

**TOWN OF CLOVER,
SOUTH CAROLINA**

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**TOWN OF CLOVER, SOUTH CAROLINA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of the Town Council
Town of 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, 2017, 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, 2017, 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 (on pages 4 through 12), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund (on pages 59 - 64), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Hospitality Tax Fund (on page 65), the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Retirement System and the Schedule of Proportionate Share of the Net Pension Liability – Police Officers Retirement System (on page 66), the Schedule of Contributions – South Carolina Retirement System and the Schedule of Contributions – Police Officers Retirement System (on page 67) 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 of Clover, South Carolina's basic financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Water and Sewer Fund (on page 68 and 69) and the combining and individual nonmajor fund financial statements (on pages 70 and 71) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Summary Schedule of Court Fines, Assessments and Surcharges (on page 72) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Water and Sewer Fund, the combining and individual nonmajor fund financial statements, and the Schedule of Court Fines, Assessments and Surcharges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Water and Sewer Fund, the combining and individual nonmajor fund financial statements, and the Summary Schedule of Court Fines, Assessments and Surcharges are 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 an assurance on it.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the Town of Clover, South Carolina’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clover, South Carolina’s internal control over financial reporting and compliance.



Macon, Georgia
November 30, 2017

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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, 2017. 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

- In the Statement of Net Position, the assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,535,937. Unrestricted net position was approximately \$272,602.
- The Town's total net position increased by \$215,271 for governmental activities and increased by \$794,286 for business-type activities as total revenues of approximately \$8,852,596 exceeded expenses of approximately \$7,843,039.
- The current year's expense total was approximately \$5,167,000 as compared to the approximately \$5,066,000 generated in fees and charges, grants, general revenues and taxes for governmental programs. In the previous year, expenses were approximately \$4,831,000 as compared to the approximately \$5,190,000 generated in fees and charges, grants, taxes and other revenues for governmental programs. For business-type activities, town revenues were approximately \$3,787,000 and expenses were approximately \$2,676,000.
- The annual cost of all town programs was approximately \$7,843,000. The previous year's cost was approximately \$7,587,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,390,990 a decrease of \$50,047 from the prior year's fund balance. The decrease is due to the Hospitality Tax Fund, and the Volunteer Fire Department Fund all having a decrease in fund balance. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,258,028. This represents approximately 49% of total General Fund expenditures for the year ended June 30, 2017. The Town's total capital assets increased by approximately \$81,000 during the current fiscal year primarily due to capital asset additions of approximately \$1,111,000 exceeding depreciation expense of approximately \$1,030,000. Capital asset additions were primarily related to the purchase of vehicles and equipment. The Town's total debt (including capital leases, but not compensated absences) decreased by approximately \$471,000 (7%) during the current year due to the issuance of a new capital lease of \$216,000 offset by principal payments of approximately \$687,000 made during the year.
- The Town's net pension liabilities increased by approximately \$592,000 (15%) to approximately \$4,562,000.

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.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the differences between these items 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, development services, fire, police, municipal court, recreation, and streets and sanitation. 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, Drug Fund, and Economic Development Fund), Capital Projects Fund, and Debt Service Fund. The governmental fund financial statements can be found as listed in the table of contents.

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.

TOWN OF CLOVER, SOUTH CAROLINA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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.

Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government- Wide Financial	Governmental Funds	Proprietar y 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
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
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 deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used and liabilities and deferred inflows of resources that come due during the year or soon, thereafter; no capital assets or	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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	All revenues and expenses during year, regardless of when cash is received or paid

TOWN OF CLOVER, SOUTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 as of June 30, 2017, and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 6,024,139	\$ 6,101,279	\$ 1,809,379	\$ 1,120,669	\$ 7,833,518	\$ 7,221,948
Capital assets, net	6,845,428	6,488,378	7,593,929	7,872,242	14,439,357	14,360,620
Total assets	<u>12,869,567</u>	<u>12,589,657</u>	<u>9,403,308</u>	<u>8,992,911</u>	<u>22,272,875</u>	<u>21,582,568</u>
Deferred Outflow s of Resources:						
Deferred pension charges	723,575	350,881	57,930	31,070	781,505	381,951
Liabilities:						
Other liabilities	169,030	127,842	150,717	199,756	319,747	327,598
Net pension liabilities	4,223,406	3,558,643	338,126	410,747	4,561,532	3,969,390
Long-term liabilities	3,219,293	3,485,348	3,408,706	3,644,020	6,627,999	7,129,368
Total liabilities	<u>7,611,729</u>	<u>7,171,833</u>	<u>3,897,549</u>	<u>4,254,523</u>	<u>11,509,278</u>	<u>11,426,356</u>
Deferred Inflow s of Resources:						
Deferred pension credits	8,486	11,049	679	734	9,165	11,783
Net Position:						
Net investment						
in capital assets	5,124,807	5,252,897	4,206,246	4,251,624	9,331,053	9,504,521
Restricted	1,746,487	1,354,274	185,795	182,284	1,932,282	1,536,558
Unrestricted	(898,367)	(849,515)	1,170,969	334,816	272,602	(514,699)
Total net position	<u>\$ 5,972,927</u>	<u>\$ 5,757,656</u>	<u>\$ 5,563,010</u>	<u>\$ 4,768,724</u>	<u>\$ 11,535,937</u>	<u>\$ 10,526,380</u>

The Town's total assets of approximately \$22,273,000 increased approximately \$690,000 from the prior year. The increase is mainly due to an increase of \$500,000 in Enterprise Fund Receipts, in part from capacity fees on the new housing unit on Bethel Street and an increase in water revenue. The Town's total liabilities increased approximately \$83,000 due to the net pension liability increase of approximately \$592,000 and a decrease in long term liabilities of approximately \$501,000. The changes in deferred outflows and deferred inflows of resources was primarily due to differences between expected and actual liability/investment experience and changes in the percentage of the Town's share of the net pension liability in the State retirement plans.

At the end of the current and prior fiscal year, the Town was able to report positive balances in both its net investment in capital assets and restricted categories of net position, but had a deficit in its unrestricted category of net position of approximately (\$900,000) for the governmental activities and a positive balance of approximately \$1,171,000 for the business- type activities at June 30, 2017.

TOWN OF CLOVER, SOUTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for fiscal year 2017, compared to 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,283,570	\$ 2,151,355	\$ 3,728,690	\$ 3,211,361	\$ 6,012,260	\$ 5,362,716
Operating grants	225,129	347,545	-	-	225,129	347,545
Capital grants	-	16,588	47,050	106,000	47,050	122,588
General revenues:						
Property taxes	2,427,594	2,547,538	-	-	2,427,594	2,547,538
Interest & investment income	7,899	7,672	1,648	1,040	9,547	8,712
Other general revenues	121,528	118,813	9,488	-	131,016	118,813
Total revenues	5,065,720	5,189,511	3,786,876	3,318,401	8,852,596	8,507,912
Expenses:					-	-
General government	637,531	649,594	-	-	637,531	649,594
Development services	171,675	151,098	-	-	171,675	151,098
Fire department	134,680	123,170	-	-	134,680	123,170
Municipal court	173,152	318,439	-	-	173,152	318,439
Police department	2,038,230	1,817,000	-	-	2,038,230	1,817,000
Recreation	941,921	866,169	-	-	941,921	866,169
Streets and sanitation	999,245	802,854	-	-	999,245	802,854
Interest and other charges	70,465	102,425	-	-	70,465	102,425
Water and sewer	-	-	2,676,140	2,756,587	2,676,140	2,756,587
Total expenses	5,166,899	4,830,749	2,676,140	2,756,587	7,843,039	7,587,336
Increase in net position before transfers	(101,179)	358,762	1,110,736	561,814	1,009,557	920,576
Transfers	316,450	291,600	(316,450)	(291,600)	-	-
Change in net position	215,271	650,362	794,286	270,214	1,009,557	920,576
Net position, beginning of year	5,757,656	5,107,294	4,768,724	4,498,510	10,526,380	9,605,804
Net position, end of year	\$ 5,972,927	\$ 5,757,656	\$ 5,563,010	\$ 4,768,724	\$ 11,535,937	\$ 10,526,380

Governmental Activities: Expenses exceeded revenues by approximately \$101,000 in fiscal year 2017 for its governmental activities. Revenues decreased over the prior year by approximately \$124,000 (2%) to approximately \$5,066,000, due primarily to decrease in property taxes and Operating Grants, partially offset by an increase in charges for services. Expenses increased by approximately \$336,000 (7%) to approximately \$5,167,000 from the prior year. Overall, governmental activities operations increased the Town's net position by approximately \$215,000 in fiscal year 2017.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Business-Type Activities: Revenues exceeded expenses by approximately \$1,110,700 in fiscal year 2017 for the business-type activities. Revenues increased by approximately \$422,000 (13%) to approximately \$3,786,000 from the prior year primarily due to higher charges for services. Expenses decreased by approximately \$80,000 (3%) to approximately \$2,676,000. The business-type activities transferred approximately \$316,000 to governmental activities. Overall, business-type activities increased the Town's net position by approximately \$794,000.

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 \$5,391,000 a decrease of approximately \$50,000 (1%) from the prior year fund balance. The decrease in fund balance was the result of expenditures and other financing uses of approximately \$6,236,000 exceeding revenues and other financing sources of approximately \$6,186,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$2,258,000 (42%) 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 it is legally restricted by an outside agency or has been committed or assigned by Town Council as follows: nonspendable for inventory items for approximately \$13,000 (>1%); restricted for (1) victims services of approximately \$35,000 (1%) is legally restricted by the revenue source, (2) capital projects of approximately \$778,000 (14%) is legally restricted by bonds, (3) for tourism related expenditures or operating expenditures incurred to serve tourists of approximately \$362,000 (7%) is legally restricted by the revenue source, (4) the volunteer fire department of approximately \$485,000 (9%) is restricted for future fire department expenses, (5) unspent bond proceeds of approximately \$1,373,000 (25%) is legally restricted for Hospitality Tax Fund capital expenditures, and (6) other purposes of approximately \$85,000 (2%) is legally restricted by the revenue source.

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 \$2,332,000. 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 \$2,258,000 represents approximately 49% of total General Fund expenditures. Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$285,000 (14%) due to revenues and other financing uses of approximately \$5,177,000 exceeding expenditures and other financing sources of approximately \$4,892,000.
- General Fund revenues increased approximately \$221,000 (5%) primarily due to an increase in local revenues.
- General Fund expenditures decreased approximately \$348,000 (7%) primarily due to a decrease in streets and sanitation expenditures.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued): In addition, the fund balances of the remaining Special Revenue, Capital Projects, and Debt Service Funds decreased by approximately \$335,000. 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 \$214,000 (primarily for the New Centre Park, and funds 'put aside' for Armory Renovations, and Downtown Parking).
- **Special Revenue Funds – Hospitality Tax and the Volunteer Fire Department both saw a decrease in fund balance as expenditures exceeded revenues for a combined decrease of approximately \$650,000.**

Proprietary Funds: The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net position of the Water and Sewer Fund at the end of the fiscal year was approximately \$5,563,000. This was an increase of approximately \$794,000 (17%) from the prior year balance. Details of the activity in the Water and Sewer Enterprise Fund are provided under Business-Type Activities on the previous page.

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 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets as of June 30, 2017 and 2016 amounted to approximately \$14,439,000 and \$14,361,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, park improvements, vehicles, machinery and equipment, and water/sewer systems.

The Town's capital assets (net of depreciation) as of June 30, 2017 and 2016 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,152,877	\$ 1,152,877	\$ 41,831	\$ 41,831	\$ 1,194,708	\$ 1,194,708
Construction in progress	805,919	-	56,832	-	862,751	-
Equipment and buildings	3,102,298	3,430,160	343,493	303,016	3,445,791	3,733,176
Infrastructure	1,784,334	1,905,341	7,151,773	7,527,395	8,936,107	9,432,736
Total	\$ 6,845,428	\$ 6,488,378	\$ 7,593,929	\$ 7,872,242	\$ 14,439,357	\$ 14,360,620

The total increase in the Town's investment in capital assets for the current fiscal year was approximately \$79,000 or 1%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$1,111,000 which consisted primarily of approximately \$262,000 of new vehicles and \$806,000 CIP for New Centre Park.
- Depreciation expense of approximately \$582,000 for governmental activities and approximately \$449,000 for business-type activities.

Additional information on the Town's capital assets can be found in Notes 6 of the notes to the financial statements.

TOWN OF CLOVER, SOUTH CAROLINA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt and Capital Leases

As of June 30, 2017 and 2016, the Town had total outstanding debt (including capital leases) of approximately \$6,481,000 and \$6,953,000, respectively. Of the Town's total debt, approximately \$563,000 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, 2017 and 2016 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
2007 Promissory note	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ 35,000
2012 GO bond	562,815	611,175	-	-	562,815	611,175
2016A Limited obligation bond	1,641,000	1,641,000	-	-	1,641,000	1,641,000
2016B Limited obligation bond	125,000	232,000	-	-	125,000	232,000
2007 Water and sewer refunded revenue bond	-	-	3,344,000	3,597,000	3,344,000	3,597,000
Total debt	2,328,815	2,519,175	3,344,000	3,597,000	5,672,815	6,116,175
Capital leases	764,891	812,891	43,683	23,618	808,574	836,509
Total	\$ 3,093,706	\$ 3,332,066	\$ 3,387,683	\$ 3,620,618	\$ 6,481,389	\$ 6,952,684

The total decrease in the Town's debt and capital lease obligations for the current fiscal year was approximately \$471,000 due to the issuance of a capital leases of \$216,000, offset by scheduled principal payments on debt and capital lease obligations for governmental and business-type activities of approximately \$238,000 and \$233,000, 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, 2017, was approximately \$1,470,440. The Town had approximately \$563,000 of bonded debt subject to the 8% limit and thus resulted in the Town having an unused legal debt margin of approximately \$907,440.

Additional information regarding the Town's long-term obligations can be found in Note 7 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 2017-2018 General Fund budget revenues were projected to increase from fiscal year 2016-2017's budget by \$260,350, an increase of approximately 6%.

General Fund expenses were balanced with projected revenues. Several fund balance allocations were budgeted totaling approximately \$224,700:

- Approximately \$131,250 Rollover funds for Special Projects
- Approximately \$93,450 anticipated to balance the General Fund

In the Enterprise Fund, revenues were projected to increase by approximately \$1,008,400, or 31%. The increase is attributable to the anticipated receipt of two grants totaling \$920,800: a CDBG Grant and a State Revolving Fund Grant, which will be expended. An increase in both water and sewer revenue is also expected. The budget does not anticipate using reserves.

TOWN OF CLOVER, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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

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 approximately \$312,200; which is decreased by approximately \$4,248 from prior year payment of approximately \$316,448. The budget anticipates several rehabilitation projects to begin or be completed in the upcoming fiscal year including improvements at the WWTP, to be funded by a State no interest loan with the principal forgiven; replacing a bar screen, and Griggs Road Lift Station pump.

The property tax millage rate remained at 118.0 mills for operating and remained at 4.2 mills for capital, for a total millage of 122.2 for tax year 2018. 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 2017-2018.

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, 116 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,539,570	\$ 1,077,199	\$ 2,616,769
Cash and cash equivalents, restricted	3,086,916	242,157	3,329,073
Investments	209,783	500,000	709,783
Receivables, net of allowance			
Taxes	497,120	-	497,120
Accounts	187,891	407,924	595,815
Due from other governments	68,975	-	68,975
Internal balances	420,494	(420,494)	-
Inventories	13,390	2,593	15,983
Capital assets:			
Non-depreciable	1,958,796	98,663	2,057,459
Depreciable, net of accumulated depreciation	4,886,632	7,495,266	12,381,898
Total assets	<u>12,869,567</u>	<u>9,403,308</u>	<u>22,272,875</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	723,575	57,930	781,505
Total deferred outflows of resources	<u>723,575</u>	<u>57,930</u>	<u>781,505</u>
LIABILITIES			
Accounts payable	52,871	77,074	129,945
Accrued liabilities	63,640	7,401	71,041
Accrued interest payable	7,380	9,880	17,260
Unearned revenue	45,139	-	45,139
Customer deposits	-	56,362	56,362
Noncurrent liabilities			
Due within one year	438,327	300,010	738,337
Due in more than one year	2,780,966	3,108,696	5,889,662
Net pension liability	4,223,406	338,126	4,561,532
Total liabilities	<u>7,611,729</u>	<u>3,897,549</u>	<u>11,509,278</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	8,486	679	9,165
Total deferred inflows of resources	<u>8,486</u>	<u>679</u>	<u>9,165</u>
NET POSITION			
Net investment in capital assets	5,124,807	4,206,246	9,331,053
Restricted for:			
Victim's assistance	35,180	-	35,180
Judicial fund	25,428	-	25,428
Capital projects	778,379	185,795	964,174
Debt service	12,406	-	12,406
Tourism related expenditures	362,172	-	362,172
Volunteer fire department	484,974	-	484,974
Drug fund	20,233	-	20,233
Economic development fund	27,715	-	27,715
Unrestricted	(898,367)	1,170,969	272,602
Total net position	<u>\$ 5,972,927</u>	<u>\$ 5,563,010</u>	<u>\$ 11,535,937</u>

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

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 637,531	\$ 1,549,822	\$ -	\$ -	\$ 912,291	\$ -	\$ 912,291
Development services	171,675	-	-	-	(171,675)	-	(171,675)
Fire department	134,680	64,660	-	-	(70,020)	-	(70,020)
Municipal court	173,152	69,123	-	-	(104,029)	-	(104,029)
Police department	2,038,230	65,000	-	-	(1,973,230)	-	(1,973,230)
Recreation	941,921	137,494	225,129	-	(579,298)	-	(579,298)
Streets and sanitation	999,245	397,471	-	-	(601,774)	-	(601,774)
Interest and other charges	70,465	-	-	-	(70,465)	-	(70,465)
Total governmental activities	<u>5,166,899</u>	<u>2,283,570</u>	<u>225,129</u>	<u>-</u>	<u>(2,658,200)</u>	<u>-</u>	<u>(2,658,200)</u>
Business-type activities:							
Water and sewer	2,676,140	3,728,690	-	47,050	-	1,099,600	1,099,600
Total business-type activities	<u>\$ 2,676,140</u>	<u>\$ 3,728,690</u>	<u>\$ -</u>	<u>\$ 47,050</u>	<u>\$ -</u>	<u>\$ 1,099,600</u>	<u>\$ 1,099,600</u>
General revenues:							
Taxes							
Property					2,179,837	-	2,179,837
Hospitality					247,757	-	247,757
Intergovernmental					121,528	-	121,528
Investment income					7,899	1,648	9,547
Gain on sale of capital assets					-	9,488	9,488
Transfers					316,450	(316,450)	-
Total general revenues and transfers					<u>2,873,471</u>	<u>(305,314)</u>	<u>2,568,157</u>
Change in net position					<u>215,271</u>	<u>794,286</u>	<u>1,009,557</u>
Net position, beginning of year					<u>5,757,656</u>	<u>4,768,724</u>	<u>10,526,380</u>
Net position, end of year					<u>\$ 5,972,927</u>	<u>\$ 5,563,010</u>	<u>\$ 11,535,937</u>

TOWN OF CLOVER, SOUTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Hospitality Tax Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,539,570	\$ -	\$ -	\$ -	\$ -	\$ 1,539,570
Cash and cash equivalents, restricted	-	1,714,404	781,009	62,106	529,397	3,086,916
Investments	209,783	-	-	-	-	209,783
Receivables, net of allowance						
Property taxes	487,421	-	-	9,699	-	497,120
Accounts	166,821	21,070	-	-	-	187,891
Due from governments	65,450	-	-	-	3,525	68,975
Due from other funds	471,075	-	-	-	-	471,075
Inventories	13,390	-	-	-	-	13,390
Total assets	\$ 2,953,510	\$ 1,735,474	\$ 781,009	\$ 71,805	\$ 532,922	\$ 6,074,720
LIABILITIES						
Accounts payable	\$ 50,241	\$ -	\$ 2,630	\$ -	\$ -	\$ 52,871
Accrued liabilities	63,423	217	-	-	-	63,640
Unearned revenue - recreation	6,837	-	-	-	-	6,837
Unearned revenue - judicial	38,302	-	-	-	-	38,302
Due to other funds	-	-	-	50,581	-	50,581
Total liabilities	158,803	217	2,630	50,581	-	212,231
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	462,681	-	-	8,818	-	471,499
Total deferred inflows of resources	462,681	-	-	8,818	-	471,499
FUND BALANCES						
Nonspendable						
Inventory	13,390	-	-	-	-	13,390
Restricted for:						
Victim's assistance	35,180	-	-	-	-	35,180
Judicial fund	25,428	-	-	-	-	25,428
Capital projects	-	-	778,379	-	-	778,379
Debt service	-	-	-	12,406	-	12,406
Unspent bond proceeds	-	1,373,085	-	-	-	1,373,085
Tourism related expenditures	-	362,172	-	-	-	362,172
Volunteer fire department	-	-	-	-	484,974	484,974
Drug fund	-	-	-	-	20,233	20,233
Economic development fund	-	-	-	-	27,715	27,715
Unassigned	2,258,028	-	-	-	-	2,258,028
Total fund balances	2,332,026	1,735,257	778,379	12,406	532,922	5,390,990
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,953,510	\$ 1,735,474	\$ 781,009	\$ 71,805	\$ 532,922	\$ 6,074,720

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

TOWN OF CLOVER, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total governmental fund balances:		\$ 5,390,990
<p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds.		6,845,428
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		471,499
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. These deferred outflows of resources consist of pension related experience differences, assumption changes, and differences between projected and actual earnings on plan investments.		723,575
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liabilities	(4,223,406)	
Compensated absences payable	(125,587)	
Accrued interest payable	(7,380)	
Capital leases	(764,891)	
Revenues bonds	<u>(2,328,815)</u>	
		(7,450,079)
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. These deferred inflows of resources consist of pension related differences between projected and actual earnings on plan investments.		<u>(8,486)</u>
Net position of governmental activities		<u>\$ 5,972,927</u>

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

TOWN OF CLOVER, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Hospitality Tax Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Local revenues	\$ 4,372,831	\$ -	\$ -	\$ 76,965	\$ 64,660	\$ 4,514,456
Interest income	4,124	3,125	426	29	195	7,899
Other revenue	-	4,800	-	-	12,710	17,510
Recreation supplement	173,436	-	-	-	51,693	225,129
Hospitality taxes	-	247,757	-	-	-	247,757
Drug funds	-	-	-	-	6,684	6,684
State revenues	121,528	-	-	-	-	121,528
Total revenues	<u>4,671,919</u>	<u>255,682</u>	<u>426</u>	<u>76,994</u>	<u>135,942</u>	<u>5,140,963</u>
Expenditures:						
Current:						
General government	577,675	-	-	-	-	577,675
Development services	162,231	-	-	-	-	162,231
Fire department	87,532	-	-	-	9,962	97,494
Municipal court and legislative	166,668	-	-	-	-	166,668
Police department	1,823,261	-	-	-	1,586	1,824,847
Recreation	744,224	74,103	-	-	-	818,327
Streets and sanitation	823,388	-	-	-	-	823,388
Capital outlay	-	-	214,334	-	513,834	728,168
Debt service:						
Principal retirement	224,154	107,000	35,000	48,360	5,227	419,741
Interest	17,111	43,000	-	16,707	609	77,427
Total expenditures	<u>4,626,244</u>	<u>224,103</u>	<u>249,334</u>	<u>65,067</u>	<u>531,218</u>	<u>5,695,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,675</u>	<u>31,579</u>	<u>(248,908)</u>	<u>11,927</u>	<u>(395,276)</u>	<u>(555,003)</u>
Other financing sources (uses):						
Transfers in	316,450	-	540,357	-	-	856,807
Transfers out	(265,718)	(274,639)	-	-	-	(540,357)
Proceeds from sale of capital assets	7,125	-	-	-	-	7,125
Capital lease proceeds	181,381	-	-	-	-	181,381
Total other financing sources (uses), net	<u>239,238</u>	<u>(274,639)</u>	<u>540,357</u>	<u>-</u>	<u>-</u>	<u>504,956</u>
Net change in fund balances	284,913	(243,060)	291,449	11,927	(395,276)	(50,047)
Fund balances, beginning of year	<u>2,047,113</u>	<u>1,978,317</u>	<u>486,930</u>	<u>479</u>	<u>928,198</u>	<u>5,441,037</u>
Fund balances, end of year	<u>\$ 2,332,026</u>	<u>\$ 1,735,257</u>	<u>\$ 778,379</u>	<u>\$ 12,406</u>	<u>\$ 532,922</u>	<u>\$ 5,390,990</u>

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

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
FISCAL YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$	(50,047)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		
Capital outlay	\$	938,686
Depreciation expense		<u>(581,636)</u>
		357,050
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(75,243)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Issuance of debt	\$	(181,381)
Principal payments		<u>419,741</u>
		238,360
<p>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. The details are as follows:</p>		
Compensated absences	\$	27,695
Net pension liability and related deferred inflows and outflows of resources		(289,506)
Accrued interest on debt		<u>6,962</u>
		<u>(254,849)</u>
Change in net position of governmental activities	\$	<u><u>215,271</u></u>

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

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 JUNE 30, 2017**

	Total
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,077,199
Investments	500,000
Cash and cash equivalents, restricted	242,157
Accounts receivable, net of allowance	407,924
Inventories	2,593
Total current assets	2,229,873
NONCURRENT ASSETS	
Capital assets	
Non-depreciable	98,663
Depreciable, net of accumulated depreciation	7,495,266
Total noncurrent assets	7,593,929
Total assets	9,823,802
DEFERRED OUTFLOWS OF RESOURCES	
Pension	57,930
Total deferred outflows of resources	57,930
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	77,074
Accrued interest	9,880
Accrued liabilities	7,401
Due to other funds	420,494
Current portion of compensated absences	7,362
Current portion of lease payable	24,648
Current portion of bond payable	268,000
Total current liabilities	814,859
LONG-TERM LIABILITIES	
Compensated absences	13,661
Customer deposits	56,362
Net pension liability	338,126
Long-term portion of lease payable	19,035
Long-term portion of bond payable	3,076,000
Total long-term liabilities	3,503,184
Total liabilities	4,318,043
DEFERRED INFLOWS OF RESOURCES	
Pension	679
Total deferred inflows of resources	679
NET POSITION	
Net investment in capital assets	4,206,246
Restricted - debt service	185,795
Unrestricted	1,170,969
Total net position	\$ 5,563,010

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

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Total
OPERATING REVENUE	
Water and sewer fees	\$ 3,101,417
Water and sewer taps	23,362
Service connection fees	63,595
Reconnection fees and penalties	66,529
SCDHEC fees	28,352
Miscellaneous	445,435
	3,728,690
Total operating revenues	3,728,690
OPERATING EXPENSES	
Water and sewer purchases	1,427,838
Salaries and wages	119,687
Maintenance and supplies	382,099
General and administrative	191,306
Depreciation	448,625
Total operating expenses	2,569,555
Operating income	1,159,135
NON-OPERATING REVENUES (EXPENSES)	
Interest income	1,648
Sale of capital assets	9,488
Interest expense	(105,666)
Grant expense	(919)
Total non-operating expenses, net	(95,449)
Income before capital contributions and transfers	1,063,686
Capital contributions	47,050
Transfers out	(316,450)
Change in net position	794,286
Net position, beginning of year	4,768,724
Net position, end of year	\$ 5,563,010

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

TOWN OF CLOVER, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Total
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 3,822,343
Cash paid to suppliers	(2,053,952)
Cash paid to employees	(220,549)
Net cash provided by operating activities	1,547,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(316,450)
Net cash used by noncapital financing activities	(316,450)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from issuance of capital leases	34,619
Principal paid on capital leases	(14,554)
Principal paid on notes payable	(253,000)
Payment of interest expense	(105,666)
Sale of capital assets	11,016
Capital contributions	47,050
Acquisition and construction of capital assets	(172,759)
Net cash used by capital and related financing activities	(453,294)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(500,000)
Interest earned on investments	1,648
Net cash used by investing activities	(498,352)
NET INCREASE IN CASH AND CASH EQUIVALENTS	279,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,039,610
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,319,356
CLASSIFIED AS:	
CASH AND CASH EQUIVALENTS	\$ 1,077,199
CASH AND CASH EQUIVALENTS, RESTRICTED	242,157
	\$ 1,319,356

(continued)

TOWN OF CLOVER, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,159,135
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	448,625
(Increase) decrease in:	
Accounts receivable	93,653
Inventory	(387)
Deferred outflows - pension	(26,860)
Increase (decrease) in:	
Accounts payable	(39,334)
Accrued liabilities	1,053
Due from other funds	(2,230)
Compensated absences	(2,379)
Customer deposits	(10,758)
Net pension liability	(72,621)
Deferred inflows - pension	(55)
Net cash provided by operating activities	<u>\$ 1,547,842</u>

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

TOWN OF CLOVER, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The more significant of the Town's accounting policies are described below.

A. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable, when applicable.

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.

Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Major Funds

The Town reports the following major governmental funds:

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

The **Hospitality Tax Fund** is a special revenue fund used to account for taxes collected on the sales of prepared or modified foods and beverages intended for immediate consumption and sold within the municipal limits of the Town. The expenditures of these taxes must be related to or for the promotion of tourism.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Major Funds (Continued)

The **Capital Projects Fund** accounts for 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.

The **Debt Service Fund** accounts for 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 Town reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the water and sewer services provided to the residents of the Town, which includes some surrounding areas.

Nonmajor Funds

In addition the Town reports the following fund types:

The **Special Revenue 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.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds, when applicable) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State-levied locally shared taxes are recognized as revenue in the year appropriated by the state.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are considered to be measurable if the amount is known or reasonably estimable at year-end. The following revenue sources are deemed both measurable and available if collected within 60 days of year-end: delinquent property taxes, investment earnings, fines and forfeitures, state-levied locally shared taxes, insurance taxes, certain charges for services such as sanitation fees, and grant revenues for which all eligibility requirements imposed by the provider have been met. Permits, vehicle and some franchise taxes, licenses, and miscellaneous revenues, although they may be available within 60 days of year-end are considered to be measurable only when cash is received by the Town.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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 payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Proceeds of general long-term debt and proceeds for acquisitions under capital leases are reported as other financing sources.

D. 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 Local Government Investment 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.

E. Investments

State statutes authorize the Town to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its political subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposits collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is an investment mechanism authorized by the South Carolina State Legislature and is not registered with the SEC as an investment company. There is no regulatory oversight of the pool. The pool's primary objective is to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions. The total fair value of the investment 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. Investments in the pool are stated at fair value which approximates cost. The remaining investments of the Town are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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).

G. Receivables and Payables Inventories and Prepaid Items

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.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. 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 Fund 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 recorded at estimated acquisition value (as estimated by the Town) at the date of donation. 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 Fund. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

Asset	Years
Buildings and improvements	10-50
Computers	3-5
Furniture and equipment	5-7
Infrastructure	20-50
Information technology	3-5
Machinery	5-10
Vehicles	3-10
Weapons	7

I. 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 Fund. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 Fund 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 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.

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.

K. Deferred Outflows/Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has four items that qualify for reporting in this category, which are related to pension obligations as follows:

1. Pension contributions made subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the subsequent year.
2. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period.
3. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
4. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in this category:

1. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
2. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

The government also has inflows which arise under the modified accrual basis of accounting that qualify for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. As such, under the modified accrual basis of accounting, the governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount became available.

Unearned Revenue

The Town also defers revenue recognition in connection with resources that have been billed or received, but not yet earned.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers' Retirement System (PORS) and additions to/deductions from the SCRS's and PORS's fiduciary net position have been determined on the accrual basis of accounting as they are reported by SCRS and PORS, respectively, in accordance with generally accepted accounting principles (GAAP). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position and Fund Balance

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either; (a) not in a spendable form; or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or passage of an ordinance. Only the Town Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The Town Council has not delegated such authority as of June 30, 2017.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position and Fund Balance (Continued)

Fund Balance Policy – The Town strives to maintain a minimum unreserved fund balance in various funds for the purpose of floating the Town's operations in times of temporary cash flow shortages, emergencies, unanticipated economic downturns, and one time opportunities.

N. 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.

O. 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 deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of 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.

P. Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The Town's business-type activities accounted for in proprietary funds are water and sewer sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

1. 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.
2. 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.
3. 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.
4. 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.
5. Budgeted amounts are as originally adopted, or as amended by Town Council.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, expenditures exceeded appropriations for the following functions:

<u>Fund</u>	<u>Function</u>	<u>Excess Expenditures</u>
General	Development Services	\$ 33,431
	Legislative	7,683
	Police Department	84,461

The over expenditures in the General Fund were funded by greater than anticipated revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Total cash, cash equivalents, and investments as of June 30, 2017, are summarized as follows:

Statement of net position:	
Cash and cash equivalents	\$ 2,616,769
Cash and cash equivalents, restricted	3,329,073
Investments	709,783
	<u>\$ 6,655,625</u>
Cash deposited with financial institutions	\$ 5,488,172
Certificates of deposit	709,783
South Carolina Local Governmental Investment Pool	457,670
	<u>\$ 6,655,625</u>

Certain cash and cash equivalents of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2017, were those imposed by the revenue source (i.e. hospitality tax, drug fund, etc.) and as stipulated in the bond offering documents.

Under State law, the Town is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, all of the Town's deposits were covered by federal depository insurance or by collateral held in the pledging financial institutions' trust department in the Town's name.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The Town's investment policy limits the weighted average maturity of investments to less than five years.

Credit Risk – 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.

Custodial Credit Risk – 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, 2017, none of the Town's investment balances were exposed to custodial credit risk.

Concentration of Credit Risk – 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, 2017, none of the Town's investment balances were exposed to concentration of credit risk.

In addition, South Carolina state statutes authorize the Town to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk – Investments (Continued)

As of June 30, 2017, the Town reported investments of \$457,670 in the SCLGIP. Due to the nature of these investments, as described above, they do not meet the criteria for reporting in the fair value hierarchy.

NOTE 4. RECEIVABLES

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Hospitality Tax Fund	Debt Service Fund	Water and Sewer Fund	Total
Receivables:					
Property taxes	\$ 487,421	\$ -	\$ 9,699	\$ 412,924	\$ 910,044
Accounts	166,821	21,070	-	-	187,891
Gross receivables	<u>654,242</u>	<u>21,070</u>	<u>9,699</u>	<u>412,924</u>	<u>1,097,935</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net receivables	<u>\$ 654,242</u>	<u>\$ 21,070</u>	<u>\$ 9,699</u>	<u>\$ 407,924</u>	<u>\$ 1,092,935</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 420,494
General Fund	Debt Service Fund	50,581
		<u>\$ 471,075</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 316,450
Capital Projects Fund	General Fund	265,718
Capital Projects Fund	Hospitality Tax Fund	274,639
		<u>856,807</u>
Total transfers		<u>\$ 856,807</u>

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,152,877	\$ -	\$ -	\$ 1,152,877
Construction in progress	-	805,919	-	805,919
Total	<u>1,152,877</u>	<u>805,919</u>	<u>-</u>	<u>1,958,796</u>
Capital assets, being depreciated:				
Buildings and improvements	2,946,589	29,925	-	2,976,514
Computers	124,687	1,684	(486)	125,885
Furniture and equipment	208,012	5,618	-	213,630
Infrastructure	2,295,597	-	-	2,295,597
Information technology	233,851	-	-	233,851
Machinery	932,338	95,540	-	1,027,878
Vehicles	3,196,467	-	(532,190)	2,664,277
Weapons	14,911	-	-	14,911
Total	<u>9,952,452</u>	<u>132,767</u>	<u>(532,676)</u>	<u>9,552,543</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,198,074)	(84,133)	-	(1,282,207)
Computers	(106,502)	(6,931)	486	(112,947)
Furniture and equipment	(105,806)	(14,615)	-	(120,421)
Infrastructure	(390,256)	(121,007)	-	(511,263)
Information technology	(188,398)	(20,992)	-	(209,390)
Machinery	(697,639)	(68,897)	-	(766,536)
Vehicles	(1,917,425)	(264,600)	532,190	(1,649,835)
Weapons	(12,851)	(461)	-	(13,312)
Total	<u>(4,616,951)</u>	<u>(581,636)</u>	<u>532,676</u>	<u>(4,665,911)</u>
Total capital assets, being depreciated, net	<u>5,335,501</u>	<u>(448,869)</u>	<u>-</u>	<u>4,886,632</u>
Governmental activities capital assets, net	<u>\$ 6,488,378</u>	<u>\$ 357,050</u>	<u>\$ -</u>	<u>\$ 6,845,428</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended June 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 41,831	\$ -	\$ -	\$ 41,831
Construction in progress	-	56,832	-	56,832
Total	<u>41,831</u>	<u>56,832</u>	<u>-</u>	<u>98,663</u>
Capital assets, being depreciated:				
Buildings and improvements	-	14,299	-	14,299
Computers	21,316	-	-	21,316
Furniture and equipment	8,546	-	-	8,546
Infrastructure	15,976,461	-	-	15,976,461
Information technology	4,351	-	-	4,351
Machinery	557,592	67,009	(3,670)	620,931
Vehicles	363,651	34,619	(44,950)	353,320
Total	<u>16,931,917</u>	<u>115,927</u>	<u>(48,620)</u>	<u>16,999,224</u>
Less accumulated depreciation for:				
Buildings and improvements	-	(149)	-	(149)
Computers	(21,216)	(100)	-	(21,316)
Furniture and equipment	(8,542)	(4)	-	(8,546)
Infrastructure	(8,449,066)	(375,622)	-	(8,824,688)
Information technology	(4,325)	(26)	-	(4,351)
Machinery	(303,060)	(44,110)	1,223	(345,947)
Vehicles	(315,297)	(28,614)	44,950	(298,961)
Total	<u>(9,101,506)</u>	<u>(448,625)</u>	<u>46,173</u>	<u>(9,503,958)</u>
Total capital assets, being depreciated, net	<u>7,830,411</u>	<u>(332,698)</u>	<u>(2,447)</u>	<u>7,495,266</u>
Governmental activities capital assets, net	<u>\$ 7,872,242</u>	<u>\$ (275,866)</u>	<u>\$ (2,447)</u>	<u>\$ 7,593,929</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
General government	\$ 47,766
Fire department	48,471
Municipal court	645
Police department	153,077
Recreation	182,136
Streets and sanitation	149,541
Total depreciation expense - governmental activities	<u>\$ 581,636</u>

NOTE 7. LONG-TERM OBLIGATIONS

The Town has the following forms of long-term indebtedness:

Notes Payable – This note is to be funded by the General Fund and was used for the expansion of the parks and recreational programs and facilities.

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the General Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Limited Obligation Bonds – The Town issues limited obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the Hospitality Tax Fund. Limited obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Net Pension Liability – This obligation represents the Town's allocated portion of their long-term obligation for pension benefits. This obligation is primarily funded by the General Fund.

Capital Lease Obligations – The Town uses leases to finance the purchase of various equipment. Leases are paid from the General Fund.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund.

Revenue Bonds – These bonds are funded by the Water and Sewer Fund and were used for certain improvements to the system.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Debt					
2007 Promissory note	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
2012 General obligation bond	611,175	-	(48,360)	562,815	49,685
2016A Limited obligation bond	1,641,000	-	-	1,641,000	-
2016B Limited obligation bond	232,000	-	(107,000)	125,000	108,000
Total Debt	<u>2,519,175</u>	<u>-</u>	<u>(190,360)</u>	<u>2,328,815</u>	<u>157,685</u>
Net pension liability	3,558,643	761,304	(96,541)	4,223,406	-
Capital leases obligation	812,891	181,381	(229,381)	764,891	226,818
Compensated absences	153,282	26,129	(53,824)	125,587	53,824
Total long-term liabilities	<u>\$ 7,043,991</u>	<u>\$ 968,814</u>	<u>\$ (570,106)</u>	<u>\$ 7,442,699</u>	<u>\$ 438,327</u>
Business-type activities					
2007 Revenue bond	\$ 3,597,000	\$ -	\$ (253,000)	\$ 3,344,000	\$ 268,000
Net pension liability	410,747	90,070	(162,691)	338,126	-
Capital leases obligation	23,618	34,619	(14,554)	43,683	24,648
Compensated absences	23,402	4,983	(7,362)	21,023	7,362
Total long-term liabilities	<u>\$ 4,054,767</u>	<u>\$ 129,672</u>	<u>\$ (437,607)</u>	<u>\$ 3,746,832</u>	<u>\$ 300,010</u>

Notes Payable

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, 2007, 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.

The note payable was paid in full during the year ended June 30, 2017.

General Obligation Bonds

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 of 2.74%. The Bonds are payable from a direct ad valorem tax on all taxable property in the Town.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

The annual requirements for debt service on general obligation bonds outstanding at June 30, 2017, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 49,685	\$ 15,421	\$ 65,106
2019	51,047	14,060	65,107
2020	52,446	12,661	65,107
2021	53,883	11,224	65,107
2022	55,359	9,748	65,107
2023 - 2027	300,395	25,137	325,532
Total	<u>\$ 562,815</u>	<u>\$ 88,251</u>	<u>\$ 651,066</u>

Limited Obligation Bonds

On June 15, 2016, the Council entered into Limited Obligation Bonds, Series 2016A and 2016B, in the amount of \$1,641,000 and \$232,000, respectively. The proceeds will be used to construct improvements at New Centre Park for Phase II. Payments are due on December 1, 2016 through June 30, 2031 in the amounts of \$107,000 to \$147,000 at interest rates of 2.07% to 2.42%. The bonds are payable from hospitality taxes generated in the Town.

The annual requirements for debt service on limited obligation bonds outstanding at June 30, 2017, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 108,000	\$ 42,300	\$ 150,300
2019	110,000	40,064	150,064
2020	113,000	37,462	150,462
2021	115,000	34,727	149,727
2022	118,000	31,944	149,944
2023 - 2027	635,000	115,434	750,434
2028 - 2031	567,000	34,703	601,703
Total	<u>\$ 1,766,000</u>	<u>\$ 336,634</u>	<u>\$ 2,102,634</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases

The Town has various capital lease obligations which are mainly for the purchase of equipment. These leases are due annually over the next seven years with payments ranging from \$20,423 to \$64,441 and interest rates between 1.62% and 2.74%. These leases are paid for using General Fund (\$764,891) and Water and Sewer Fund (\$43,683) resources.

The annual requirements for debt service on capital lease obligations outstanding at June 30, 2017, are summarized as follows:

Governmental Activities

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 226,818	\$ 13,064	\$ 239,882
2019	193,998	9,422	203,420
2020	161,500	5,864	167,364
2021	114,368	2,874	117,242
2022	33,781	1,303	35,084
2023	34,426	658	35,084
Total	<u>\$ 764,891</u>	<u>\$ 33,185</u>	<u>\$ 798,076</u>

Business-Type Activities

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,756	\$ 574	\$ 13,330
2019	11,343	444	11,787
2020	11,536	250	11,786
2021	8,048	54	8,102
Total	<u>\$ 43,683</u>	<u>\$ 1,322</u>	<u>\$ 45,005</u>

The carrying value of assets acquired through capital leases are as follows:

Equipment	\$ 1,349,575
Less: Accumulated depreciation	(470,104)
	<u>\$ 879,471</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases (Continued)

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended June 30, 2017, was \$17,720 for Governmental Activities and \$857 for Business-type Activities.

Revenue Bonds

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 water and sewer systems are pledged as security for the Series 2007 Bond.

The annual requirements for debt service on revenue bonds outstanding at June 30, 2017, are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 260,000	\$ 97,063	\$ 357,063
2019	268,000	89,090	357,090
2020	276,000	80,876	356,876
2021	285,000	72,405	357,405
2022	294,000	63,662	357,662
2023 - 2027	1,609,000	177,501	1,786,501
2028	352,000	5,315	357,315
Total	<u>\$ 3,344,000</u>	<u>\$ 585,912</u>	<u>\$ 3,929,912</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER INFORMATION

A. Commitments and Contingent Liabilities

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Litigation

The Town is contingently liable with respect to various legal proceedings which normally occur in the course of governmental operations. It is the opinion of Town management, based on the advice of legal counsel on pending litigation, that the ultimate disposition of these claims not covered by insurance will not have a material adverse effect on the financial condition of the Town.

B. Risk Management

The Town is exposed to various risks of losses related to torts, including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town is a member of the South Carolina Municipal Insurance and Risk Financing Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to the Municipal Insurance and Risk Financing Fund for its general insurance and workers' compensation. The South Carolina Municipal Insurance and Risk Financing Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The Town has not significantly reduced insurance coverages from the previous 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 they participate, the Town has effectively transferred all risk with no liability for unfunded claims.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Membership (Continued)

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the accidental death benefit program. The Town does not participate in the employer accidental death program.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits (Continued)

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority for approval, an increase the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than ½ of 1% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to ½ of 1% per year.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Required employee contribution rates for the year ended June 30, 2017, are as follows:

South Carolina Retirement System

Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation

South Carolina Police Officers Retirement System

Employee Class Two	9.24% of earnable compensation
Employee Class Three	9.24% of earnable compensation

Required employer contribution rates for the year ended June 30, 2017, are as follows:

South Carolina Retirement System

Employee Class Two	11.41% of earnable compensation
Employee Class Three	11.41% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

South Carolina Police Officers Retirement System

Employee Class Two	13.84% of earnable compensation
Employee Class Three	13.84% of earnable compensation
Employer incidental death benefit	0.20% of earnable compensation
Employer accidental death program	0.20% of earnable compensation

Net Pension Liability

The most recent annual actuarial valuation reports adopted by the PEBA Board and SFAA are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the systems' consulting actuary, Gabriel, Roeder, Smith and Company.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that system's fiduciary net position. As of June 30, 2017, the net pension liability amounts for SCRS and PORS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Liability	Employers' Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
SCRS	\$ 6,043,263	\$ 3,197,274	\$ 2,845,989	52.9%
PORS	\$ 4,337,422	\$ 2,621,879	\$ 1,715,543	60.4%

As of June 30, 2017, the change in the net pension liability for the SCRS Plan is calculated as follows:

Total pension liability	
Service cost	\$ 101,710
Interest	430,575
Difference between actual and expected experience	6,224
Benefit payments	(370,772)
Net change in total pension liability	<u>167,737</u>
Total pension liability - beginning June 30, 2016	<u>5,875,526</u>
Total pension liability - ending June 30, 2017	<u>6,043,263</u>
Plan fiduciary net position	
Contributions - employer	142,921
Contributions - member	100,483
Refunds of contributions to members	(12,484)
Retirement benefits	(355,536)
Death benefits	(2,753)
Net investment income	(22,037)
Administrative expense	(1,752)
Net transfers to affiliated systems	(133)
Net change in Plan fiduciary net position	<u>(151,291)</u>
Plan fiduciary net position - beginning June 30, 2016	<u>3,348,565</u>
Plan fiduciary net position - ending June 30, 2017	<u>3,197,274</u>
Net pension liability	<u>\$ 2,845,989</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

As of June 30, 2017, the change in the net pension liability for the PORS Plan is calculated as follows:

Total pension liability	
Service cost	\$ 105,902
Interest	306,880
Difference between actual and expected experience	7,834
Benefit payments	<u>(243,948)</u>
Net change in total pension liability	176,668
Total pension liability - beginning June 30, 2016	<u>4,160,754</u>
Total pension liability - ending June 30, 2017	<u>4,337,422</u>
Plan fiduciary net position	
Contributions - employer	118,521
Contributions - member	77,913
Refunds of contributions to members	(12,972)
Retirement benefits	(228,575)
Death benefits	(2,402)
Net investment income	(16,664)
Administrative expense	(1,259)
Net transfers to affiliated systems	<u>775</u>
Net change in Plan fiduciary net position	(64,663)
Plan fiduciary net position - beginning June 30, 2016	<u>2,686,542</u>
Plan fiduciary net position - ending June 30, 2017	<u>2,621,879</u>
Net pension liability	<u><u>\$ 1,715,543</u></u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

South Carolina state statutes requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020, annual valuation is complete.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global public equity	34.0%	6.52%	2.22%
Private equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunities	20.0%		
GTAA/Risk parity	10.0%	3.90%	0.39%
HF (low beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging markets debt	5.0%	4.91%	0.25%
Private debt	7.0%	4.47%	0.31%
Alternatives	12.0%		
Core fixed income	10.0%	1.72%	0.17%
Cash and short duration (net)	2.0%	0.71%	0.01%
		Total expected real return	5.10%
		Inflation for actuarial purposes	2.75%
		Total expected nominal return	<u>7.85%</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Position Liability to Changes in the Discount Rate				
	1% Decrease (6.50%)	Current Discount Rate (7.50%)		1% Increase (8.50%)
SCRS	\$ 3,550,291	\$ 2,845,989		\$ 2,259,680
PORS	\$ 2,248,534	\$ 1,715,543		\$ 1,236,794

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Town recognized pension expense of \$119,328 for the SCRS plan and \$170,178 for the PORS plan. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pensions plans, respectively, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 29,502	\$ 3,091
Net difference between projected and actual earnings on pension plan investments	239,439	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,983	724
Employer contributions subsequent to the measurement date	139,390	-
Total	\$ 418,314	\$ 3,815

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
PORS		
Differences between expected and actual experience	\$ 25,455	\$ -
Net difference between projected and actual earnings on pension plan investments	194,528	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,665	5,350
Employer contributions subsequent to the measurement date	118,543	-
Total	\$ 363,191	\$ 5,350

Town contributions subsequent to the measurement date of \$139,390 and \$118,543, for the SCRS plan and the PORS plan, respectively, and changes in proportion and differences between employer contributions and proportionate share of contributions are deferred outflows/inflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	SCRS	PORS
2018	\$ 65,997	\$ 49,534
2019	50,576	48,243
2020	95,435	77,835
2021	63,101	63,686
Total	\$ 275,109	\$ 239,298

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFERRED COMPENSATION PLANS

Internal Revenue Code Section 457 Plan

The Town offers its employees a deferred compensation plan, through the State of South Carolina, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability or an approved hardship.

All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The plan is administered by the State of South Carolina.

Internal Revenue Code Section 401(k) Plan

The Town also offers its employees participation in a deferred compensation plan, through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k). All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

NOTE 11. SUBSEQUENT EVENT

In October 2017, the Town approved a capital lease obligation with a bank in the amount of \$428,000 at a rate of 2.24% over five (5) years. The proceeds will be used to purchase equipment for various departments.

NOTE 12. TAX ABATEMENT PROGRAM

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, as of July 1, 2016, through which governments that enter into tax abatement agreements are required to disclose certain information pertaining to the agreement. As of June 30, 2017, the Town provides tax abatements through one program – the Economic Development Program.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. TAX ABATEMENT PROGRAM (CONTINUED)

The Town, acting through its Town Council, is authorized and empowered under and pursuant to the provisions of Chapter 44 of Title 12, Code of Laws of South Carolina 1976, as amended, to enter into agreements with any industry or business whereby the industry or business would pay fees in lieu of taxes with respect to certain properties which constitute “economic development properties” through which powers the industrial development of the State of South Carolina will be promoted and trade developed by inducing manufacturing and commercial enterprises to locate or remain in the State and thus utilize and employ the manpower, products, and resources of the State and benefit the general public welfare of the Town by providing services, employment, recreation, or other public benefits not otherwise provided locally.

Abatements are obtained through the program by application by a sponsor to Town Council prior to commencing the improvements and are subject to approval by Town Council by passage of an ordinance. Eligible abatements agreements are subject to a minimum investment as outlined in each individual agreement. The Code of Laws of South Carolina provides for a recapture of fees upon termination of approved agreements that did not meet the minimum investment criteria in the time frame provided for in each agreement. At the time of termination, the sponsor shall pay to the Town an additional fee equal to the difference between the total amount of property taxes that would have been paid by the sponsor had the project been taxable, taking into account exemptions from property taxes that would have been available to the sponsor, and the amount of fee payments actually made by the sponsor.

Abatement agreements under the Economic Development Program equal a 100 percent reduction in property taxes during the exemption period as outlined in the agreement. A fee in lieu of tax (FILOT) is to be paid within the following parameters: the sponsor shall pay to the Town an annual fee payment in connection with the economic development property which has been placed in service, in an amount not less than that the property taxes that would be due on the economic development property if it were taxable but using; (1) an assessment ratio of not less than 4 percent; (2) a millage rate this is either fixed for the life of the fee or is allowed to increase or decrease every fifth year in step with the average cumulative actual millage rate applicable to the project based upon the preceding five year period; or (3) a fair market value for the economic development property.

No other commitments were made by the Town as part of the agreements.

Taxes abated as a result of the agreements under the Economic Development Program totaled \$62,812 for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CLOVER, SOUTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Local revenues:				
Property taxes - current	\$ 1,750,000	\$ 1,750,000	\$ 1,848,115	\$ 98,115
Property taxes - prior	65,000	65,000	79,081	14,081
Vehicle property taxes	235,000	235,000	250,919	15,919
Property tax penalties	10,000	10,000	15,436	5,436
Garbage revenue	418,000	418,000	397,471	(20,529)
Court fines	50,000	50,000	69,123	19,123
Business licenses	710,000	710,000	812,732	102,732
Zoning fees	7,500	7,500	3,540	(3,960)
Building permits	100,000	100,000	144,628	44,628
Cemetery assessments	5,000	5,000	14,329	9,329
Donations	500	500	-	(500)
Shelter fees	5,000	5,000	876	(4,124)
Dog licenses	1,500	1,500	1,150	(350)
Live well Clover fees	5,000	5,000	109	(4,891)
Recreation revenue	90,000	90,000	108,443	18,443
Recreation concessions	25,000	25,000	17,789	(7,211)
Miscellaneous revenues	1,200	1,200	1,328	128
Larne building	16,000	16,000	18,475	2,475
Grant - recreation	4,700	4,700	-	(4,700)
Miscellaneous grant revenue	6,000	6,000	2,000	(4,000)
Other revenues	20,000	20,000	31,098	11,098
Franchise fees	450,000	450,000	440,211	(9,789)
Payment in lieu of taxes	5,000	5,000	6,403	1,403
Westgate maintenance	4,500	4,500	4,251	(249)
Armory rental	8,000	8,000	14,145	6,145
School resource officer	65,000	65,000	65,000	-
Festival revenue	7,000	7,000	11,153	4,153
Travel fund	11,000	11,000	15,026	4,026
Total local revenues	4,075,900	4,075,900	4,372,831	296,931
Recreation supplement	185,000	185,000	173,436	(11,564)
State apportionments	113,900	113,900	121,528	7,628
Interest income	3,000	3,000	4,124	1,124
Total revenues	4,377,800	4,377,800	4,671,919	294,119
Expenditures:				
Current:				
General and Administrative				
Salaries	256,200	256,200	229,421	26,779
Social security	19,600	19,600	17,551	2,049
Retirement	29,600	29,600	26,267	3,333
Deferred compensation	2,250	2,250	1,500	750
Insurance - health	42,000	42,000	32,827	9,173
Workers compensation	1,100	1,100	1,121	(21)
Health reimbursement	6,000	6,000	8,623	(2,623)
Employees wellness	6,000	6,000	2,124	3,876
Utilities	14,000	14,000	6,798	7,202
Telephone	7,500	7,500	7,743	(243)
Maintenance and supplies	500	500	258	242
Vehicle repairs	250	250	8	242
Vehicle routine maintenance	250	250	170	80
Vehicle fuel	1,600	1,600	1,423	177
Insurance - property/liability	3,000	3,000	2,854	146
Insurance - vehicle	550	550	506	44
Insurance - tort	1,000	1,000	1,185	(185)
Insurance - bond	100	100	49	51

(Continued)

TOWN OF CLOVER, SOUTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Expenditures (Continued):

Current (continued):

General and Administrative (continued)

Uniforms and equipment	500	500	396	104
Bank charges	20,000	20,000	16,993	3,007
Office supplies and expenditures	10,000	10,000	10,882	(882)
Building maintenance	6,000	6,000	4,900	1,100
Advertisement	1,000	1,000	535	465
Dues, subscriptions, and donations	4,000	4,000	4,321	(321)
Training, meetings, and travel	4,000	4,000	3,968	32
Legal fees	18,000	18,000	22,472	(4,472)
Auditing fees	23,500	23,500	22,500	1,000
Election expense	-	-	2,534	(2,534)
Holiday certificates and awards	10,000	10,000	11,749	(1,749)
Computer maintenance and expenditures	35,000	35,000	33,167	1,833
Y.C. Council On Aging	10,000	10,000	-	10,000
Postage	20,000	20,000	18,577	1,423
Professional services	10,000	10,000	13,309	(3,309)
Tax collection fees	3,000	3,000	3,125	(125)
Equipment lease	15,000	15,000	13,709	1,291
Larne delegation	500	500	316	184
Larne maintenance and supplies	10,000	10,000	11,352	(1,352)
Grant matching expenditures	4,000	4,000	352	3,648
Capital expenditures	18,000	18,000	6,568	11,432
Economic development	28,000	28,000	22,400	5,600
Armory expenditures	-	-	13,122	(13,122)
Total General and Administrative	<u>642,000</u>	<u>642,000</u>	<u>577,675</u>	<u>64,325</u>

Development Services

Salaries	65,600	65,600	67,805	(2,205)
Social security	5,000	5,000	5,180	(180)
Retirement	7,600	7,600	7,838	(238)
Insurance - health	12,400	12,400	9,883	2,517
Workers compensation	600	600	474	126
Telephone	2,000	2,000	2,923	(923)
Maintenance and supplies	250	250	86	164
Vehicle repairs	250	250	-	250
Vehicle routine maintenance	500	500	79	421
Vehicle fuel	2,500	2,500	775	1,725
Insurance - vehicle	1,000	1,000	886	114
Insurance - tort	350	350	449	(99)
Insurance - bond	50	50	29	21
Uniforms and equipment	400	400	245	155
Office supplies and expenditures	500	500	482	18
Drug testing	-	-	50	(50)
Building maintenance	200	200	-	200
Advertisement	200	200	232	(32)
Dues, subscriptions, and donations	300	300	210	90
Training, meetings, and travel	1,500	1,500	791	709
Animal control	200	200	92	108
Computer maintenance and expenditures	1,200	1,200	2,075	(875)
Postage	200	200	40	160
Professional services	10,000	10,000	31,837	(21,837)
Planning committee/BZA	1,000	1,000	1,981	(981)
Capital expenditures	5,000	5,000	-	5,000
Planning expenditures	10,000	10,000	27,789	(17,789)
Total Development Services	<u>128,800</u>	<u>128,800</u>	<u>162,231</u>	<u>(33,431)</u>

(Continued)

TOWN OF CLOVER, SOUTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Expenditures (Continued):

Current (continued):

Fire Department

Volunteer firemen	22,000	22,000	20,570	1,430
Firemen/Town employees	2,500	2,500	2,000	500
Social security	200	200	153	47
Retirement	300	300	175	125
Workers compensation	1,500	1,500	1,122	378
Utilities	6,500	6,500	6,899	(399)
Telephone	3,500	3,500	3,475	25
Maintenance and supplies	8,000	8,000	11,328	(3,328)
Vehicle repairs	8,500	8,500	9,283	(783)
Vehicle routine maintenance	4,000	4,000	1,867	2,133
Vehicle fuel	5,000	5,000	3,554	1,446
Insurance - property/liability	2,400	2,400	2,402	(2)
Insurance - vehicle	3,400	3,400	2,983	417
Insurance - tort	300	300	318	(18)
Fire inspections	4,000	4,000	3,840	160
Radio expense	1,600	1,600	3,187	(1,587)
Drug testing	500	500	-	500
Building maintenance	2,000	2,000	1,390	610
Contract maintenance	1,600	1,600	1,135	465
Dues, subscriptions, and donations	2,000	2,000	1,655	345
Training, meetings, and travel	2,000	2,000	1,083	917
Auditing fees	1,000	1,000	1,000	-
Computer maintenance and expenditures	2,500	2,500	1,919	581
Postage	50	50	3	47
Professional services	-	-	228	(228)
Grant match	5,000	5,000	-	5,000
Capital expenditures	5,000	5,000	4,919	81
Explorer program	1,500	1,500	1,044	456
Total Fire Department	<u>96,850</u>	<u>96,850</u>	<u>87,532</u>	<u>9,318</u>

Municipal Court

Salaries	41,000	41,000	41,919	(919)
Social security	3,150	3,150	3,207	(57)
Retirement	4,750	4,750	4,846	(96)
Deferred compensation	750	750	180	570
Insurance - health	6,200	6,200	6,231	(31)
Workers compensation	100	100	66	34
Utilities	1,700	1,700	1,520	180
Telephone	3,500	3,500	3,525	(25)
Maintenance and supplies	100	100	44	56
Insurance - property/liability	100	100	74	26
Insurance - tort	150	150	224	(74)
Insurance - bond	50	50	10	40
Office supplies and expenditures	1,200	1,200	1,188	12
Indigent defense	15,000	15,000	14,960	40
Building maintenance	1,500	1,500	1,411	89
Dues, subscriptions, and donations	200	200	225	(25)
Training, meetings, and travel	1,000	1,000	734	266
Auditing fees	1,500	1,500	1,500	-
Computer maintenance and expenditures	5,550	5,550	5,899	(349)
Postage	600	600	556	44
Jury fees	1,000	1,000	418	582
Professional services	26,000	26,000	25,948	52
Total Municipal Court	<u>115,100</u>	<u>115,100</u>	<u>114,685</u>	<u>415</u>

(Continued)

TOWN OF CLOVER, SOUTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Expenditures (Continued):

Current (continued):

Legislative

Council salaries	22,000	22,000	21,000	1,000
Social security	1,700	1,700	1,522	178
Workers compensation	500	500	283	217
Insurance - tort	8,500	8,500	7,887	613
Insurance - bond	100	100	68	32
Uniforms and equipment	200	200	-	200
Office supplies and equipment	500	500	190	310
Advertisement	500	500	1,387	(887)
Dues, subscriptions, and donations	3,000	3,000	3,066	(66)
Training, meetings, and travel	7,000	7,000	16,329	(9,329)
Computer maintenance and expenditures	300	300	251	49
Total Legislative	<u>44,300</u>	<u>44,300</u>	<u>51,983</u>	<u>(7,683)</u>

Police Department

Police department expenditures	-	-	881	(881)
Salaries - police officers	861,500	861,500	871,630	(10,130)
Salaries - dispatchers	140,000	140,000	159,458	(19,458)
Overtime	12,000	12,000	12,848	(848)
Social security	76,700	76,700	78,851	(2,151)
Retirement	135,900	135,900	141,243	(5,343)
Deferred compensation	9,000	9,000	6,555	2,445
Insurance - health	154,800	154,800	138,099	16,701
Workers compensation	26,000	26,000	23,589	2,411
Utilities	10,000	10,000	10,283	(283)
Telephone	23,000	23,000	28,912	(5,912)
Maintenance and supplies	1,000	1,000	906	94
Vehicle repairs	8,000	8,000	16,909	(8,909)
Vehicle routine maintenance	12,000	12,000	8,868	3,132
Vehicle fuel	40,000	40,000	36,448	3,552
Insurance - property/liability	1,650	1,650	1,672	(22)
Insurance - vehicle	18,550	18,550	15,577	2,973
Insurance - tort	14,700	14,700	17,776	(3,076)
Insurance - bond	250	250	234	16
Uniforms and equipment	28,000	28,000	14,792	13,208
Community relations	2,000	2,000	1,759	241
Reserve officer program	15,000	15,000	12,478	2,522
Office supplies and expenditures	8,000	8,000	7,254	746
Radio service	5,000	5,000	4,500	500
Jail expenditures	50,000	50,000	29,959	20,041
Drug testing	1,200	1,200	1,422	(222)
Building maintenance	10,000	10,000	11,094	(1,094)
NCIC	2,600	2,600	1,314	1,286
Advertisement	200	200	-	200
Dues, subscriptions, and donations	3,000	3,000	3,024	(24)
Training, meetings, and travel	5,000	5,000	4,075	925
Computer maintenance and expenditures	35,000	35,000	50,632	(15,632)
Postage	150	150	107	43
K-9 unit	2,000	2,000	921	1,079
Equipment lease	2,600	2,600	2,572	28
Grant expenditures	4,000	4,000	2,102	1,898
Capital expenditures	20,000	20,000	104,517	(84,517)
Total Police Department	<u>1,738,800</u>	<u>1,738,800</u>	<u>1,823,261</u>	<u>(84,461)</u>

(Continued)

TOWN OF CLOVER, SOUTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Expenditures (Continued):

Current (continued):

Recreation

Salaries	283,300	283,300	234,681	48,619
Labor	10,000	10,000	5,324	4,676
Social security	22,500	22,500	18,533	3,967
Retirement	33,400	33,400	23,530	9,870
Deferred compensation	2,250	2,250	380	1,870
Insurance - health	37,200	37,200	31,669	5,531
Workers compensation	3,500	3,500	3,046	454
Unemployment compensation	5,000	5,000	-	5,000
Utilities	61,000	61,000	69,861	(8,861)
Telephone	12,000	12,000	13,042	(1,042)
Maintenance and supplies	45,000	45,000	50,640	(5,640)
Vehicle repairs	1,500	1,500	137	1,363
Vehicle routine maintenance	1,500	1,500	59	1,441
Vehicle fuel	6,000	6,000	3,751	2,249
Insurance - property/liability	2,000	2,000	2,003	(3)
Insurance - vehicle	4,500	4,500	3,916	584
Insurance - tort	1,200	1,200	1,750	(550)
Insurance - bond	100	100	78	22
Facility rental	7,000	7,000	4,680	2,320
Uniforms and equipment	2,000	2,000	1,317	683
Office supplies and expenditures	2,000	2,000	2,153	(153)
Drug testing	-	-	251	(251)
Building maintenance	6,000	6,000	6,715	(715)
Advertisement	2,000	2,000	1,258	742
Umpires, referees, etc.	48,000	48,000	40,848	7,152
Recreation supplies	50,000	50,000	68,711	(18,711)
Dues, subscriptions, and donations	2,700	2,700	2,863	(163)
Training, meetings, and travel	5,000	5,000	1,862	3,138
Concessions	10,000	10,000	13,645	(3,645)
Computer maintenance and expenditures	14,000	14,000	12,291	1,709
Postage	500	500	194	306
Recreation trips expenditures	10,000	10,000	15,457	(5,457)
Community center programs	500	500	227	273
Gallery 120 expenditures	3,000	3,000	1,135	1,865
Professional services	2,000	2,000	355	1,645
Festivals	1,000	1,000	1,308	(308)
Grant matching expenditures	8,900	8,900	9,450	(550)
Capital expenditures	15,000	15,000	89,255	(74,255)
Park upgrades	76,250	76,250	5,179	71,071
Live well Clover expenditures	8,000	8,000	2,670	5,330
Total Recreation	805,800	805,800	744,224	61,576

Streets and Sanitation

Salaries	317,500	317,500	315,350	2,150
Social security	24,300	24,300	24,124	176
Retirement	36,700	36,700	36,384	316
Deferred compensation	3,000	3,000	2,955	45
Insurance - health	55,700	55,700	56,179	(479)
Workers compensation	10,700	10,700	9,258	1,442
Utilities	80,000	80,000	88,900	(8,900)
Telephone	3,500	3,500	3,368	132
Maintenance and supplies	22,500	22,500	17,491	5,009
Vehicle repairs	15,000	15,000	17,073	(2,073)
Vehicle routine maintenance	15,000	15,000	11,268	3,732
Vehicle fuel	25,000	25,000	22,699	2,301
Insurance - property/liability	650	650	681	(31)

(Continued)

TOWN OF CLOVER, SOUTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Expenditures (Continued):

Current (continued):

Streets and Sanitation (continued)

Insurance - vehicle	8,500	8,500	9,039	(539)
Insurance - tort	1,650	1,650	2,170	(520)
Insurance - bond	100	100	88	12
Uniforms rental	2,000	2,000	2,127	(127)
Uniforms and equipment	1,000	1,000	491	509
Waste management	3,800	3,800	3,455	345
Landfill fees	82,000	82,000	96,734	(14,734)
Curbside recycling	35,000	35,000	48,018	(13,018)
Office supplies and expenditures	250	250	379	(129)
Drug testing	500	500	215	285
Building maintenance	10,000	10,000	3,627	6,373
Advertisement	300	300	-	300
Contract maintenance	10,000	10,000	5,883	4,117
Dues, subscriptions, and donations	500	500	532	(32)
Training, meetings, and travel	1,000	1,000	670	330
Computer maintenance and expenditures	4,000	4,000	580	3,420
Postage	50	50	22	28
Professional services	10,000	10,000	3,702	6,298
Stormwater repair	35,000	35,000	220	34,780
Pedestrian Improvements	10,000	10,000	-	10,000
Street repair - minor	5,000	5,000	1,445	3,555
Street repair - major	140,000	140,000	-	140,000
Grant matching expenditures	4,000	4,000	4,171	(171)
Capital expenditures	30,000	30,000	17,916	12,084
Cemetery	20,000	20,000	16,174	3,826
Total Streets and Sanitation	<u>1,024,200</u>	<u>1,024,200</u>	<u>823,388</u>	<u>200,812</u>

Debt service

Principal retirement	248,850	248,850	224,154	24,696
Interest	4,000	4,000	17,111	(13,111)

Total Debt service	<u>252,850</u>	<u>252,850</u>	<u>241,265</u>	<u>11,585</u>
Total expenditures	<u>4,848,700</u>	<u>4,848,700</u>	<u>4,626,244</u>	<u>222,456</u>

Deficiency (excess) of revenues over
(under) expenditures

	<u>(470,900)</u>	<u>(470,900)</u>	<u>45,675</u>	<u>(516,575)</u>
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Other financing sources (uses):

Transfers in	\$ 316,450	\$ 316,450	\$ 316,450	\$ -
Transfers out	(131,500)	(131,500)	(265,718)	(134,218)
Capital lease proceeds	-	-	181,381	181,381
Proceeds from sale of capital assets	10,000	10,000	7,125	(2,875)
Transfer from fund balance	275,950	275,950	-	(275,950)
Total other financing sources, net	<u>470,900</u>	<u>470,900</u>	<u>239,238</u>	<u>(231,662)</u>

Net change in fund balances	<u>-</u>	<u>-</u>	<u>284,913</u>	<u>284,913</u>
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Fund balances, beginning of year	<u>1,869,953</u>	<u>1,869,953</u>	<u>2,047,113</u>	<u>177,160</u>
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Fund balances, end of year	<u>\$ 1,869,953</u>	<u>\$ 1,869,953</u>	<u>\$ 2,332,026</u>	<u>\$ 462,073</u>
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TOWN OF CLOVER, SOUTH CAROLINA

**HOSPITALITY TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Hospitality taxes	\$ 230,000	\$ 230,000	\$ 247,757	(17,757)
Interest income	100	100	3,125	(3,025)
Other revenue	5,000	5,000	4,800	200
Total revenues	<u>235,100</u>	<u>235,100</u>	<u>255,682</u>	<u>(20,582)</u>
Expenditures:				
Current:				
Overtime	10,100	10,100	5,600	4,500
Festivals	30,000	30,000	31,767	(1,767)
Contract maintenance	18,000	18,000	19,138	(1,138)
Special events	15,000	15,000	9,722	5,278
Professional fees	10,000	10,000	6,080	3,920
Advertisement	2,000	2,000	1,440	560
Supplies	5,000	5,000	356	4,644
Capital expenses	15,000	15,000	-	15,000
Debt service:				
Principal retirement	130,000	130,000	107,000	23,000
Interest	-	-	43,000	(43,000)
Total expenditures	<u>235,100</u>	<u>235,100</u>	<u>224,103</u>	<u>10,997</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>31,579</u>	<u>(9,585)</u>
Other financing sources (uses):				
Transfers in	35,000	35,000	-	35,000
Transfers out	-	-	(274,639)	(274,639)
Contributions to capital	(35,000)	(35,000)	-	(35,000)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(274,639)</u>	<u>(274,639)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(243,060)</u>	<u>(284,224)</u>
Fund balances, beginning of year	<u>1,978,317</u>	<u>1,978,317</u>	<u>1,978,317</u>	<u>3,956,634</u>
Fund balances, end of year	<u>\$ 1,978,317</u>	<u>\$ 1,978,317</u>	<u>\$ 1,735,257</u>	<u>\$ 3,672,410</u>

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

**TOWN OF CLOVER, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2017

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

Year Ended June 30	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.013324%	\$ 2,845,989	\$ 1,034,687	275%	52.91%
2016	0.013330%	\$ 2,527,719	\$ 1,249,674	202%	56.99%
2015	0.013220%	\$ 2,276,390	\$ 1,200,371	190%	59.92%
2014	0.013220%	\$ 2,371,555	\$ 1,136,854	209%	56.39%

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM**

Year Ended June 30	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.067640%	\$ 1,715,543	\$ 747,898	229%	60.45%
2016	0.066150%	\$ 1,441,671	\$ 831,872	173%	64.57%
2015	0.066580%	\$ 1,274,568	\$ 813,419	157%	67.55%
2014	0.066580%	\$ 1,380,123	\$ 711,515	194%	62.98%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 9 to the financial statements.

**TOWN OF CLOVER, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2017

**SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered employee payroll
2017	\$ 139,390	\$ 139,390	\$ -	\$ 1,034,687	13.47%
2016	\$ 142,706	\$ 142,706	\$ -	\$ 1,249,674	11.42%
2015	\$ 136,214	\$ 136,214	\$ -	\$ 1,200,371	11.35%
2014	\$ 127,239	\$ 127,239	\$ -	\$ 1,136,854	11.19%

**SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions as a percentage of covered employee payroll
2017	\$ 118,543	\$ 118,543	\$ -	\$ 747,898	15.85%
2016	\$ 118,474	\$ 118,474	\$ -	\$ 831,872	14.24%
2015	\$ 109,890	\$ 109,890	\$ -	\$ 813,419	13.51%
2014	\$ 102,816	\$ 102,816	\$ -	\$ 711,515	14.45%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 9 to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
Operating Revenues				
Miscellaneous revenues	\$ 5,000	\$ 5,000	\$ 15,087	\$ 10,087
Set-off debt revenue	3,000	3,000	2,273	(727)
Service connection fees	55,000	55,000	63,595	8,595
Water revenue	1,520,000	1,520,000	1,592,670	72,670
Water taps	15,000	15,000	23,362	8,362
Late fees	59,000	59,000	66,529	7,529
Sewer revenue	1,425,000	1,425,000	1,508,747	83,747
Sewer taps	4,000	4,000	-	(4,000)
Pre-treatment fees	4,000	4,000	2,054	(1,946)
Project revenue	-	-	286,971	286,971
Transfer fee	1,500	1,500	800	(700)
SCDHEC fee	27,500	27,500	28,352	852
Credit card revenue	12,000	12,000	138,250	126,250
Total operating revenues	<u>3,131,000</u>	<u>3,131,000</u>	<u>3,728,690</u>	<u>597,690</u>
Operating Expenses				
Administrative and General				
Depreciation expense	-	-	448,625	(448,625)
Total administrative and general	<u>-</u>	<u>-</u>	<u>448,625</u>	<u>(448,625)</u>
Water and Sewer				
Salaries	215,000	215,000	186,580	28,420
Social security	16,500	16,500	12,655	3,845
Retirement	24,900	24,900	19,237	5,663
Pension expense	-	-	(99,536)	99,536
Deferred compensation	750	750	750	-
Insurance - health	3,800	38,000	31,255	6,745
Workers compensation	2,900	2,900	2,727	173
Utilities	92,000	92,000	95,683	(3,683)
Telephone	35,000	35,000	30,283	4,717
Maintenance and supplies	75,000	75,000	64,298	10,702
Vehicle repairs	5,000	5,000	4,797	203
Vehicle routine maintenance	5,000	5,000	5,247	(247)
Vehicle fuel	15,000	15,000	14,166	834
Insurance - property/liability	1,800	1,800	1,787	13
Insurance - vehicle	5,000	5,000	4,461	539
Insurance - tort	600	600	906	(306)
Insurance - bond	100	100	49	51
Uniform rentals	2,200	2,200	1,810	390
Uniforms and equipment	1,000	1,000	1,445	(445)
Bad debts	15,000	15,000	19,896	(4,896)
Bank charges	-	-	25	(25)
Office supplies and expenses	1,200	1,200	1,445	(245)
Drug testing	500	500	400	100
Building maintenance	12,500	12,500	52,014	(39,514)
Advertisement	650	650	1,184	(534)
Contract maintenance	15,000	15,000	14,427	573
Dues, subscriptions, and donations	1,000	1,000	624	376
Training, meetings, and travel	1,500	1,500	2,028	(528)
Computer maintenance and expenses	3,200	3,200	3,258	(58)
Postage	50	50	-	50
Professional services	24,000	24,000	6,536	17,464
Capital leases	17,350	17,350	-	17,350
Lab testing	20,000	20,000	21,889	(1,889)
DHEC fee	11,500	11,500	12,911	(1,411)
Capital expenses	90,000	90,000	(6,130)	96,130
Meter purchase	25,000	25,000	24,521	479
Monitoring and surcharge	20,000	20,000	21,214	(1,214)
Water purchases	640,000	640,000	679,636	(39,636)
Sewer purchases	840,000	840,000	748,202	91,798
Replace and rehab	138,250	138,250	138,250	-
Total Water and Sewer	<u>2,378,250</u>	<u>2,412,450</u>	<u>2,120,930</u>	<u>291,520</u>
Total Operating Expenses	<u>2,378,250</u>	<u>2,412,450</u>	<u>2,569,555</u>	<u>(157,105)</u>
Operating income	<u>752,750</u>	<u>718,550</u>	<u>1,159,135</u>	<u>440,585</u>

(Continued)

TOWN OF CLOVER, SOUTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - GAAP BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Non-Operating Revenues (Expenses)				
Interest income	1,200	1,200	1,648	448
Sale of capital assets	5,000	5,000	9,488	4,488
Interest expense	(357,500)	(357,500)	(105,666)	251,834
Grant expense	(55,000)	(55,000)	(919)	54,081
Other expenses	(183,200)	(149,000)	-	149,000
Total non-operating revenues, net	<u>(589,500)</u>	<u>(555,300)</u>	<u>(95,449)</u>	<u>459,851</u>
Income before capital contributions and transfers	163,250	163,250	1,063,686	900,436
Capital contributions	153,200	153,200	47,050	(106,150)
Transfers out	(316,450)	(316,450)	(316,450)	-
Total capital contributions and transfers out	<u>(163,250)</u>	<u>(163,250)</u>	<u>(269,400)</u>	<u>(106,150)</u>
Change in net position	<u>-</u>	<u>-</u>	<u>794,286</u>	<u>794,286</u>
Net position, beginning of year	<u>4,768,724</u>	<u>4,768,724</u>	<u>4,768,724</u>	<u>-</u>
Net position, end of year	<u>\$ 4,768,724</u>	<u>\$ 4,768,724</u>	<u>\$ 5,563,010</u>	<u>\$ 794,286</u>

TOWN OF CLOVER, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Volunteer Fire Department Fund	Drug Fund	Economic Development Fund	
ASSETS				
Cash and cash equivalents, restricted	\$ 484,974	\$ 16,708	\$ 27,715	\$ 529,397
Due from other governments	-	3,525	-	3,525
Total assets	<u>484,974</u>	<u>20,233</u>	<u>27,715</u>	<u>532,922</u>
LIABILITIES				
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
Fire department	484,974	-	-	484,974
Police department	-	20,233	-	20,233
Tourism	-	-	27,715	27,715
Total fund balances	<u>484,974</u>	<u>20,233</u>	<u>27,715</u>	<u>532,922</u>
Total liabilities and fund balances	<u>\$ 484,974</u>	<u>\$ 20,233</u>	<u>\$ 27,715</u>	<u>\$ 532,922</u>

TOWN OF CLOVER, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Volunteer Fire Department Fund	Drug Fund	Economic Development Fund	
Revenues:				
Drug funds < \$1,000	\$ -	\$ 2,876	\$ -	\$ 2,876
Drug funds > \$1,000	-	3,808	-	3,808
Local Revenue				
Pool fills	63,560	-	-	63,560
Donations	1,100	-	-	1,100
Intermediate Revenue				
Recreation - York County	18,890	-	-	18,890
Local - York County	32,803	-	-	32,803
Interest income - local	163	8	2	173
Interest income - recreation	22	-	-	22
Other revenue	-	-	12,710	12,710
Total revenues	<u>116,538</u>	<u>6,692</u>	<u>12,712</u>	<u>135,942</u>
Expenditures:				
Local fund				
Current:				
Office supplies	85	-	-	85
Dues and subscriptions	100	-	-	100
Contributions	150	-	-	150
Capital outlay	513,834	-	-	513,834
Total local fund	<u>514,169</u>	<u>-</u>	<u>-</u>	<u>514,169</u>
Recreation fund				
Current:				
Supplies	1,264	-	-	1,264
Fireman's recreation	3,593	-	-	3,593
Training and meetings	3,553	-	-	3,553
Uniforms and service awards	1,217	-	-	1,217
Total recreation fund	<u>9,627</u>	<u>-</u>	<u>-</u>	<u>9,627</u>
Drug fund				
Current:				
Drug fund expenditures	-	1,586	-	1,586
Debt service				
Principal	-	5,227	-	5,227
Interest	-	609	-	609
Total drug fund	<u>-</u>	<u>7,422</u>	<u>-</u>	<u>7,422</u>
Total expenditures	<u>523,796</u>	<u>7,422</u>	<u>-</u>	<u>531,218</u>
Net change in fund balances	(407,258)	(730)	12,712	(395,276)
Fund balances, beginning of year	<u>892,232</u>	<u>20,963</u>	<u>15,003</u>	<u>928,198</u>
Fund balances, end of year	<u>\$ 484,974</u>	<u>\$ 20,233</u>	<u>\$ 27,715</u>	<u>\$ 532,922</u>

TOWN OF CLOVER, SOUTH CAROLINA

**SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2017**

COURT FINES

Court Fines Collected	\$ 59,440
Court Fines Retained by the Town	<u>(59,440)</u>
Total Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>

COURT ASSESSMENTS

Court Assessments Collected	\$ 86,939
Total Court Assessments Collected and Remitted to the State Treasurer	<u><u>\$ 86,939</u></u>

COURT SURCHARGES

Court Surcharges Collected	\$ 3,731
Court Surcharges Retained by the Town	<u>(3,731)</u>
Total Court Surcharged Remitted to the State Treasurer	<u><u>\$ -</u></u>

VICTIMS SERVICES

Funds Available for Carryforward, Beginning of Year	\$ 31,449
Court Assessments and Surcharges Allocated to Victim Services	<u>3,731</u>
Funds Available for Carryforward, End of Year	<u><u>\$ 35,180</u></u>

TOWN OF CLOVER, SOUTH CAROLINA

ENTERPRISE FUND - ANNUAL NET EARNINGS FISCAL YEAR ENDED JUNE 30, 2017

CHANGES IN NET POSITION OF WATER AND SEWER FUND	\$ 794,286
ADJUSTMENTS	
Depreciation	448,625
Interest Paid on Bonds	105,666
Transfers out to General Fund	<u>316,450</u>
ANNUAL NET EARNINGS (As defined in Section 2.02 of Series 2007 Bond Agreement)	<u>\$ 1,665,027</u>
120% of Annual Principal and Interest Requirement	<u>\$ 429,344</u>

In accordance with the Series 2007 Bond Agreement, the Town will prescribe, maintain and collect rates and charges for the services and facilities furnished by the Waterworks and Sewer System which, together with other income, will yield "annual net earnings" from its water and sewer fund in the current fiscal year equal to at least one hundred twenty percent (120%) of the annual principle and interest requirements in such fiscal year for all bonds outstanding. As of June 30, 2017, the Town's "annual net earnings" from its water and sewer fund were above the threshold required by the foregoing terms.

TOWN OF CLOVER, SOUTH CAROLINA

WATER AND SEWER SYSTEM CUSTOMER INFORMATION FISCAL YEAR ENDED JUNE 30, 2017

The following information relates to the ten largest water and sewer customers of the System for the fiscal year ended June 30, 2017:

Largest Water Customers

Customers	Average Monthly Water Usage (in gallons)	Average Monthly Water Bill
Cap Yarns LLC	544,667	\$ 3,059
Clover High School	533,417	3,166
Honeywell	511,750	2,903
Southeast Nonwovens	377,183	2,156
Tuscarora Yarns Inc.	350,417	1,971
Bethel Elementary	136,083	885
SC Regional Housing	91,029	568
Larne Elementary	88,250	620
Griggs Road Elementary	75,333	548
Isochem Colors	74,417	954
Total	<u>2,782,546</u>	<u>\$ 16,829</u>

Largest Sewer Customers

Customers	Average Monthly Water Usage (in gallons)	Average Monthly Water Bill
Clover High School	533,417	\$ 2,967
Honeywell	511,750	2,679
Bethel Elementary	136,083	858
SC Regional Housing	91,029	546
Larne Elementary	88,250	615
Griggs Road Elementary	75,333	550
Isochem Colors	74,417	923
Performance Friction	73,733	458
Clover Washerette	69,767	428
Performance Friction	67,517	426
Total	<u>1,721,296</u>	<u>\$ 10,449</u>

TOWN OF CLOVER, SOUTH CAROLINA

WATER, SEWER, AND SANITATION RATES YEAR ENDED JUNE 30, 2017

Water and sewer rates were revised by an ordinance (the "Rate Ordinance") enacted June 9, 2011 with new rates effective July 26, 2016.

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 26, 2016.

Metered Water Rates Inside Town:	First 1,999 gallons for \$17.33 (minimum) plus \$5.55 per thousand gallons for 2,000-10,000 gallons \$5.55 per thousand gallons for 10,001-100,000 gallons \$5.55 per thousand gallons for 100,001-250,000 gallons \$5.55 per thousand gallons for over 250,000 gallons
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Metered Water Rates Outside Town:	First 1,999 gallons for \$34.66 (minimum) plus \$11.10 per thousand gallons for 2,000-10,000 gallons \$11.10 per thousand gallons for 10,001-100,000 gallons \$11.10 per thousand gallons for 100,001-250,000 gallons \$5.79 per thousand gallons for over 250,000 gallons
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Sewer Rates

The Town charges for wastewater treatment based upon the number of gallons of water consumed and by the type of customer. The following rates for wastewater treatment within and outside Town limits were effective for usage beginning July 26, 2016:

	<u>Base Charge</u>	
Sewer Rates Inside Town:	\$22.57	\$5.07 per 1,000 gallons of water usage
Sewer Rates Outside Town:	\$45.14	\$10.14 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.

TOWN OF CLOVER, SOUTH CAROLINA

WATER, SEWER, AND SANITATION RATES FISCAL YEAR ENDED JUNE 30, 2017

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

Residential 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	\$ 1,500	\$ 150	\$ 700	1,500	\$ 150	\$ 700
1 Inch Service	\$ 3,750	\$ 300	\$ 800	3,750	\$ 300	\$ 800
1 1/2 Inch Service	\$ 7,500	\$ 1,800	\$ 950	7,500	\$ 1,800	\$ 950
2 Inch Service*	\$ 12,000	actual cost	actual cost	12,000	actual cost	actual cost
3 Inch Service*	\$ 24,000	actual cost	actual cost	24,000	actual cost	actual cost
4 Inch Service*	\$ 37,500	actual cost	actual cost	37,500	actual cost	actual cost
6 Inch Service*	\$ 75,000	actual cost	actual cost	75,000	actual cost	actual cost
8 Inch Service*	\$ 120,000	actual cost	actual cost	120,000	actual cost	actual cost
10 Inch Service*	\$ 189,000	actual cost	actual cost	189,000	actual cost	actual cost

TOWN OF CLOVER, SOUTH CAROLINA

WATER, SEWER, AND SANITATION RATES FISCAL YEAR ENDED JUNE 30, 2017

Sewer Connection Charges

Size	Inside City		Outside City	
	Capacity Charge	Installation Charge**	Capacity Charge	Installation Charge**
3/4 Inch Service	\$ 2,230	N/A	\$ 2,230	N/A
1 Inch Service	\$ 5,575	N/A	\$ 5,575	N/A
1 1/2 Inch Service	\$ 11,150	N/A	\$ 11,150	N/A
2 Inch Service*	\$ 17,840	actual cost	\$ 17,840	actual cost
3 Inch Service*	\$ 35,680	actual cost	\$ 35,680	actual cost
4 Inch Service*	\$ 55,750	\$ 800	\$ 55,750	\$ 800
6 Inch Service*	\$ 111,500	actual cost	\$ 111,500	actual cost
8 Inch Service*	\$ 178,400	actual cost	\$ 178,400	actual cost
10 Inch Service*	\$ 280,980	actual cost	\$ 280,980	actual cost

*Note: Customer to furnish meter pit built to the Town's specifications for 2" and greater service connections.

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

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.

TOWN OF CLOVER, SOUTH CAROLINA

WATER AND SEWER TOTAL CUSTOMERS AND USAGE YEAR ENDED JUNE 30, 2017

Customer and usage information for water and sewer for the Town as of June 30, 2017, is as follows:

	2017	
Number of Customers	Sewer	Water
Residential	2,861	3,098
Non-residential		
Commercial	218	240
Government	27	52
Industrial	25	33
Total	3,131	3,423
Number of Customers	2017	
Within Municipal Boundaries	Sewer	Water
Total Customers	2,823	2,932
Total Residential Customers	2,571	2,635
Total	5,394	5,567
Number of Customers	2017	
Outside of Municipal Boundaries	Sewer	Water
Total Customers	312	497
Total Residential Customers	294	469
Total	606	966
Number of Customers	2017	
Total Dollars	Sewer	Water
Inside Municipal Boundaries	\$ 955,357	\$ 1,200,194
Outside Municipal Boundaries	335,864	441,560
Total	\$ 1,291,221	\$ 1,641,754
Total Gallons	2017	
Inside Municipal Boundaries	97,584,920	153,758,342
Outside Municipal Boundaries	22,409,935	33,843,279
Total	119,994,855	187,601,621

TOWN OF CLOVER, SOUTH CAROLINA

HOSPITALITY TAX FUND YEAR ENDED JUNE 30, 2017

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 revenues and expenditures is as follows:

	2017	2016	2015	2014	2013	2012 and prior	Cumulative to date
Total revenue	\$ 252,557	\$ 257,077	\$ 229,925	\$ 188,958	\$ 216,647	\$ 336,844	\$ 1,482,008
Total expenditures	(74,103)	(55,851)	(74,560)	(47,878)	(51,451)	(76,711)	(380,554)
Interest income	3,125	263	78	60	50	91	3,667
Debt service	(150,000)	(401,651)	(75,788)	(75,556)	(75,255)	(75,474)	(853,724)
Issuance of limited obligation bond	-	1,873,000	-	-	-	-	1,873,000
Transfers out	(274,639)	(35,000)	(35,000)	(35,000)	(35,000)	(75,000)	(489,639)
Net change	<u>\$ (243,060)</u>	<u>\$ 1,637,838</u>	<u>\$ 44,655</u>	<u>\$ 30,584</u>	<u>\$ 54,991</u>	<u>\$ 109,750</u>	<u>\$ 1,634,758</u>

COMPLIANCE SECTION



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

**The Honorable Mayor and Members
of the Town Council
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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
November 30, 2017

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Federal Awards

There was not an audit of major federal award programs as of June 30, 2017 due to the total amount expended being less than \$750,000.

TOWN OF CLOVER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
PRIOR YEAR FINDINGS AND RESPONSES

None reported.