approximately \$4,971,000 last year.

At the end of the current and prior fiscal year, the Town was able to report positive balances in all three categories of net position, except for the unrestricted deficit of approximately \$58,000 for the Business-Type Activities for 2013.

TOWN OF CLOVER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for fiscal year 2013 compared to 2012.

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,953,191	2,132,122	2,571,607	2,557,117	4,524,798	\$ 4,689,239
Operating Grants	244,518	243,268	-	-	244,518	243,268
Capital Grants	381,357	10,321	-	1,006,014	381,357	1,016,335
General Revenues:	-					
Property Taxes	2,143,841	1,847,642	-	-	2,143,841	1,847,642
Interest & Investment Income	3,734	6,412	791	1,107	4,525	7,519
Other General Revenues	326,551	126,933	911	-	327,462	126,933
Total Revenues	<u>5,053,192</u>	<u>4,366,698</u>	<u>2,573,309</u>	<u>3,564,238</u>	<u>7,626,501</u>	<u>7,930,936</u>
Expenses:						
General Government	768,411	693,833	-	-	768,411	693,833
Development Services	137,000	1,692,162	-	-	137,000	1,692,162
Fire Department	139,390	1,005,181	-	-	139,390	1,005,181
Municipal Court	195,665	-	-	-	195,665	-
Police Department	1,550,145	-	-	-	1,550,145	-
Recreation	758,126	601,058	-	-	758,126	601,058
Streets and Sanitation	898,750	16,474	-	-	898,750	16,474
Interest and Other Charges	45,578	128,303	-	-	45,578	128,303
Water and Sewer	-	-	2,507,523	2,591,574	2,507,523	2,591,574
Total Expenses	<u>4,493,065</u>	<u>4,137,011</u>	<u>2,507,523</u>	<u>2,591,574</u>	<u>7,000,588</u>	<u>6,728,585</u>
Increase in Net Position Before Transfers	560,127	229,687	65,786	972,664	625,913	1,202,351
Transfers	297,300	290,400	(297,300)	(290,400)	-	-
Change in Net Position	<u>857,427</u>	<u>520,087</u>	<u>(231,514)</u>	<u>682,264</u>	<u>625,913</u>	<u>1,202,351</u>
Net Position - Beginning of Year	6,864,297	6,344,210	4,971,069	4,288,805	11,835,366	10,633,015
Net Position - End of Year	<u>\$ 7,721,724</u>	<u>6,864,297</u>	<u>4,739,555</u>	<u>4,971,069</u>	<u>12,461,279</u>	<u>\$ 11,835,366</u>

Governmental Activities: Revenues exceeded expenses by approximately \$560,000 for 2013 for its governmental activities. Revenues increased over the prior year by approximately \$609,000 (14%) to approximately \$4,976,000, due primarily a grant received in FY 2013 used to complete Phase I of the Community Centre Park along with higher tax collections due to a new bond millage assessed. Expenses increased by approximately \$356,000 (9%) to approximately \$4,493,000 from the prior year. Overall, governmental activities operations increased the Town's net position by approximately \$857,000 in 2013.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Business-Type Activities: Revenues exceeded expenses by approximately \$66,000 for 2013 for the business-type activities. Revenues decreased by approximately \$991,000 (28%) to approximately \$2,573,000 from the prior year primarily due to the Town receiving a capital grant used for infrastructure in the prior year which was not received in the current year. Expenses decreased by approximately \$84,000 (3%) to approximately \$2,508,000. The Business-Type Activities transferred approximately \$297,000 to Governmental Activities. Overall, business-type activities decreased the Town's net position by approximately \$232,000.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balance of approximately \$3,077,000 a decrease of approximately \$271,000 (8%) from the prior year fund balance. The decrease in fund balance was the result of expenditures and other financing uses of approximately \$6,493,000 exceeding revenues and other financial sources of approximately \$6,222,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$1,360,000 (44%) of the total governmental fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending as its is legally restricted by an outside agency or has been committed or assigned by Town Council as follows: Restricted for (1) Victims Services of approximately \$22,000 (1%) is legally restricted by the revenue source, (2) Capital Projects of approximately \$361,000 (12%) is legally restricted by bonds, (3) for tourism related expenditures or operating expenditures incurred to serve tourists of approximately \$265,000 (9%) is legally restricted by the revenue source, and (4) the Volunteer Fire Department of approximately \$650,000 (21%) is restricted for future fire department expenses; Assigned for (1) Irish Downs Sidewalks of \$48,000 (2%) and (2) Appropriated for use in the FY14 budget of approximately \$302,000 (10%).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$1,792,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund of approximately \$1,360,000 represents approximately 33% of total General Fund expenditures. Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$48,000 (3%) due to revenues and other financing sources of approximately \$4,407,000 exceeding expenditures and other financing uses of approximately \$4,359,000.
- General Fund revenues decreased approximately \$44,000 (1%) primarily due to an approximate \$22,000 (1%) decrease in Property Taxes and an approximate \$17,000 (13%) decrease in State revenues.
- General Fund expenditures decreased approximately \$55,000 (1%) primarily due to approximately \$141,000 (9%) decrease in Police Department expenditures and approximately \$126,000 (12%) decrease in Streets and Sanitation Expenditures, offset by an increase in General Government expenditures of approximately \$53,000 (10%) and an increase of approximately \$155,000 in Debt Service Expenditures.

In addition, the fund balances of the remaining Special Revenue, Capital Projects, and Debt Service Funds decreased by approximately \$319,000. Highlights for all of the remaining Special Revenue, Capital Projects, and Debt Service were as follows:

- The Town incurred capital outlay expenditures in the Capital Projects Fund of approximately \$1,833,000 (primarily for the construction Phase I of the Community Centre Park).
- Special Revenue funds – Hospitality Tax and the Volunteer Fire Department both saw an increase in fund balance as revenues exceed expenditures for a combined increase of approximately \$139,000.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

Proprietary Funds: The Town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net position of the Water and Sewer Enterprise Fund at the end of the fiscal year was approximately \$4,740,000. This was a decrease of approximately \$232,000 (5%) from the prior year. Details of the activity in the Water and Sewer Enterprise Fund are provided above.

Budgetary Highlights

The Town’s budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund and the Water and Sewer Fund (enterprise fund). There were no significant budget amendments made during fiscal year 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town’s investment in capital assets as of June 30, 2013 and 2012 amounted to approximately \$15,064,000 and \$13,967,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, park improvements, motor vehicles, machinery and equipment, and water/sewer systems.

The Town’s capital assets (net of depreciation) as of June 30, 2013 and 2012 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,123,877	1,056,767	41,831	41,831	1,165,708	\$ 1,098,598
Construction in Progress	-	369,896	-	-	-	369,896
Equipment and Buildings	2,835,084	2,852,626	261,109	290,501	3,096,193	3,143,127
Infrastructure	2,118,418	271,741	8,683,827	9,083,801	10,802,245	9,355,542
Total	\$ 6,077,379	4,551,030	8,986,767	9,416,133	15,064,146	\$ 13,967,163

The total increase in the Town’s investment in capital assets for the current fiscal year was approximately \$1,097,000 or 8%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$2,055,000 which consisted primarily of the completion of Phase I of the Community Centre Park of approximately \$1,642,000, the new Town Hall building and land for approximately \$183,000, and the Armory building and land donation for approximately \$78,000.
- Depreciation expense of approximately \$352,000 for governmental activities and approximately \$448,000 for business-type activities.
- Net disposals of approximately \$44,000 related to vehicles in the Water and Sewer fund and approximately \$198,000 related adjustments in the Governmental Activities.

Additional information on the Town’s capital assets can be found in Notes I and III of the notes to the financial statements.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt and Capital Leases

As of June 30, 2013 and 2012, the Town had total outstanding debt (including capital leases) of approximately \$5,911,000 and \$5,554,000, respectively. Of the Town's total debt, approximately \$749,000 was general obligation debt, which is backed by the full faith and credit of the Town. The Town's total debt and capital leases as of June 30, 2013 and 2012 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Debt:						
2007 Promissory Note	\$ 140,000	175,000	-	-	140,000	\$ 175,000
2011 Revenue Bond	481,000	541,000	-	-	481,000	541,000
2013 GO Bond	748,654	-	-	-	748,654	-
2007 Water and Sewer Refunded Revenue Bond	-	-	4,311,000	4,545,000	4,311,000	4,545,000
Total Debt	<u>1,369,654</u>	<u>716,000</u>	<u>4,311,000</u>	<u>4,545,000</u>	<u>5,680,654</u>	<u>5,261,000</u>
Capital Lease:						
Capital Leases	181,320	244,231	48,751	48,548	230,071	292,779
Total Capital Leases	<u>181,320</u>	<u>244,231</u>	<u>48,751</u>	<u>48,548</u>	<u>230,071</u>	<u>292,779</u>
Total	<u>\$ 1,550,974</u>	<u>960,231</u>	<u>4,359,751</u>	<u>4,593,548</u>	<u>5,910,725</u>	<u>\$ 5,553,779</u>

The total increase in the Town's debt and capital lease obligations for the current fiscal year was approximately \$357,000 due to an increase in Debt and Capital Leases of \$900,000 and scheduled principal payments on debt and capital lease obligations for Governmental and Business-Type Activities of approximately \$294,000 and \$249,000, respectively.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at June 30, 2013 was approximately \$1,376,000. The Town had approximately \$749,000 of bonded debt subject to the 8% limit and thus resulted in the Town having an unused legal debt margin of approximately \$627,000.

Additional information regarding the Town's long-term obligations can be found in Note III in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Town public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees. The Town's Fiscal Year 2013-2014 General Fund Budget revenues were projected to increase from Fiscal Year 2012-2013's budget by \$195,700, an increase of 5.15%.

General Fund expenses were balanced with projected revenues. Several fund balance allocations were budgeted totaling \$302,450:

- \$55,100 to Capital Projects for the anticipated GO Bond Property Tax shortfall (\$10,100) and to acquire property for public parking (\$45,000)
- \$127,300 to balance the anticipated shortfall in the Enterprise Fund
- \$120,050 anticipated to balance the General Fund

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

In the Enterprise Fund, revenues were projected to decrease by \$132,900, or 5.04%. The decrease is attributable to a decrease in water and sewer revenues based on prior year actuals. The budget also anticipates using \$100,000 from reserves. 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 \$322,750. The budget anticipates several rehabilitation projects to begin in the upcoming fiscal year including repainting two water tanks and repairing a bar screen. These projects are expected to be funded by a State low interest loan. A rate and capacity fee study is also expected to be undertaken.

The property tax millage rate remained at 114 mills for operating and 4 mills for capital for a total millage of 118 for tax year 2013. 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 2013-2014.

General obligation debt in the amount of \$800,000 was approved in June 2012 and issued in August 2012. Proceeds were used for New Centre Park and to purchase and renovate 116 Bethel Street (new 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.

REQUESTS FOR TOWN INFORMATION

This report had been created to give our citizens, taxpayers, customers, investors and creditors a summary of town finances and to show allocation of the money it receives. If you have any questions regarding this report, or you need additional financial information, please contact Allison Harvey, 114 Bethel Street, Clover, SC 29710, phone: (803) 222-9495, fax: (803) 222-6955, and email: aharvey@cloversc.org.

TOWN OF CLOVER, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,583,056	270,856	\$ 1,853,912
Cash and Cash Equivalents - Restricted	486,042	170,770	656,812
Investments	527,193	-	527,193
Taxes Receivable, Net	309,112	-	309,112
Other Receivables, Net	71,214	322,512	393,726
Due from Other Governments	47,616	-	47,616
Internal Balances	442,196	(442,196)	-
Inventory	21,064	1,044	22,108
Prepaid Expenses	39,238	3,953	43,191
Bond Issuance Costs, Net	-	25,375	25,375
Capital Assets:			
Non-Depreciable	1,123,877	41,831	1,165,708
Depreciable, Net	4,953,502	8,944,936	13,898,438
TOTAL ASSETS	9,604,110	9,339,081	18,943,191
LIABILITIES			
Accounts Payable	57,590	140,984	198,574
Other Accrued Liabilities	79,237	10,753	89,990
Customer Deposits	-	56,470	56,470
Accrued Interest	17,449	10,980	28,429
Unearned Revenue	38,077	-	38,077
Long-Term Obligations:			
Due Within One Year	279,506	262,086	541,592
Due in More Than One Year	1,410,527	4,118,253	5,528,780
TOTAL LIABILITIES	1,882,386	4,599,526	6,481,912
NET POSITION			
Net Investment in Capital Assets	4,887,847	4,627,016	9,514,863
Restricted For:			
Fire Department	650,139	-	650,139
Drug Fund	7,164	-	7,164
Victims Services	21,600	-	21,600
Tourism Related Expenditures	265,240	-	265,240
Debt Service	10,479	170,770	181,249
Unrestricted	1,879,255	(58,231)	1,821,024
TOTAL NET POSITION	\$ 7,721,724	4,739,555	\$ 12,461,279

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges For Services	Operating Grants And	Capital Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 768,411	1,404,983	-	77,624	714,196		\$ 714,196
Development Services	137,000	-	-	-	(137,000)		(137,000)
Fire Department	139,390	56,550	40,928	-	(41,912)		(41,912)
Municipal Court	195,665	50,273	-	-	(145,392)		(145,392)
Police Department	1,550,145	-	5,171	-	(1,544,974)		(1,544,974)
Recreation	758,126	-	198,419	303,733	(255,974)		(255,974)
Streets and Sanitation	898,750	441,385	-	-	(457,365)		(457,365)
Interest and Other Charges	45,578	-	-	-	(45,578)		(45,578)
TOTAL GOVERNMENTAL ACTIVITIES	4,493,065	1,953,191	244,518	381,357	(1,913,999)		(1,913,999)
Business-Type Activities:							
Water and Sewer	2,507,523	2,571,607	-	-	-	64,084	64,084
TOTAL BUSINESS-TYPE ACTIVITIES	2,507,523	2,571,607	-	-	-	64,084	64,084
TOTAL - PRIMARY GOVERNMENT	\$ 7,000,588	4,524,798	244,518	381,357	(1,913,999)	64,084	\$ (1,849,915)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 2,143,841	-	\$ 2,143,841
Hospitality Taxes					216,647	-	216,647
Intergovernmental					109,904	-	109,904
Investment Income					3,734	791	4,525
Miscellaneous					-	911	911
Transfers In (Out)					297,300	(297,300)	-
Total General Revenues					<u>2,771,426</u>	<u>(295,598)</u>	<u>2,475,828</u>
CHANGE IN NET POSITION					857,427	(231,514)	625,913
NET POSITION, Beginning of Year					6,864,297	4,971,069	11,835,366
NET POSITION, End of Year					\$ 7,721,724	4,739,555	\$ 12,461,279

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 1,090,685	-	-	492,371	\$ 1,583,056
Cash and Cash Equivalents, Restricted	59,678	301,962	58,849	65,553	486,042
Investments	205,035	-	-	322,158	527,193
Taxes Receivable, Net	298,633	-	10,479	-	309,112
Accounts Receivable, Net	53,948	-	-	17,266	71,214
Due From:					
Other Governments	45,374	-	631	1,611	47,616
Other Funds	418,487	59,480	-	23,709	501,676
Prepays	39,238	-	-	-	39,238
Inventory	21,064	-	-	-	21,064
TOTAL ASSETS	2,232,142	361,442	69,959	922,668	3,586,211
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	57,465	-	-	125	57,590
Other Accrued Liabilities	79,237	-	-	-	79,237
Due To:					
Other Funds	-	-	59,480	-	59,480
Deferred/Unearned Revenue	303,667	-	9,509	-	313,176
TOTAL LIABILITIES	440,369	-	68,989	125	509,483
FUND BALANCES					
Nonspendable:					
Prepays	39,238	-	-	-	39,238
Inventory	21,064	-	-	-	21,064
Restricted:					
Victim's Assistance	21,600	-	-	-	21,600
Capital Projects	-	361,442	-	-	361,442
Debt Service	-	-	970	-	970
Tourism Related Expenditures	-	-	-	265,240	265,240
Volunteer Fire Department	-	-	-	650,139	650,139
Drug Fund	-	-	-	7,164	7,164
Assigned:					
Irish Downs Bond	47,800	-	-	-	47,800
Appropriated for Use in FY 2014 Budget	302,450	-	-	-	302,450
Unassigned	1,359,621	-	-	-	1,359,621
TOTAL FUND BALANCES	1,791,773	361,442	970	922,543	3,076,728
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,232,142	361,442	69,959	922,668	\$ 3,586,211

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,076,728
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures and; therefore, are deferred in the funds.	275,099
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds. The cost of the assets was \$9,121,786 and the accumulated depreciation was \$3,344,476.	6,077,379
Accrued interest payable was recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(17,449)
Long-term obligations, including debt, lease purchase obligations and compensated absences, are not due or payable in the current period and therefore are not reported in the governmental funds. Long-term obligations consisted of:	
Debt and Lease Purchase Obligations	(1,550,974)
Compensated Absences	(139,059)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 7,721,724</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local Revenues	\$ 3,712,714	-	56,401	56,550	\$ 3,825,665
Interest Income	975	2,536	-	223	3,734
Recreation Supplement	198,419	-	-	40,928	239,347
Hospitality Taxes	-	-	-	216,647	216,647
Drug Funds	-	-	-	5,172	5,172
State Revenues	109,904	-	-	-	109,904
Miscellaneous Grant Revenue	-	300,000	-	-	300,000
TOTAL REVENUES ALL SOURCES	4,022,012	302,536	56,401	319,520	4,700,469
EXPENDITURES					
Current:					
General Government	560,967	-	-	-	560,967
Development Services	137,000	-	-	-	137,000
Fire Department	76,234	-	-	13,861	90,095
Municipal Court and Legislative	124,743	-	-	-	124,743
Police Department	1,468,098	-	-	15,003	1,483,101
Recreation	630,853	-	-	51,451	682,304
Streets and Sanitation	914,523	-	-	-	914,523
Capital Outlay	-	1,833,441	-	-	1,833,441
Debt Service:					
Principal	147,911	35,000	51,346	60,000	294,257
Interest	7,478	-	13,722	15,255	36,455
TOTAL EXPENDITURES	4,067,807	1,868,441	65,068	155,570	6,156,886
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,795)	(1,565,905)	(8,667)	163,950	(1,456,417)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	800,000	-	-	800,000
Capital Lease Issued	85,000	-	-	-	85,000
Proceeds from Sale of Capital Assets	2,999	-	-	-	2,999
Transfers In	297,300	309,202	9,637	16,987	633,126
Transfers Out	(291,189)	(9,637)	-	(35,000)	(335,826)
TOTAL OTHER FINANCING SOURCES (USES)	94,110	1,099,565	9,637	(18,013)	1,185,299
NET CHANGES IN FUND BALANCES	48,315	(466,340)	970	145,937	(271,118)
FUND BALANCES, Beginning of Year	1,743,458	827,782	-	776,606	3,347,846
FUND BALANCES, End of Year	\$ 1,791,773	361,442	970	922,543	\$ 3,076,728

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (271,118)**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in deferred revenues related to property taxes for the year. 275,099

Bond principal payments and lease purchase payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 294,257

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position. (885,000)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities; however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This amounts represents the change in accrued interest from the prior year. (9,123)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (73,037)

In the Statement of Activities the loss on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets disposed. (157,659)

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$2,035,580 exceeded depreciation expense of \$351,572 in the current period. 1,684,008

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 857,427**

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND
WATER AND SEWER FUND

JUNE 30, 2013

	<u>TOTAL</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 270,856
Cash and Cash Equivalents, Restricted	170,770
Accounts Receivable, net	322,512
Inventories	1,044
Prepaid Expenses	3,953
Total Current Assets	<u>769,135</u>
Noncurrent Assets:	
Unamortized Bond Issuance Costs	25,375
Capital Assets:	
Non-Depreciable	41,831
Depreciable, Net	8,944,936
Total Noncurrent Assets	<u>9,012,142</u>
TOTAL ASSETS	<u>9,781,277</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	140,984
Accrued Interest	10,980
Accrued Expenses	10,753
Due To:	
Other Funds	442,196
Accrued Compensated Absences	16,170
Long-Term Debt, Due Within One Year	245,916
Total Current Liabilities	<u>866,999</u>
Noncurrent Liabilities:	
Compensated Absences	4,418
Customer Deposits	56,470
Long-Term Debt, Net of Current Portion	4,113,835
Total Noncurrent Liabilities	<u>4,174,723</u>
TOTAL LIABILITIES	<u>5,041,722</u>
NET POSITION	
Net Investment in Capital Assets	4,627,016
Restricted for Debt Service	170,770
Unrestricted	(58,231)
TOTAL NET POSITION	<u>4,739,555</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,781,277</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND
WATER AND SEWER FUND**

YEAR ENDED JUNE 30, 2013

	<u>TOTAL</u>
OPERATING REVENUES	
Charges for Services:	
Water and Sewer Fees	\$ 2,400,914
Water and Sewer Taps	7,250
Service Connection Fees	48,111
Reconnection Fees and Penalties	51,762
SCDHEC Fees	24,552
Miscellaneous	39,018
TOTAL OPERATING REVENUES	<u>2,571,607</u>
OPERATING EXPENSES	
Water and Sewer Purchases	1,305,226
Salaries and Wages	223,535
Maintenance and Supplies	61,925
General and Administrative	383,246
Depreciation	448,465
TOTAL OPERATING EXPENSES	<u>2,422,397</u>
OPERATING INCOME (LOSS)	<u>149,210</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	791
Miscellaneous Revenue	911
Interest Expense	(83,789)
Grant Expenses	(1,337)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(83,424)</u>
INCOME (LOSS) BEFORE TRANSFERS	65,786
Transfers Out	(297,300)
Total Transfers	<u>(297,300)</u>
CHANGE IN NET POSITION	(231,514)
NET POSITION, Beginning of Year	<u>4,971,069</u>
NET POSITION, End of Year	<u><u>\$ 4,739,555</u></u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER AND SEWER FUND**

YEAR ENDED JUNE 30, 2013

	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 2,516,287
Cash Payments to Suppliers for Goods and Services	(1,683,528)
Cash Payments to Employees for Services	(217,145)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>615,614</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	(162,875)
Proceeds from Other Revenue	911
Cash Payments for Other Expenses	(1,337)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(163,301)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(19,099)
Principal Paid on Bonds	(233,797)
Interest Paid on Bonds	(70,996)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(323,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	791
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>791</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,212
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>312,414</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 441,626</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER AND SEWER FUND**

YEAR ENDED JUNE 30, 2013

	<u>TOTAL</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 149,210
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	448,465
Change Due to (Increase) Decrease in Operating Assets:	
Accounts Receivable	(56,615)
Inventory	1,119
Prepaid Expenses	8,453
Change Due to Increase (Decrease) in Operating Liabilities:	
Accounts Payable	74,900
Compensated Absences	6,390
Accrued Liabilities	(17,603)
Customer Deposits	1,295
Net Cash Provided By Operating Activities	<u><u>\$ 615,614</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Cash Equivalents	\$ 270,856
Cash and Cash Equivalents, Restricted	<u>170,770</u>
	<u><u>\$ 441,626</u></u>
SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:	
Amortization Expense	1,813
	<u><u>\$ 1,813</u></u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

The Town of Clover, South Carolina (the "Town") embraces an area of approximately six miles. The Town operates under a Council form of government. The mayor and six members of council (the "Council") establish policy for the Town. Administrative functions are directed by the Town Administrator. The Town's major operations, as provided by its charter, include public safety (police and fire), streets, sanitation, parks and recreation, public improvements, planning and zoning and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any component units.

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.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the "Primary Government"). The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function 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*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Town implemented Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63") in 2013. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the Town had no deferred outflows or inflows of resources at June 30, 2013, the Town's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. All revenues (including property taxes, franchise fees, intergovernmental revenues, licenses, etc.) are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column, if applicable.

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

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. Fund accounting segregates funds according to their intended purpose and is used as an aid to 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 following major funds and fund types are used by the Town:

Governmental fund types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The Town's major governmental fund types are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds, non-major funds, are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The **Debt Service Fund**, a major fund, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs for the Town.

The **Capital Projects Fund**, a major fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction, renovation of capital facilities, and other capital assets for the Town.

Proprietary fund types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town has one enterprise fund, it does not have any internal service funds.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary Fund types include the following 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 major Enterprise Fund:

The **Water and Sewer Enterprise Fund** is used to account for water services provided to the residents of the Town, including some surrounding areas. This is a budgeted fund.

C. Assets, Liabilities and Equity

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

Investments

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash investment objectives are preservation of capital, liquidity and yield. The Town reports its cash and investments at fair value, which is normally determined by quoted market prices. The Town currently or in the past year has used the following investments:

- South Carolina Pooled Investment Fund (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

2. *Receivables and Payables*

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds had not been paid or received as of year end, balances of interfund amounts or payables have been recorded.

All trade and property tax receivables are shown net of an allowance for uncollectibles (if any).

3. *Inventories and Prepaids*

Inventories and prepaid items in the governmental funds are reported under the consumption method (if material) as they are recorded as expenditures as they are used (consumed). Inventories (if any) are valued at cost (first-in, first-out). Inventories and prepaid items in the governmental funds are offset by nonspendable fund balance to reflect that portion of fund balance that is not spendable in form.

4. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. As allowed by GASB #34, the Town has elected to prospectively report public domain (“infrastructure”) general capital assets. Therefore, infrastructure capital assets acquired prior to July 1, 2003 have not been recorded, except for those accounted for in the Enterprise Funds. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. The Town maintains a minimum capitalization threshold of \$1,000 for all capital assets.

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

Description	Governmental and Business-Type Activities
Buildings	25-50 years
Building Improvements	10-20 years
Infrastructure	20-50 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-7 years
Vehicles	3-10 years
Firearms	7 years

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

4. Capital Assets (Continued)

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

5. Compensated Absences

The Town's general leave policy allows the accumulation of unused vacation leave up to a maximum of forty-five (45) days. Ninety days of sick leave may be carried over from year to year. Employees terminating or retiring are paid for accumulated vacation leave based on their hourly rate of pay earned at the time of termination or retirement. Sick leave can only be paid for illness while employed with the Town.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide financial statements. The portion of the liability that is applicable to the Town's water and sewer activities is also reported in the Town's Proprietary Funds. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year end that are expected to be paid within a short time subsequent to year end, if they are material.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Funds is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements for the Primary Government, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount and deferred advance refunding amounts, if applicable. Bond issuance costs are included in other assets, when applicable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

7. Fund Balance

In accordance with GASB Statement #54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB #54”), the Town classifies governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the Town consist of amounts approved by a majority vote of the Town Council (a) in the annual budget or (b) in subsequent requests made throughout the year.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Town Council is the only party that has the authority to assign fund balance.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town generally requires restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

8. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Statement of Net Position. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets 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 which has not been spent is included in the same net position component as the unspent proceeds. Net position is 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.

9. 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.

10. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

11. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

Budgets are adopted on a GAAP basis. During the spring, the Town's Administration, with other department input, develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.

Upon receipt of the budget estimates, the Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published in the local newspaper. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the Town Council legally adopts the budget through the passage of the ordinance.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Budget accountability rests primarily with the operating departments of the Town. In accomplishing the programs and objectives for which the budget was authorized, department directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

For each assigned function, a department is obligated to stay within budget for his area. The Town Administrator has the authority to transfer funds across departments. Such transfers are entered on the Town’s records. All unused expenditure appropriations lapse at year-end. However, Town Council must approve any revisions that alter the total expenditures of any fund.

Budgeted amounts are as originally adopted, or as amended by Town Council.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town’s investment policy states that an independent third party with whom the entity has a current custodial agreement with will always hold collateral and that a clearly marked evidence of ownership must be supplied to the Town and retained. As of June 30, 2013, none of the Town’s bank balances of approximately \$2,788,000 (with a carrying value of approximately \$2,539,000) were exposed to custodial credit risk.

Investments

As of June 30, 2013, the Town had the following investments:

Investment Type	Credit Rating ^	Fair Value	Investment Maturities in Years			
			< 1 yr	1-3 yrs	3-5yrs	> 5 yrs
LGIP	NR	\$ 499,093	499,093	-	-	\$ -
Total		\$ 499,093	499,093	-	-	\$ -

^ If available, credit ratings are for Standard & Poor’s and Moody’s Investors Service.
NR – Not rated.

Interest Rate Risk: The Town’s investment policy limits the weighted average maturity of investments to less than five years.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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. As of June 30, 2013, none of the Town’s investment balances were exposed to custodial credit risk.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (continued)

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy for credit risk states that the risk shall be mitigated by investing in safe institutions, but does not have strict guidelines regarding credit ratings. The Town follows the investment policy statutes of the State of South Carolina related to credit risk for investments.

Concentration of Credit Risk for Investments: The Town’s investment policy states that no more than 50% of the Town’s investment portfolio will be invested in a single security type. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures. As of June 30, 2013, none of the Town’s investment balances were exposed to concentration of credit risk.

Reconciliation to Financial Statements

A reconciliation of cash and investments as shown in the Statement of Net Position follows:

Description	Amount
Carrying Amount of Deposits	\$ 2,538,824
Fair Value of Investments	499,093
Total Deposits	3,037,917
Statement of Net Position:	
Cash and Cash Equivalents	1,853,912
Cash and Cash Equivalents, Restricted	656,812
Investments	527,193
Total Cash and Investments	\$ 3,037,917

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2013 were those imposed by the revenue source (i.e. hospitality tax, drug fund, etc.) and bonds.

B. Property Taxes, Other Receivables, and Deferred Revenue

The Town’s governmental fund net receivables at June 30, 2013, consisted of the following:

	General Fund	Hospitality Tax Fund	Debt Service Fund	Totals
Property Taxes	\$ 298,633	-	10,479	\$ 309,112
Franchise Fees	26,106	-	-	26,106
Garbage/Landfill	17,325	-	-	17,325
Hospitality Taxes	-	17,266	-	17,266
Other	10,517	-	-	10,517
Net Receivables	\$ 352,581	17,266	10,479	\$ 380,326

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Property Taxes, Other Receivables, and Deferred Revenue (Continued)

The delinquent property tax receivable is net of an allowance for doubtful accounts of approximately \$16,000. The remaining receivables had no allowance for doubtful accounts at June 30, 2013 as no significant amounts were deemed uncollectible.

The Town's enterprise fund net receivables, related to water and sewer billings, at June 30, 2013 were approximately \$323,000 net of allowance for doubtful accounts of approximately \$5,000.

Property Taxes

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.

Deferred/Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available (not collected within 60 days of year end) to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue).

Business licenses received by the Town prior to June 30, 2013, that are for the 2014 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.

Deferred revenue totaling approximately \$304,000 in the General Fund consists of property taxes receivable but not yet recognized as revenue totaling approximately \$266,000 and approximately \$38,000 for deferred judicial fees and fines deposited as the general fund administers the judicial funds. Deferred revenue totaling approximately \$10,000 in the Debt Service Fund consists of property taxes receivable but not yet recognized as revenue.

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2013, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 418,487	\$ -
Capital Projects Fund	59,480	-
Debt Service Fund	-	59,480
<u>Non-Major Governmental Funds:</u>		
Special Revenue - Hospitality Tax Fund	23,709	-
<u>Major Enterprise Funds:</u>		
Water and Sewer Fund	-	442,196
Totals	<u>\$ 501,676</u>	<u>\$ 501,676</u>

The Town's interfund receivables and payables represents lendings and/or borrowing arrangements resulting from the timing of expenditures versus the receipt of revenues.

Transfers between funds for the year ended June 30, 2013, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 297,300	\$ 291,189
Capital Projects Fund	309,202	9,637
Debt Service Fund	9,637	-
Tourism Fund	-	-
<u>Non-Major Governmental Funds:</u>		
Special Revenue - Drug Fund	16,987	-
Special Revenue - Hospitality Tax	-	35,000
<u>Major Enterprise Fund:</u>		
Water and Sewer Fund	-	297,300
Totals	<u>\$ 633,126</u>	<u>\$ 633,126</u>

During the course of normal operations and in order to support the numerous functions of the Town, transactions between funds may occur. The Town uses transfers to move unrestricted receipts so that they may be used for various programs in other funds.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 1,056,767	98,624	(31,514)	-	\$ 1,123,877
Construction in Progress	369,896	1,642,118	-	(2,012,014)	-
Total Capital Assets, Non-Depreciable	<u>1,426,663</u>	<u>1,740,742</u>	<u>(31,514)</u>	<u>(2,012,014)</u>	<u>1,123,877</u>
Capital Assets, Depreciable:					
Buildings	2,550,845	161,799	(16,612)	-	2,696,032
Computers	96,830	1,017	-	-	97,847
Furniture and Equipment	124,440	-	-	-	124,440
Infrastructure	322,777	-	(150,000)	2,012,014	2,184,791
Information Technology	167,270	55,626	-	-	222,896
Machinery	709,254	19,719	-	-	728,973
Vehicles	1,872,160	56,677	-	-	1,928,837
Weapons	14,093	-	-	-	14,093
Total Capital Assets, Depreciable:	<u>5,857,669</u>	<u>294,838</u>	<u>(166,612)</u>	<u>2,012,014</u>	<u>7,997,909</u>
Accumulated Depreciation					
Buildings	927,642	73,461	(40,467)	-	960,636
Computers	69,750	9,270	-	-	79,020
Furniture and Equipment	59,609	12,966	-	-	72,575
Infrastructure	51,036	15,337	-	-	66,373
Information Technology	81,129	32,263	-	-	113,392
Machinery	492,781	59,681	-	-	552,462
Vehicles	1,040,515	148,167	-	-	1,188,682
Weapons	10,840	427	-	-	11,267
Total Accumulated Depreciation	<u>2,733,302</u>	<u>351,572</u>	<u>(40,467)</u>	<u>-</u>	<u>3,044,407</u>
Total Capital Assets, Depreciable, Net	<u>3,124,367</u>	<u>(56,734)</u>	<u>(126,145)</u>	<u>2,012,014</u>	<u>4,953,502</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,551,030</u>	<u>1,684,008</u>	<u>(157,659)</u>	<u>-</u>	<u>\$ 6,077,379</u>

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (continued)

Depreciation expense for the Town’s Governmental Activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Governmental Activities:	
General Government	\$ 35,371
Fire Department	51,114
Municipal Court	1,298
Police Department	123,721
Recreation Department	69,624
Street and Sanitation Department	68,317
Infrastructure	2,127
Total - Governmental Activities	<u>\$ 351,572</u>

Capital asset activity for the Town’s business-type activities for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 41,831	-	-	\$ 41,831
Total Capital Assets, Non-Depreciable	<u>41,831</u>	<u>-</u>	<u>-</u>	<u>41,831</u>
Capital Assets, Depreciable:				
Computers	21,316	-	-	21,316
Furniture and Equipment	8,546	-	-	8,546
Infrastructure	15,974,061	-	-	15,974,061
Information Technology	4,351	-	-	4,351
Machinery	376,623	3,198	-	379,821
Vehicles	382,073	15,901	(43,572)	354,402
Total Capital Assets, Depreciable:	<u>16,766,970</u>	<u>19,099</u>	<u>(43,572)</u>	<u>16,742,497</u>
Accumulated Depreciation				
Computers	20,532	-	-	20,532
Furniture and Equipment	8,542	-	-	8,542
Infrastructure	6,890,260	399,974	-	7,290,234
Information Technology	4,325	-	-	4,325
Machinery	192,232	24,288	-	216,520
Vehicles	276,777	24,203	(43,572)	257,408
Total Accumulated Depreciation	<u>7,392,668</u>	<u>448,465</u>	<u>(43,572)</u>	<u>7,797,561</u>
Total Capital Assets, Depreciable, Net	<u>9,374,302</u>	<u>(429,366)</u>	<u>-</u>	<u>8,944,936</u>
Business-Type Capital Assets, Net	<u>\$ 9,416,133</u>	<u>(429,366)</u>	<u>-</u>	<u>\$ 8,986,767</u>

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the Town. Revenue Bonds are obligations of the Town that are secured by revenue from a specific source. Capital Lease obligations and Promissory Notes are special obligations of the Town payable from the general revenues of the Town. The full faith, credit and taxing powers of the Town are not pledged for the payment of revenue bonds, bank loans, or lease purchase obligations nor the interest thereon.

Details on the Town's outstanding debt issues and lease purchase obligations as of June 30, 2013 are as follows:

	Principal Outstanding at Year End
<p><u>Promissory Note</u></p> <p>On September 10, 2007, the Council approved a promissory note for the purchase of approximately 21 acres of land for 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. There is no interest with this Note. The Note is payable from a direct ad valorem tax on all taxable property in the Town.</p>	<hr/> <p>\$ 140,000</p>
<p><u>Revenue Bonds</u></p> <p>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. 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.</p>	<hr/> <p>\$ 4,311,000</p>
<p><u>Revenue Bonds</u></p> <p>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 were 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 was built.</p>	<hr/> <p>\$ 481,000</p>

TOWN OF CLOVER, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<u><i>General Obligation Bonds</i></u>	
On August 23, 2013, the Council entered into a General Obligation Bond, Series 2012, in the amount of \$800,000. The proceeds will be used to purchase and renovate a new administrative building, renovate the existing administrative building, construct improvements at New Centre Park, renovate and improve an indoor recreation facility and storage area and pay of issuance costs. Payments are due on April 1, 2013 through 2017 in the amount of \$65,107 at an interest rate of 2.74%. The Bonds are payable from a direct ad valorem tax on all taxable property in the Town.	\$ 748,654
<u><i>Lease Purchase</i></u>	
The Town has various lease purchase agreements which are mainly for the purchase of equipment. These leases are due annually over the next four years with payments ranging from \$20,768 to \$74,700 and interest rates between 1.69% and 3.52%. These leases are paid for using General fund and Water and Sewer fund resources.	\$ 230,071
Total Outstanding Debt	\$ 5,910,725

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, 2013, the Town's "annual net earnings" from its water and sewer fund were above the threshold required by the foregoing terms.

In accordance with the Series 2011 Bond Agreement, the Town is required to maintain a 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, 2013, the Town's cash flow ratio was above the threshold required.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2013, for the Town’s governmental and business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
2007 Promissory Note	\$ 175,000	-	35,000	140,000	\$ 35,000
2011 Revenue Bond	541,000	-	60,000	481,000	62,000
2013 General Obligation Bond	-	800,000	51,346	748,654	44,593
Total Debt	716,000	800,000	146,346	1,369,654	141,593
Capital Leases	244,231	85,000	147,911	181,320	76,502
Compensated Absences	118,040	62,303	41,284	139,059	61,411
Total Governmental Activities	\$ 1,078,271	947,303	335,541	1,690,033	\$ 279,506
Business-Type Activities:					
Debt:					
2007 Water & Sewer Refunded Revenue Bond	\$ 4,545,000	-	234,000	4,311,000	\$ 231,000
Total Debt	4,545,000	-	234,000	4,311,000	231,000
Capital Leases	48,548	15,000	14,797	48,751	14,916
Accrued Compensated Absences	19,470	9,105	7,987	20,588	16,170
Total Business-Type Activities	\$ 4,613,018	24,105	256,784	4,380,339	\$ 262,086

The Town paid interest of approximately \$36,000 and \$125,000 for its governmental and business-type activities, respectively.

The Town leases certain property and equipment under capital leases. At June 30, 2013, the net book value of capital leases recorded in the governmental and proprietary activities capital assets consists of approximately \$243,000 and approximately \$64,000, respectively.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Interest paid on the debt issued by the Town is exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The Town had no arbitrage liability at June 30, 2013.

Article X, Section 15 of the South Carolina Constitution of 1895, as amended, provides that no Town or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such Town or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2013, the Town had approximately \$749,000 of bonded debt subject to the 8% limit of approximately \$1,376,000 resulting in an unused legal debt margin of approximately \$627,000.

Debt Service Requirements to Maturity

Presented below are the debt service requirements to maturity for the governmental and business-type activities.

Year Ending June 30,	Debt		Lease Purchase Obligations		Totals
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2014	\$ 141,593	33,981	76,502	4,188	\$ 256,264
2015	144,815	31,023	54,428	2,162	232,428
2016	437,071	27,976	33,030	926	499,003
2017	83,360	16,746	17,360	293	117,759
2018	49,685	15,421	-	-	65,106
2019-2023	269,609	55,923	-	-	325,532
2024-228	243,521	16,907	-	-	260,428
Totals	\$ 1,369,654	197,977	181,320	7,569	\$ 1,756,520
<u>Business-Type Activities</u>					
2014	\$ 231,000	126,704	14,916	997	\$ 373,617
2015	238,000	119,622	15,224	688	373,534
2016	245,000	112,329	15,549	374	373,252
2017	253,000	104,809	3,062	52	360,923
2018	260,000	97,063	-	-	357,063
2019-2023	1,426,000	360,679	-	-	1,786,679
2024-2028	1,658,000	128,169	-	-	1,786,169
Totals	\$ 4,311,000	1,049,374	48,751	2,111	\$ 5,411,236

There are limitations, restrictions, and covenants contained in the various bond indentures and ordinances. As of June 30, 2013, the Town is in compliance with all significant restrictions and covenants.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The Town obtains its general risk insurance through SCMIRF. The Town joined SCMIRF during the middle of June 2013. Prior to this the Town used South Carolina’s Insurance Reserve Fund. It pays an annual premium for this coverage. For the year ended June 30, 2013, the Town made premium payments totaling approximately \$103,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2012 totaled approximately \$29,180,000. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

The Town insured itself from losses related to worker’s compensation through the South Carolina Municipal Insurance Trust (“SCMIT”). SCMIT is a cooperative local government program provided “self-funded” worker’s compensation protection for municipal employees. In the year ended June 30, 2013, the Town made premium payments to SCMIT totaling approximately \$49,000. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2012 totaled approximately \$49,467,000. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

For each of the insurance programs and public entity risk pools in which it participates, the Town has effectively transferred all risk with no liability for unfunded claims.

B. Pension Disclosures

South Carolina Retirement and Police Officers’ Retirement System

South Carolina Retirement and Police Officers’ Retirement System: Town employees, except for fire and police department civil service personnel, participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. Town sworn police officers and firefighting personnel participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans’ provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS and PORS to the newly created South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (continued)

Both employees and the Town are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The Town’s contributions are actuarially determined, but are communicated to and paid by the Town as a percentage of the employees’ annual earnings.

	SCRS Rates			SCPORS Rates		
	2011	2012	2013	2011	2012	2013
<u>Employer Rate</u>						
Retirement	9.24%	9.39%	10.45%	11.13%	11.36%	11.90%
Group Life Insurance Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Benefit	N/A	N/A	N/A	N/A	N/A	N/A
	<u>9.39%</u>	<u>9.54%</u>	<u>10.60%</u>	<u>11.33%</u>	<u>11.56%</u>	<u>12.10%</u>
Employee Rate	<u>6.50%</u>	<u>6.50%</u>	<u>7.00%</u>	<u>6.50%</u>	<u>6.50%</u>	<u>7.00%</u>

The required contributions and percentages of amounts contributed for the past three years were as follows:

Year Ending June 30,	SCRS Contributions		SCPORS Contributions	
	Required	% Contributed	Required	% Contributed
2013	\$ 120,507	100%	\$ 87,243	100%
2012	107,285	100%	76,587	100%
2011	\$ 99,525	100%	\$ 70,273	100%

C. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” (“Statement”), was issued by the Governmental Accounting Standards Board (“GASB”) in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB’s intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Town’s financial obligations to current and former employees for past services rendered.

In particular, the Town will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the Town’s governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the Town’s unrestricted net position. This Statement is required to be implemented by the Town no later than the fiscal year ending June 30, 2015.

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

IV. OTHER INFORMATION (CONTINUED)

D. Commitments and Contingencies

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, approximately \$82,000 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, 2013 and 2012 were approximately \$38,000 and \$28,000, respectively.

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

On November 4, 1996, the Town of Clover and the City of Gastonia 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.

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

E. Subsequent Events

In August 2013 the Town approved a lease purchase agreement with a bank in the amount of \$186,000 at a rate of 1.62% over 5 years. The lease will be used to purchase equipment for various departments.

In August and September 2013 the Town approved the purchase of equipment for various departments not to exceed the amount of approximately \$218,000.

(This page intentionally left blank.)

Required Supplementary Information

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
REVENUES				
Property Taxes - current	\$ 1,546,400	1,546,400	1,564,593	\$ 18,193
Property Taxes - prior	20,000	20,000	67,509	47,509
Vehicle Property Taxes	145,000	145,000	169,655	24,655
Property Tax Penalties	13,000	13,000	7,433	(5,567)
Garbage Revenue	275,000	275,000	257,795	(17,205)
Landfill Revenue	180,000	180,000	183,589	3,589
Court Fines	65,000	65,000	50,273	(14,727)
Business Licenses	625,000	625,000	681,717	56,717
Zoning Fees	3,000	3,000	1,315	(1,685)
Building Permits	50,000	50,000	55,273	5,273
Cemetery Assessments	6,000	6,000	8,250	2,250
Donations	5,000	5,000	4,553	(447)
Shelter Fees	500	500	1,150	650
Dog Licenses	1,800	1,800	1,473	(327)
Sponsorship Revenue	-	-	1,800	1,800
Recreation Revenue	72,000	72,000	73,248	1,248
Recreation Concessions	12,000	12,000	13,284	1,284
Miscellaneous Revenues	1,300	1,300	27,438	26,138
Larne Building	13,000	13,000	15,675	2,675
Recreation Supplement	195,000	195,000	198,419	3,419
Grant- Recreation	-	-	3,733	3,733
Miscellaneous Grant Revenue	21,000	21,000	18,318	(2,682)
State Apportionments	90,000	90,000	109,904	19,904
Other Revenues	71,500	71,500	73,931	2,431
Code Enforcement	-	-	25	25
Franchise Fees	354,500	354,500	399,868	45,368
Payment in lieu of Taxes	3,000	3,000	3,150	150
Westgate Maintenance	7,500	7,500	7,170	(330)
York County Drug Funds	6,000	6,000	-	(6,000)
St. Patrick's Day Revenue	3,000	3,000	4,930	1,930
Travel Fund	11,000	11,000	15,566	4,566
Interest Income	800	800	975	175
TOTAL REVENUES	3,797,300	3,797,300	4,022,012	224,712

EXPENDITURES

General and Administrative

Salaries	231,000	231,000	225,262	5,738
Social Security	17,600	17,600	17,563	37
Retirement	24,400	24,400	24,608	(208)
Insurance- Health	32,400	32,400	27,472	4,928
Workers' Compensation	3,200	3,200	2,404	796
Health Reimbursements	10,000	10,000	6,000	4,000
Employee Wellness	\$ 2,500	2,500	2,826	\$ (326)

(Continued)

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
General and Administrative (continued)				
Utilities	\$ 5,000	5,000	5,103	\$ (103)
Telephone	5,500	5,500	6,401	(901)
Maintenance and Supplies	500	500	175	325
Vehicle Repairs	250	250	939	(689)
Vehicle Routine Maintenance	250	250	182	68
Vehicle Fuel	2,400	2,400	2,671	(271)
Insurance - Property/Liability	2,200	2,200	2,193	7
Insurance - Vehicle	700	700	689	11
Insurance - Tort	1,400	1,400	1,414	(14)
Insurance Bond	100	100	49	51
Uniforms and Equipment	500	500	325	175
Bank Charges	8,000	8,000	6,842	1,158
Office Supplies and Expenses	27,000	27,000	23,836	3,164
Drug Testing	150	150	-	150
Building Maintenance	3,600	3,600	4,256	(656)
Advertisement	1,000	1,000	741	259
Dues, Subscriptions and Donations	2,500	2,500	3,158	(658)
Training, Meetings, and Travel	4,500	4,500	2,374	2,126
Legal Fees	6,000	6,000	7,087	(1,087)
Auditing Fees	26,000	26,000	26,000	-
Grant Match	4,000	4,000	-	4,000
Holiday Certificates and Awards	8,000	8,000	8,237	(237)
Computer Maintenance and Expense	26,750	26,750	23,139	3,611
York County Council on Aging, Inc.	10,000	10,000	10,000	-
Postage	16,000	16,000	16,533	(533)
Professional Services	10,000	10,000	12,641	(2,641)
Tax Collection Fees	2,800	2,800	2,798	2
Larne Delegation	1,500	1,500	353	1,147
Larne Maintenance and Supplies	8,000	8,000	6,919	1,081
Capital Expenditures	58,600	58,600	55,888	2,712
Economic Development	15,000	15,000	8,187	6,813
Equipment Lease	12,500	12,500	15,702	(3,202)
TOTAL GENERAL AND ADMINISTRATIVE	591,800	591,800	560,967	30,833
Development Services				
Salaries	91,000	91,000	83,947	7,053
Social Security	7,000	7,000	5,756	1,244
Retirement	8,200	8,200	9,298	(1,098)
Insurance - Health	9,000	9,000	8,662	338
Workers Compensation	900	900	868	32
Telephone Expenses	2,000	2,000	2,621	(621)
Maintenance and Supplies	500	500	138	362
Vehicle Repairs	1,000	1,000	670	330
Vehicle Routine Maintenance	\$ 500	500	110	\$ 390

(Continued)

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
Development Services (continued)				
Vehicle Fuel	\$ 3,500	3,500	3,143	\$ 357
Insurance - Property	50	50	5	45
Insurance - Automobile	2,800	2,800	2,768	32
Insurance - Tort	2,250	2,250	2,219	31
Insurance Bond	50	50	29	21
Uniforms and Equipment	800	800	272	528
Office Supplies and Expenses	1,500	1,500	634	866
Drug Testing	200	200	-	200
Building Maintenance	300	300	37	263
Advertisement	500	500	-	500
Dues, Subscription and Donations	1,000	1,000	325	675
Training, Meetings, and Travel	3,000	3,000	1,334	1,666
Animal Control	600	600	92	508
Computer Maintenance	2,600	2,600	2,032	568
Postage	250	250	374	(124)
Professional Services	1,500	1,500	4,155	(2,655)
Planning Committee/BZA	1,000	1,000	145	855
Capital Expenditures	9,000	9,000	7,366	1,634
Planning Expense	10,000	10,000	-	10,000
Capital Lease Principal Payments	5,200	5,200	4,819	381
Interest Expense	-	-	345	(345)
TOTAL DEVELOPMENT SERVICES	166,200	166,200	142,164	24,036
Fire Department				
Volunteer Firemen	25,000	25,000	20,670	4,330
Firemen/Town Employees	2,500	2,500	1,430	1,070
Social Security	200	200	109	91
Retirement	-	-	90	(90)
Workers' Compensation	1,950	1,950	1,862	88
Utilities	5,800	5,800	4,940	860
Telephone	1,400	1,400	1,911	(511)
Maintenance and Supplies	8,000	8,000	11,372	(3,372)
Vehicle Repairs	5,500	5,500	56	5,444
Vehicle Routine Maintenance	3,000	3,000	4,915	(1,915)
Vehicle Fuel	8,000	8,000	7,119	881
Insurance - Property	1,900	1,900	1,902	(2)
Insurance - Vehicle	2,900	2,900	2,886	14
Insurance - Tort	1,650	1,650	1,630	20
Radio Expense	1,500	1,500	1,434	66
Building Maintenance	1,700	1,700	2,839	(1,139)
Contract Maintenance	500	500	428	72
Dues, Subscription and Donations	1,500	1,500	1,490	10
Training, Meetings and Travel	\$ 1,500	1,500	288	\$ 1,212

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
Fire Department (continued)				
Auditing Fees	\$ 1,500	1,500	1,500	\$ -
Computer Maintenance	2,100	2,100	1,864	236
Postage	50	50	19	31
Professional Services	500	500	-	500
Capital Expenditures	2,000	2,000	-	2,000
Fire Inspections	5,000	5,000	3,980	1,020
Explorer Program	1,500	1,500	1,500	-
TOTAL FIRE DEPARTMENT	87,150	87,150	76,234	10,916
Municipal Court				
Salaries	33,500	33,500	33,315	185
Social Security	2,600	2,600	2,717	(117)
Retirement	3,550	3,550	3,667	(117)
Workers' Compensation	200	200	140	60
Utilities	1,200	1,200	1,351	(151)
Telephone	2,250	2,250	2,945	(695)
Maintenance and Supplies	200	200	99	101
Insurance - Property	50	50	40	10
Insurance - Tort	100	100	75	25
Insurance - Health	4,500	4,500	4,516	(16)
Insurance Bond	50	50	10	40
Office Supplies and Equipment	2,000	2,000	1,023	977
Building Maintenance	1,500	1,500	1,260	240
Capital Expenditures	-	-	1,126	(1,126)
Dues, Subscriptions and Donations	200	200	160	40
Training, Meetings and Travel	1,500	1,500	1,572	(72)
Auditing Fees	2,500	2,500	2,500	-
Computer Maintenance and Programs	1,500	1,500	2,329	(829)
Postage	500	500	576	(76)
Jury Fees	1,000	1,000	697	303
Professional Services	25,600	25,600	25,535	65
TOTAL MUNICIPAL COURT	84,500	84,500	85,653	(1,153)
Legislative				
Council Salaries	22,000	22,000	22,000	-
Social Security	1,700	1,700	1,966	(266)
Workers' Compensation	400	400	332	68
Insurance - Tort	6,700	6,700	6,685	15
Insurance Bond	50	50	68	(18)
Office Supplies and Equipment	400	400	122	278
Advertisement	150	150	-	150
Dues, Subscriptions, and Donations	4,000	4,000	2,975	1,025
Training, Meetings, and Travel	\$ 3,500	3,500	4,715	\$ (1,215)

(Continued)

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
Legislative (continued)				
Uniforms and Equipment	\$ 500	500	227	\$ 273
TOTAL LEGISLATIVE	39,400	39,400	39,090	310
TOTAL MUNICIPAL COURT AND LEGISLATIVE	123,900	123,900	124,743	(843)
Police Department				
Salaries - Police Officers	701,200	701,200	672,980	28,220
Salaries - Dispatchers	146,000	146,000	149,649	(3,649)
Overtime	25,000	25,000	11,694	13,306
Social Security	66,800	66,800	64,589	2,211
Retirement	104,300	104,300	101,896	2,404
Insurance - Health	108,000	108,000	95,062	12,938
Workers' Compensation	21,000	21,000	22,156	(1,156)
Utilities	8,500	8,500	9,640	(1,140)
Telephone	20,700	20,700	21,116	(416)
Maintenance and Supplies	3,000	3,000	403	2,597
Vehicle Repairs	6,000	6,000	11,321	(5,321)
Vehicle Routine Maintenance	10,000	10,000	15,404	(5,404)
Vehicle Fuel	48,000	48,000	53,163	(5,163)
Insurance - Property/Liability	3,600	3,600	3,727	(127)
Insurance - Vehicle	10,500	10,500	12,241	(1,741)
Insurance - Tort	20,300	20,300	20,302	(2)
Insurance Bond	250	250	234	16
Uniforms and Equipment	25,000	25,000	26,950	(1,950)
Community Relations	1,500	1,500	842	658
Reserve Officer	15,000	15,000	14,759	241
School Resource Officer	-	-	(295)	295
K-9 Unit Program	3,000	3,000	1,740	1,260
Office Supplies and Equipment	10,000	10,000	12,335	(2,335)
Radio Service	4,000	4,000	4,303	(303)
Jail Expense	25,000	25,000	24,877	123
Drug Testing	1,000	1,000	1,159	(159)
Building Maintenance	5,000	5,000	9,792	(4,792)
NCIC	2,500	2,500	2,591	(91)
Advertisement	250	250	-	250
Dues, Subscriptions and Donations	2,000	2,000	2,170	(170)
Training, Meetings and Travel	6,500	6,500	4,604	1,896
Computer Expense	26,000	26,000	28,589	(2,589)
Postage	250	250	210	40
Professional Services	1,000	1,000	-	1,000
Lease Purchased Equipment	-	-	65,306	(65,306)
Equipment Lease	\$ 2,500	2,500	2,589	\$ (89)

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
Police Department (continued)				
Capital Lease Principal Payments	\$ 57,000	57,000	59,901	\$ (2,901)
Interest Expense	-	-	3,785	(3,785)
TOTAL POLICE DEPARTMENT	1,490,650	1,490,650	1,531,784	(41,134)
Recreation				
Salaries	230,000	230,000	224,562	5,438
Labor	15,800	15,800	6,324	9,476
Social Security	18,500	18,500	17,924	576
Retirement	20,000	20,000	20,588	(588)
Insurance - Health	21,500	21,500	22,385	(885)
Workers' Compensation	2,900	2,900	3,119	(219)
Utilities	40,000	40,000	37,790	2,210
Telephone	8,800	8,800	9,815	(1,015)
Maintenance and Supplies	40,000	40,000	34,064	5,936
Vehicle Repairs	1,500	1,500	1,658	(158)
Vehicle Routine Maintenance	1,500	1,500	1,714	(214)
Vehicle Fuel	7,500	7,500	8,576	(1,076)
Insurance - Property/Liability	4,750	4,750	4,714	36
Insurance - Vehicle	5,000	5,000	5,420	(420)
Insurance - Tort	2,400	2,400	2,359	41
Insurance Bond	100	100	78	22
Facility Rental	11,000	11,000	7,900	3,100
Uniforms and Equipment	1,500	1,500	2,097	(597)
Office Supplies	1,500	1,500	1,703	(203)
Drug Testing	300	300	401	(101)
Building Maintenance and Repairs	4,500	4,500	5,623	(1,123)
Advertisement	2,000	2,000	100	1,900
Umpires, Referees, etc.	33,000	33,000	29,255	3,745
Recreation Supplies	50,000	50,000	51,525	(1,525)
Dues, Subscriptions, and Donations	1,800	1,800	1,326	474
Training, Meetings and Travel	3,000	3,000	2,640	360
Computer Expense	12,800	12,800	13,422	(622)
Postage	300	300	298	2
Recreation Trips Expense	11,000	11,000	14,030	(3,030)
Community Center Park	1,000	1,000	44	956
Professional Services	2,500	2,500	2,844	(344)
St. Patrick's Day Festival	1,500	1,500	4,051	(2,551)
Park Upgrades	83,500	83,500	89,492	(5,992)
Equipment Lease	2,800	2,800	3,012	(212)
Capital Lease Principal Payments	22,600	22,600	14,930	7,670
Interest Expense	-	-	907	(907)
TOTAL RECREATION	\$ 666,850	666,850	646,690	\$ 20,160

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
Streets and Sanitation				
Salaries	\$ 294,500	294,500	281,675	\$ 12,825
Social Security	22,500	22,500	21,943	557
Retirement	31,225	31,225	27,850	3,375
Insurance - Health	40,500	40,500	40,619	(119)
Workers' Compensation	8,675	8,675	9,788	(1,113)
Utilities	75,000	75,000	77,700	(2,700)
Telephone	1,000	1,000	3,677	(2,677)
Maintenance and Supplies	20,000	20,000	18,376	1,624
Vehicle Repairs	10,000	10,000	7,595	2,405
Vehicle Routine Maintenance	8,000	8,000	11,801	(3,801)
Vehicle Fuel	38,000	38,000	35,724	2,276
Insurance - Property	1,700	1,700	1,721	(21)
Insurance - Vehicle	12,000	12,000	12,694	(694)
Insurance - Tort	4,800	4,800	4,807	(7)
Insurance Bond	100	100	88	12
Uniform Rental	2,800	2,800	2,436	364
Uniforms and Equipment	1,200	1,200	808	392
Bad Debts	500	500	-	500
Waste Management	136,000	136,000	126,286	9,714
Landfill fees	78,000	78,000	78,297	(297)
Curbside Recycling	40,000	40,000	51,862	(11,862)
Office Supplies and Equipment	250	250	43	207
Drug Testing	1,000	1,000	919	81
Building Maintenance	5,000	5,000	1,367	3,633
Advertising	300	300	148	152
Contract Maintenance	10,000	10,000	9,560	440
Dues, Subscriptions and Donations	200	200	35	165
Training, Meetings and Travel	1,000	1,000	295	705
Computer Maintenance and Programs	3,600	3,600	3,288	312
Postage	100	100	7	93
Professional Services	20,000	20,000	475	19,525
Stormwater Repair	10,000	10,000	3,311	6,689
Grant Match	4,000	4,000	4,000	-
Street Repair - Minor	3,000	3,000	-	3,000
Cemetery	16,500	16,500	13,834	2,666
Capital Expenditures	10,000	10,000	5,891	4,109
Irish Downs Sidewalks	-	-	37,700	(37,700)
Lease Purchased Equipment	\$ -	-	17,903	\$ (17,903)

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
Streets and Sanitation (continued)				
Capital Leases Principal Payments	\$ 71,800	71,800	68,261	\$ 3,539
Interest Expense	-	-	2,441	(2,441)
TOTAL STREETS AND SANITATION	<u>983,250</u>	<u>983,250</u>	<u>985,225</u>	<u>(1,975)</u>
TOTAL EXPENDITURES	<u>4,109,800</u>	<u>4,109,800</u>	<u>4,067,807</u>	<u>41,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(312,500)</u>	<u>(312,500)</u>	<u>(45,795)</u>	<u>(266,705)</u>
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	85,000	85,000
Proceeds from the Sale of Capital Assets	5,000	5,000	2,999	(2,001)
Transfers In	297,300	297,300	297,300	-
Transfers Out	(272,500)	(272,500)	(291,189)	18,689
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,800</u>	<u>29,800</u>	<u>94,110</u>	<u>64,310</u>
NET CHANGES IN FUND BALANCES	(282,700)	(282,700)	48,315	331,015
FUND BALANCES, Beginning of Year	<u>1,743,458</u>	<u>1,743,458</u>	<u>1,743,458</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 1,460,758</u>	<u>1,460,758</u>	<u>1,791,773</u>	<u>\$ (331,015)</u>

Note: The City's original and amended budget reflected the use of appropriated fund balance of \$282,700

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2013

NOTE 1 – BUDGET POLICIES

The Town of Clover adopts an annual operating budget for the general fund. 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. Budgeted amounts are as originally adopted or as amended by the Town Council.

The Town does not budget for the special revenue funds.

NOTE 2 – BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Supplementary Information

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
OPERATING REVENUES				
Miscellaneous Revenues	\$ 8,000	8,000	14,377	\$ 6,377
Set-Off Debt Revenue	6,000	6,000	5,721	(279)
Service Connection Fees	30,000	30,000	48,111	18,111
Water Revenue	1,286,000	1,286,000	1,224,290	(61,710)
Water Taps	10,000	10,000	6,150	(3,850)
Late Fees	60,000	60,000	51,762	(8,238)
Sewer Revenue	1,200,000	1,200,000	1,176,624	(23,376)
Sewer Taps	4,000	4,000	1,100	(2,900)
Pre-treatment Fees	1,600	1,600	1,350	(250)
Project Revenue	-	-	16,270	16,270
Transfer Fee	1,500	1,500	1,300	(200)
SCDHEC Fee	26,000	26,000	24,552	(1,448)
TOTAL OPERATING REVENUES	2,633,100	2,633,100	2,571,607	(61,493)
OPERATING EXPENSES				
Administrative and General				
Depreciation	-	-	448,465	448,465
TOTAL ADMINISTRATIVE AND GENERAL	-	-	448,465	448,465
Water and Sewer				
Salaries	193,000	193,000	186,064	(6,936)
Social Security	14,800	14,800	15,723	923
Retirement	20,500	20,500	21,749	1,249
Insurance - Health	27,000	27,000	27,553	553
Workers' Compensation	6,000	6,000	5,041	(959)
Utilities	86,000	86,000	92,615	6,615
Telephone	20,000	20,000	27,757	7,757
Maintenance and Supplies	60,000	60,000	61,925	1,925
Vehicle Repairs	3,500	3,500	3,890	390
Vehicle Routine Maintenance	3,500	3,500	4,209	709
Vehicle Fuel	22,000	22,000	27,175	5,175
Loss - Sale of Fixed Assets	-	-	-	-
Insurance - Property	2,100	2,100	2,091	(9)
Insurance - Vehicle	6,200	6,200	6,182	(18)
Insurance - Tort	4,200	4,200	4,150	(50)
Insurance Bond	100	100	49	(51)
Uniform Rentals	3,000	3,000	2,765	(235)
Uniforms and Equipment	1,000	1,000	963	(37)
Bad Debts	10,000	10,000	19,812	9,812
Bank Charges	-	-	3,773	3,773
Office Supplies and Equipment	1,500	1,500	480	(1,020)
Drug Testing	500	500	310	(190)
Building Maintenance	5,000	5,000	3,675	(1,325)
Advertisement	300	300	548	248
Contract Maintenance	15,000	15,000	2,135	(12,865)
Dues, Subscriptions and Donations	500	500	474	(26)
Training, Meetings, and Travel	1,500	1,500	830	(670)
Computer Expenses	8,800	8,800	4,863	(3,937)
Postage	100	100	16	(84)
Professional Services	8,500	8,500	39,164	30,664
Capital Leases	16,500	16,500	(41)	(16,541)
Lab Testing	\$ 15,000	15,000	26,700	\$ 11,700

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	AMENDED		
DHEC Fee	\$ 10,000	10,000	11,337	\$ 1,337
Capital Expenditures	26,000	26,000	22,122	(3,878)
Meter Purchase	15,000	15,000	15,800	800
Monitoring and Surcharges	30,000	30,000	26,807	(3,193)
Water Purchase	590,000	590,000	556,052	(33,948)
Sewer Purchase	740,000	740,000	749,174	9,174
TOTAL WATER AND SEWER	1,967,100	1,967,100	1,973,932	6,832
TOTAL OPERATING EXPENSES	1,967,100	1,967,100	2,422,397	455,297
OPERATING INCOME (LOSS)	666,000	666,000	149,210	(516,790)
NON-OPERATING REVENUES (EXPENSES)				
Miscellaneous Income				
Sale of Assets	-	-	-	-
Other Revenue	-	-	911	911
	-	-	911	911
Interest Income				
Interest Income	800	800	499	(301)
Interest Income- Bond	500	500	292	(208)
	1,300	1,300	791	(509)
Interest Expense	(370,000)	(370,000)	(83,789)	286,211
CDBG - Grant Expenses	-	-	(1,337)	(1,337)
TOTAL NON- OPERATING REVENUES (EXPENSES)	(368,700)	(368,700)	(83,424)	285,276
INCOME (LOSS) BEFORE TRANSFERS				
TRANSFERS IN/(OUT)				
Transfers Out	(297,300)	(297,300)	(297,300)	-
TOTAL TRANSFERS	(297,300)	(297,300)	(297,300)	-
CHANGE IN NET POSITION	-	-	(231,514)	(231,514)
NET POSITION, Beginning of Year	4,971,069	4,971,069	4,971,069	-
NET POSITION, End of Year	4,971,069	4,971,069	4,739,555	(231,514)

Note: The Town adopts an annual operating budget for the enterprise fund

Note: This schedule has been presented on the full accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2013

	HOSPITALITY TAX FUND	VOLUNTEER FIRE DEPARTMENT FUND	DRUG FUND	TOTAL SPECIAL REVENUE FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 164,390	327,981	-	\$ 492,371
Cash and Cash Equivalents, Restricted	60,000	-	5,553	65,553
Investments	-	322,158	-	322,158
Accounts Receivable, Net	17,266	-	-	17,266
Due From:				
Other Governments	-	-	1,611	1,611
Due From Other Funds	23,709	-	-	23,709
TOTAL ASSETS	265,365	650,139	7,164	922,668
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	125	-	-	125
TOTAL LIABILITIES	125	-	-	125
FUND BALANCES				
Nonspendable:				
Prepays	-	-	-	-
Restricted:				
Tourism Related Expenditures	265,240	-	-	265,240
Volunteer Fire Department	-	650,139	-	650,139
Drug Fund	-	-	7,164	7,164
Assigned:				
Tourism Related Expenditures	-	-	-	-
Volunteer Fire Department	-	-	-	-
Drug Fund	-	-	-	-
TOTAL FUND BALANCES	265,240	650,139	7,164	922,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 265,365	650,139	7,164	\$ 922,668

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2013

	HOSPITALITY TAX FUND	VOLUNTEER FIRE DEPARTMENT FUND	DRUG FUND	TOTAL SPECIAL REVENUE FUNDS
REVENUES				
Hospitality Taxes	\$ 216,647	-	-	\$ 216,647
Drug Funds < \$1,000	-	-	2,371	2,371
Drug Funds > \$1,000	-	-	2,801	2,801
Local Revenue				
Pool Fills	-	49,785	-	49,785
Donations	-	6,765	-	6,765
Intermediate Revenue				
Recreation (York County)	-	13,722	-	13,722
Local (York County)	-	27,206	-	27,206
Interest Income	50	-	-	50
Interest Income - Local	-	138	8	146
Interest Income - Recreation	-	27	-	27
TOTAL REVENUES ALL SOURCES	216,697	97,643	5,180	319,520
EXPENDITURES				
Local Fund				
Current:				
Office Supplies	-	95	-	95
Dues and Subscriptions	-	200	-	200
Contributions	-	3,100	-	3,100
Vehicle Expense	-	1,612	-	1,612
Total Local fund	-	5,007	-	5,007
Recreation Fund				
Current:				
Firemen's Recreation	-	8,695	-	8,695
Training and Meetings	-	58	-	58
Uniforms and Service Awards	-	101	-	101
Total Recreation Fund	-	8,854	-	8,854
Hospitality Tax Fund				
Current:				
Overtime	4,613	-	-	4,613
Festivals	12,313	-	-	12,313
Contract Maintenance	15,915	-	-	15,915
Special Events	2,503	-	-	2,503
Professional Fees	5,000	-	-	5,000
Advertisement	11,067	-	-	11,067
Supplies	40	-	-	40
Debt Service:				
Principal	60,000	-	-	60,000
Interest	15,255	-	-	15,255
Total Hospitality Tax Fund	126,706	-	-	126,706

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2013

	HOSPITALITY TAX FUND	VOLUNTEER FIRE DEPARTMENT FUND	DRUG FUND	TOTAL SPECIAL REVENUE FUNDS
Drug Fund				
Current:				
Drug Fund Expense	-	-	15,003	15,003
Total Drug Fund	-	-	15,003	15,003
TOTAL EXPENDITURES	126,706	13,861	15,003	155,570
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	89,991	83,782	(9,823)	163,950
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	16,987	16,987
Transfers Out	(35,000)	-	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	(35,000)	-	16,987	(18,013)
NET CHANGES IN FUND BALANCES	54,991	83,782	7,164	145,937
FUND BALANCES, Beginning of Year	210,249	566,357	-	776,606
FUND BALANCES, End of Year	\$ 265,240	\$ 650,139	\$ 7,164	\$ 922,543

BALANCE SHEET - CAPITAL PROJECTS FUND

JUNE 30, 2013

	<u>CAPITAL PROJECTS FUND</u>
ASSETS	
Cash and Cash Equivalents, Restricted	\$ 301,962
Due From:	
Other Funds	59,480
TOTAL ASSETS	<u><u>361,442</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
TOTAL LIABILITIES	<u><u>-</u></u>
FUND BALANCE	
Restricted for:	
Capital Projects	361,442
TOTAL FUND BALANCES	<u><u>361,442</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 361,442</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2013

	CAPITAL PROJECTS FUND
REVENUES	
Interest Income	\$ 2,536
Miscellaneous Grant Revenue	300,000
TOTAL REVENUES ALL SOURCES	302,536
EXPENDITURES	
Current:	
Community Park Project	1,650,640
Town Hall Renovations	182,801
Debt Service:	
Principal	35,000
TOTAL EXPENDITURES	1,868,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,565,905)
OTHER FINANCING SOURCES (USES)	
Bonds Issued	800,000
Transfers In	309,202
Transfers Out	(9,637)
TOTAL OTHER FINANCING SOURCES (USES)	1,099,565
NET CHANGES IN FUND BALANCES	(466,340)
FUND BALANCES, Beginning of Year	827,782
FUND BALANCES, End of Year	\$ 361,442

BALANCE SHEET - DEBT SERVICE FUND

JUNE 30, 2013

	DEBT SERVICE FUND
ASSETS	
Cash and Cash Equivalents, Restricted	\$ 58,849
Taxes Receivable, Net	10,479
Due From:	
Other Governments	631
TOTAL ASSETS	69,959
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due To:	
Other Funds	59,480
Deferred/Unearned Revenue	9,509
TOTAL LIABILITIES	68,989
FUND BALANCE	
Restricted for:	
Debt Service	970
TOTAL FUND BALANCES	970
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,959

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2013

	DEBT SERVICE FUND
REVENUES	
Property Taxes - Current	\$ 56,401
TOTAL REVENUES ALL SOURCES	56,401
EXPENDITURES	
Debt Service:	
Principal	51,346
Interest	13,722
TOTAL EXPENDITURES	65,068
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,667)
OTHER FINANCING SOURCES (USES)	
Transfers In	9,637
TOTAL OTHER FINANCING SOURCES (USES)	9,637
NET CHANGES IN FUND BALANCES	970
FUND BALANCES, Beginning of Year	-
FUND BALANCES, End of Year	\$ 970

Other Information

ENTERPRISE FUND - ANNUAL NET EARNINGS

YEAR ENDED JUNE 30, 2013

CHANGES IN NET POSITION OF WATER AND SEWER FUND	\$ (231,514)
ADJUSTMENTS	
Depreciation	448,465
Interest paid on bonds	83,789
Transfers out to general fund	297,300
Amortization	1,813
	<hr/>
ANNUAL NET EARNINGS (As defined in Section 2.02 of Series 2007 Bond Agreement)	599,853
	<hr/> <hr/>
120% of Annual Principal and Interest Requirement	\$ 357,812
	<hr/> <hr/>

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, 2013, the Town's "annual net earnings" from its water and sewer fund were above the threshold required by the foregoing terms.

WATER AND SEWER SYSTEM CUSTOMER INFORMATION

YEAR ENDED JUNE 30, 2013

The following information relates to the ten largest water and sewer customers of the System for the fiscal year ended June 30, 2013.

Largest Water Customers

Customers	Average Monthly Water Usage (in gallons)	Average Monthly Water Bill
Tuscarora Yarns Inc	1,144,416	\$ 6,266
Honeywell	458,500	2,521
Clover High School	432,948	2,506
Southeast Nonwovens	128,558	711
Larne Elementary	97,000	539
SC Regional Housing	95,828	533
Outlaw Enterprises, Inc	85,416	475
Griggs Road Elementary	78,602	446
Bruce Randolph	76,633	427
SC Regional Housing	64,992	362
	<u>2,662,893</u>	<u>\$ 14,785.59</u>

Largest Sewer Customers

Customers	Average Monthly Water Usage (in gallons)	Average Monthly Water Bill
Honeywell	458,500	\$1,850.10
Clover High School	432,947	\$1,843.82
Larne Elementary	97,000	\$404.10
SC Regional Housing	95,828	\$399.41
Outlaw Enterprises, Inc	85,417	\$357.77
Griggs Road Elementary	78,603	\$348.03
Bruce Randolph	76,633	\$322.63
SC Regional Housing	64,992	\$276.06
Ind-Tech Inc	64,033	\$272.23
Bethel Elementary	56,103	\$258.67
	<u>1,510,056</u>	<u>\$ 6,333</u>

WATER AND SEWER RATES

YEAR ENDED JUNE 30, 2013

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

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

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.

(Continued)

WATER AND SEWER RATES

YEAR ENDED JUNE 30, 2013

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.

(Continued)

WATER AND SEWER RATES

YEAR ENDED JUNE 30, 2013

WATER & SEWER CONNECTION FEES (CONTINUED)

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 preceding 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.

WATER AND SEWER TOTAL CUSTOMERS AND USEAGE

YEAR ENDED JUNE 30, 2013

Customer and usage information for water and sewer for the Town as of June 30, 2013 is as follows:

<u>Number of Customers</u>	2013	
	<u>Sewer</u>	<u>Water</u>
Residential	2,178	2,399
Non-residential		
Commercial	200	226
Government	25	52
Industrial	26	33
Totals	<u>2,429</u>	<u>2,710</u>

<u>Number of Customers</u>	2013	
	<u>Sewer</u>	<u>Water</u>
Within Municipal Boundaries		
Total Customers	2,157	2,263
Total Residential Customers	1,925	1,982
Outside of Municipal Boundaries		
Total Customers	272	447
Total Residential Customers	253	417

<u>Dollar's and Usage</u>	2013	
	<u>Sewer</u>	<u>Water</u>
Total Dollar's		
Inside Municipal Boundaries	\$ 913,872	\$ 890,765
Outside Municipal Boundaries	219,042	297,100
Total	<u>\$ 1,132,914</u>	<u>\$ 1,187,865</u>
Usage in Gallons		
Inside Municipal Boundaries	131,756,074	137,995,358
Outside Municipal Boundaries	14,352,221	22,771,527
Total	<u>146,108,295</u>	<u>160,766,885</u>

HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2013

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, 2013					Cumulative
	2013	2012	2011	2010	2009 & Prior	to date
Total Revenue	\$ 216,647	\$ 184,088	\$ 152,756	\$ 147,273	\$ 354,993	\$ 1,055,757
Total Expenditures	(51,451)	(40,344)	(36,367)	(51,770)	(76,705)	(256,637)
Interest Income	50	51	40	31	27	199
Debt Service	(75,255)	(75,474)	-	-	-	(150,729)
Transfers out	(35,000)	-	(75,000)	(75,000)	(198,350)	(383,350)
Net Change	\$ 54,991	\$ 68,321	\$ 41,429	\$ 20,534	\$ 79,965	\$ 265,240

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
GENERAL FUND**

YEAR ENDED JUNE 30, 2013

COURT FINES

Court Fines Collected	\$ 50,273
Court Fines Retained by the City	(50,273)
Total Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>

COURT ASSESSMENTS

Total Court Assessments Collected and Remitted to the State Treasurer	<u><u>\$ 71,910</u></u>
--	-------------------------

COURT SURCHARGES

Court Surcharges Collected	\$ 3,366
Court Surcharges Retained by the City	(3,366)
Total Court Surcharges Remitted to the State Treasurer	<u><u>\$ -</u></u>

VICTIMS SERVICES

Funds Available for Carryforward, Beginning of Year	\$ 18,234
Court Assessments and Surcharges Allocated to Victim Services	3,366
Funds Available for Carryforward, End of Year	<u><u>\$ 21,600</u></u>

(This page intentionally left blank.)

**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***

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Clover
Clover, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 3, 2013