

CITY OF BELTON, SOUTH CAROLINA

ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Greene and Company, LLP
Certified Public Accountants

**CITY OF BELTON, SOUTH CAROLINA
GENERAL PURPOSE FINANCIAL STATEMENTS
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JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

To the City Council and Mayor
City of Belton, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Belton, South Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Belton, South Carolina's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belton, South Carolina, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2010, on our consideration of the City of Belton, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belton, South Carolina's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Greene and Company, L.L.P.

Anderson, South Carolina

July 6, 2010

**CITY OF BELTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

As management of the City of Belton, South Carolina (the City), we offer readers of the City's financial statements this narrative overview and analyses of the financial activities of the City for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

Management believes the City's financial condition is strong. The following are key financial highlights:

- The total government-wide net assets at the close of the most recent fiscal year were \$8,930,529 of which \$2,306,152 was unrestricted.
- The government-wide net assets decreased by \$83,742 or .93%.
- Total long-term debt decreased by \$108,258 or 18.99%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2009 fiscal year by \$1,376,375.
- Total fund balances of the governmental funds increased by \$17,621 or 1.30%.
- The total governmental funds revenues were \$3,393,237, which was less than total governmental funds expenditures of \$3,435,804 by \$42,567.
- Other financing sources for governmental funds totaled \$60,188 for the recent fiscal year.
- The net change in fund balances for governmental funds was an increase of \$17,621.
- The net change in the water and sewer fund was a decrease of \$113,067.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the City's finances in a manner similar to private businesses. The statements provide both short-term and long-term information about the City's financial position. All assets and liabilities of the City are included in the statement of net assets.

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

The *statement of activities* presents information showing how the City's net assets changed over the most recent fiscal year. All changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing on the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the City are presented in two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided. The governmental activities include the City's basic services including general government, police, fire, public works, community development, and culture and recreation. Taxes, licenses, permits and charges for services generally support these activities. The business-type activities include private sector type activities such as the City's own water and sewer system. These activities are primarily supported by user charges and fees.

Fund Financial Statements

These statements provide more detailed information about the City's most significant funds – not the City as a whole. 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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City. Traditional fund financial statements are presented for governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City's near-term financing requirements. Since governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

Proprietary funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements are prepared on the same long-term focus as the government-wide financial statements. The proprietary funds provide the same information as the government-wide financial statements, only with more detail.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others outside the City government. Fiduciary funds are reported separately because the money is not available to support the City's programs.

Notes to the financial statements – The notes to the financial statements provide information that is essential to the full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements.

Other information – Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The City has chosen to present these budgetary statements as part of the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ended June 30, 2009, and June 30, 2008.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position for the City. The combined total assets of the City's governmental activities and business-type activities exceeded liabilities by \$8,930,529 at the close of the most recent fiscal year.

By far, the largest portion of the City's total net assets (69.37%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Totals	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Cash and other assets	\$1,543,396	\$1,862,265	\$1,605,758	\$1,542,783	\$3,149,154	\$3,405,048
Capital assets	1,599,995	1,681,227	4,993,744	5,196,349	6,593,739	6,877,576
Total assets	<u>3,143,391</u>	<u>3,543,492</u>	<u>6,599,502</u>	<u>6,739,132</u>	<u>9,742,893</u>	<u>10,282,624</u>
Current liabilities	227,503	565,035	186,665	199,701	414,168	764,736
Non-current liabilities	203,184	295,078	195,012	208,539	398,196	503,617
Total liabilities	<u>430,687</u>	<u>860,113</u>	<u>381,677</u>	<u>408,240</u>	<u>812,364</u>	<u>1,268,353</u>
Net assets:						
Invested in capital assets, net of debt	1,396,811	1,386,149	4,798,732	4,987,810	6,195,543	6,373,959
Restricted	402,798	363,532	26,036	25,718	428,834	389,250
Unrestricted	913,095	933,698	1,393,057	1,317,364	2,306,152	2,251,062
Total net assets	<u>\$2,712,704</u>	<u>\$2,683,379</u>	<u>\$6,217,825</u>	<u>\$6,330,892</u>	<u>\$8,930,529</u>	<u>\$9,014,271</u>

The net assets decreased \$83,742 in fiscal year 2009. The governmental activities increased \$29,325, while the business-type activities decreased \$113,067. Net assets of the City's governmental activities are \$2,712,704, while the business-type activities are \$6,217,825.

\$428,834 of the City's net assets represents resources that are subject to restrictions on how they may be used. Restricted net assets total \$402,798 for governmental activities and \$26,036 for business-type activities. The remaining balance of *unrestricted net assets*, \$2,306,152, may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets total \$913,095 for governmental activities and \$1,393,057 for business-type activities.

Change in Net Assets

The following table shows the revenues and expenses of the City for the fiscal year ended June 30, 2009 and 2008.

	Change in Net Assets					
	Governmental activities		Business-type activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenues:						
Program revenues:						
Charges for services	\$ 399,502	\$ 421,655	\$ 1,411,072	\$ 1,594,952	\$ 1,810,574	\$ 2,016,607
Operating grants and contributions	709,540	289,311	7,000	900	716,540	290,211
Capital grants and contributions	70,783	22,853	-	57,900	70,783	80,753
General revenues:					-	-
Property taxes	907,507	829,655	-	-	907,507	829,655
Other taxes	259,180	264,937	-	-	259,180	264,937
Business licenses	758,609	885,116	-	-	758,609	885,116
Intergovernmental	271,474	270,271	-	-	271,474	270,271
Investment earnings	6,173	11,609	6,337	10,741	12,510	22,350
Gain (loss) on sale (disposal) of assets	591	(12,983)	-	-	591	(12,983)
Miscellaneous income	10,469	3,632	5,727	2,187	16,196	5,819
Total revenues	<u>\$ 3,393,828</u>	<u>\$ 2,986,056</u>	<u>\$ 1,430,136</u>	<u>\$ 1,666,680</u>	<u>\$ 4,823,964</u>	<u>\$ 4,652,736</u>

Change in Net Assets (continued)

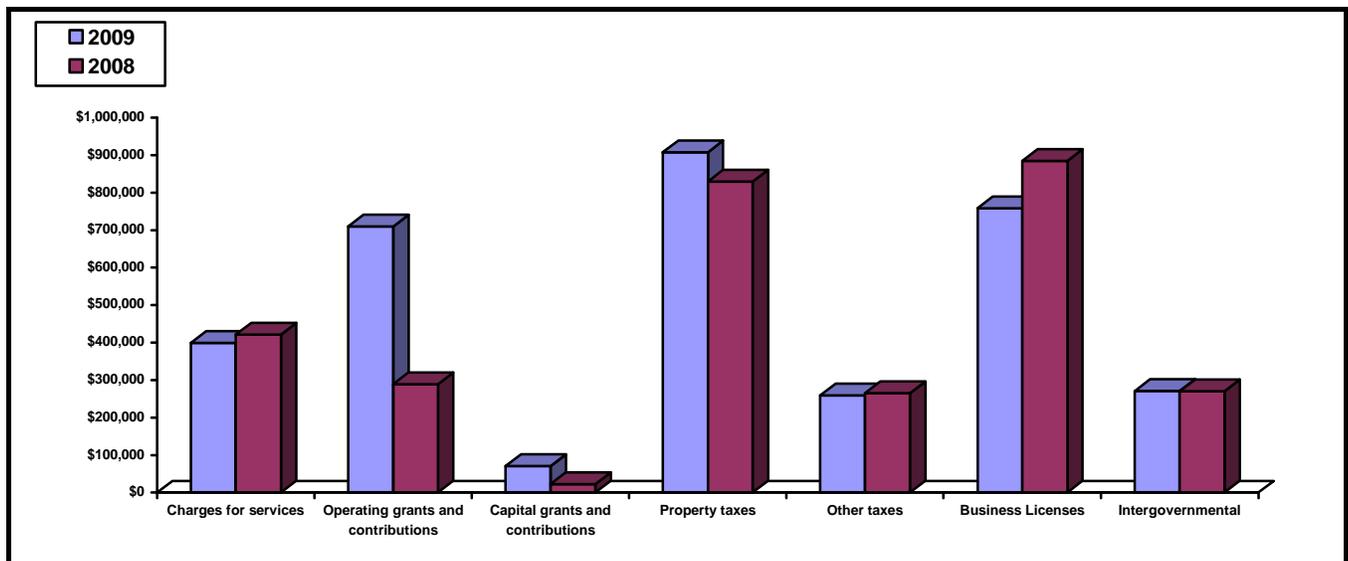
	Governmental activities		Business-type activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Expenses:						
General government	\$ 468,912	\$ 478,494	\$ -	\$ -	\$ 468,912	\$ 478,494
Police	873,464	987,136	-	-	873,464	987,136
Fire	1,033,236	491,860	-	-	1,033,236	491,860
Public works	698,313	575,472	-	-	698,313	575,472
Culture and recreation	250,467	236,687	-	-	250,467	236,687
Community development	88,053	112,291	-	-	88,053	112,291
Interest on long-term debt	11,654	16,441	-	-	11,654	16,441
Water and sewer	-	-	1,483,607	1,575,041	1,483,607	1,575,041
Total expenses	<u>3,424,099</u>	<u>2,898,381</u>	<u>1,483,607</u>	<u>1,575,041</u>	<u>4,907,706</u>	<u>4,473,422</u>
Increase (decrease) in net assets before transfers						
	(30,271)	87,675	(53,471)	91,639	(83,742)	179,314
Transfers	59,596	59,631	(59,596)	(59,631)	-	-
Change in net assets	29,325	147,306	(113,067)	32,008	(83,742)	179,314
Net assets - July 1	2,683,379	2,536,073	6,330,892	6,298,884	9,014,271	8,834,957
Net assets - June 30	<u>\$ 2,712,704</u>	<u>\$ 2,683,379</u>	<u>\$ 6,217,825</u>	<u>\$ 6,330,892</u>	<u>\$ 8,930,529</u>	<u>\$ 9,014,271</u>

Governmental activities

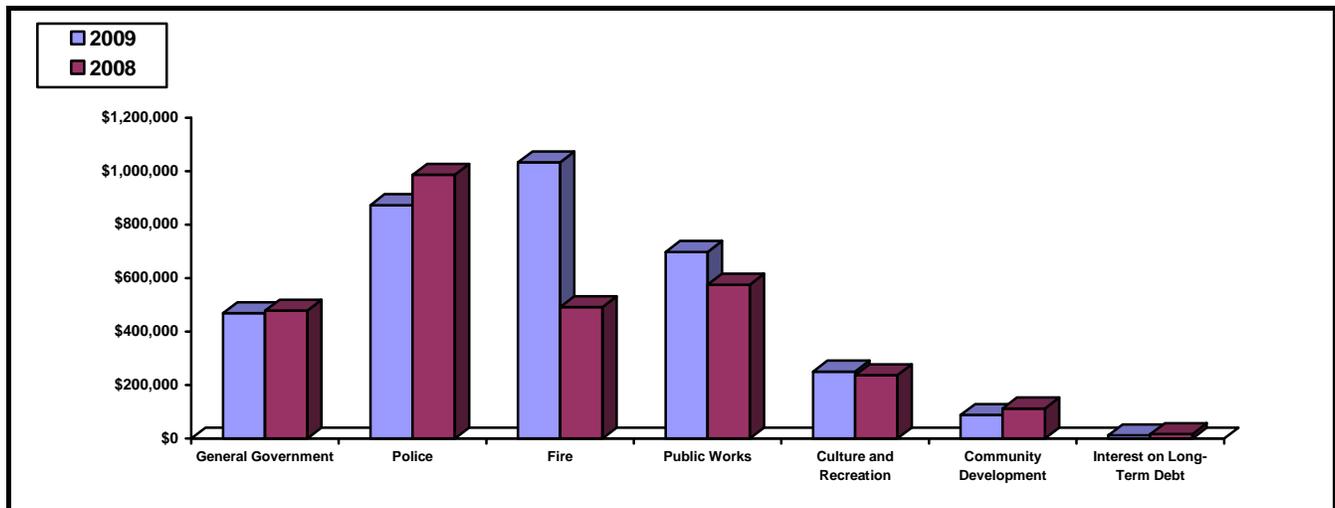
Governmental activities increased the City’s net assets by \$29,325. Key elements of this increase are as follows:

- Charges for services decreased by \$22,153 (5.25%) during the year.
- Property taxes and other taxes increased \$72,095 (6.59%).
- Investment earnings decreased by \$5,436 (46.83%) during the year.
- Increase in expenditures closely paralleled with a increase in revenues.

Governmental Activities – Revenues by source



Governmental Activities – Expenses



Business-type activities

Net assets of business-type activities decreased in the current year by \$113,067 (1.79%). Key elements of this decrease are as follows:

- Charges for services decreased \$183,880 (11.53%).
- Capital grants and contributions decreased \$57,900.
- Expenditures decreased \$91,434 (5.81%) during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously mentioned, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of the financial highlights from the fund financial statements.

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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.

The City's total governmental funds reported a combined ending fund balance of \$1,376,375. Of this amount \$1,296,297 is an unreserved fund balance and \$80,078 is reserved to indicate it is not available for new spending, since it is already committed. This fund reservation is for inventory and prepaid items.

The General Fund is the chief operating fund of the City and accounts for the major functions of the government including general government, public safety, public works, community development, culture, recreation and tourism. The fund balance decreased \$21,645 (2.17%) during the current fiscal year.

Proprietary funds – The City's Proprietary Fund statements provide the same type of information as the government-wide financial statements, except in more detail. Net assets of the proprietary funds decreased by \$113,067 (1.79%) in fiscal year 2009.

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. A budgetary comparison statement is included for the General Fund. This statement compares the original adopted budget, the final budget and the actual revenues and expenditures prepared on a budgetary basis. Amendments to the adopted budget may occur throughout the year in a legally permissible manner.

Budgetary comparison highlights for the current year for the General Fund are as follows:

	<u>Budget - Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues and Other Financing Sources	\$ 2,820,117	\$ 3,300,420	\$ 480,303
Expenditures	<u>2,820,117</u>	<u>3,322,065</u>	<u>(501,948)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (21,645)</u>	<u>\$ (21,645)</u>

Actual General Fund revenues and other revenue sources exceeded budgeted revenues and other financing sources by \$480,303. Intergovernmental and property tax revenues accounted for the majority of the excess of revenues over the budgeted amounts. General fund expenditures exceeded budgeted amounts by \$501,948. Community development and public safety accounted for the majority of the excess of expenditures over the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets for its government-wide activities as of June 30, 2009, amounts to \$6,593,739 (net of accumulated depreciation.) This investment in capital assets includes improvements other than buildings, buildings and systems, and machinery and equipment. This year's major capital asset additions included equipment purchases for the police and fire departments.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Land	\$ 256,065	\$ 256,065	\$ 57,418	\$ 57,418	\$ 313,483	\$ 313,483
Buildings and system	166,713	168,944	4,762,679	4,937,595	4,929,392	5,106,539
Improvements other than buildings	415,908	441,036	-	-	415,908	441,036
Machinery and equipment	265,027	234,661	160,073	175,087	425,100	409,748
Vehicles	496,282	580,521	13,574	26,249	509,856	606,770
Total	<u>\$ 1,599,995</u>	<u>\$ 1,681,227</u>	<u>\$ 4,993,744</u>	<u>\$ 5,196,349</u>	<u>\$ 6,593,739</u>	<u>\$ 6,877,576</u>

Additional information on the City's capital assets can be found in the Notes to Financial Statements in Note 4.

Debt administration – At year-end the City had \$398,196 in notes payable to banks for its government-wide activities. This is a decrease of \$105,421 (20.93%) from the previous year amount of \$503,617.

Outstanding Debt

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Notes payable	\$ 203,184	\$ 295,078	\$ 195,012	\$ 208,539	\$ 398,196	\$ 503,617
Compensated absences	60,482	61,524	3,110	4,905	63,592	66,429
Totals	<u>\$ 263,666</u>	<u>\$ 356,602</u>	<u>\$ 198,122</u>	<u>\$ 213,444</u>	<u>\$ 461,788</u>	<u>\$ 570,046</u>

Additional information on the City's long-term debt can be found in the Notes to Financial Statements in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the year, the upstairs of the City Hall was renovated with funds from Anderson County and some space is already in use. The Heritage Corridor Group has relocated to the upstairs and has additional staff to serve this region. We think this office will serve well in promoting tourism for Belton and the State. A training room is equipped and providing continuing education and training for the police and fire personnel. This facility is also used for regional coordinated training. Grant funds are being sought for an elevator to improve accessibility to all floor levels.

The City continues to work with the County on stormwater management, building codes, etc. Sewer service for Belton and Eastern Anderson County is a matter of broad concern. Group meetings continue as we review alternatives that will best serve the City and region. Economic Development is directly related to this infrastructure element.

Belton was and is a "Railroad Town" with service from two lines. Recent news indicates a bright future for rail services. Belton has a good working relationship with both lines and considerable improvements are being made by the owners.

There is now a state certified area in Belton for development. "Belton Standpipe Business and Technology Centre" is now ready for economic development. The site has frontage on three streets (O'Neal Street, Broyles Avenue and Campbell Street); it is zoned appropriately and has all infrastructure including rail service available.

Belton has an ongoing program to enhance water service efficiency and quality. A grant to automate meter reading in the Abney Area will improve labor utilization. Replacement of several line segments will increase flow for fire service and water quality as well.

There is a continuing concern about state changes now affecting budget revenues. The Tax Realignment Commission (TRAC) has been given an assignment; however, some issues so far have been "off limits". The piecemeal changes over time have brought about the need for an objective, comprehensive overhaul that affords stability for local governments.

The general economic conditions are improving slowly according to reports; however, jobs are still a very scarce commodity. There is also an economic impact on assessment totals in the County, which show a general decline in real and personal property values. Raising taxes seems hardly the thing to do in a stressed economy and therefore the City is delaying capital expenditures and eliminating some positions. Furlough days are used as well to conserve funds.

Contacting the City's financial management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Laurie Kennedy, City Treasurer, City of Belton, PO Box 828, Belton, South Carolina 29627.

CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,319,361	\$ 1,117,354	\$ 2,436,715
Receivables (net of allowance for uncollectibles)	96,028	296,701	392,729
Interest receivable	870	1,669	2,539
Intergovernmental receivables	52,260	-	52,260
Internal balances	(15,395)	15,395	-
Inventories	2,469	17,891	20,360
Prepays	77,609	19,384	96,993
Restricted assets:			
Cash and cash equivalents	10,194	-	10,194
Customer deposits	-	111,328	111,328
Note payable covenant deposit	-	26,036	26,036
Capital assets not being depreciated:			
Land	256,065	57,418	313,483
Capital assets net of accumulated depreciation:			
Buildings and system	166,713	4,762,679	4,929,392
Improvements other than buildings	415,908	-	415,908
Machinery and equipment	265,027	160,073	425,100
Vehicles	496,282	13,574	509,856
Total assets	<u>3,143,391</u>	<u>6,599,502</u>	<u>9,742,893</u>
LIABILITIES			
Accounts payable	93,424	68,184	161,608
Unearned revenue	1,875	-	1,875
Intergovernmental payables	45,977	-	45,977
Accrued liabilities	17,114	4,043	21,157
Liabilities payable from restricted assets	8,631	111,328	119,959
Compensated absences	60,482	3,110	63,592
Noncurrent liabilities:			
Due within one year	94,449	13,938	108,387
Due in more than one year	108,735	181,074	289,809
Total liabilities	<u>430,687</u>	<u>381,677</u>	<u>812,364</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,396,811	4,798,732	6,195,543
Restricted for:			
Hospitality fund	347,088	-	347,088
Drug enforcement fund	13,007	-	13,007
Firemens fund	3,828	-	3,828
Victims compensation fund	38,875	-	38,875
Debt service	-	26,036	26,036
Unrestricted	913,095	1,393,057	2,306,152
Total net assets	<u>\$ 2,712,704</u>	<u>\$ 6,217,825</u>	<u>\$ 8,930,529</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 468,912	\$ 11	\$ -	\$ 16,674	\$ (452,227)	\$ -	\$ (452,227)
Police	873,464	157,004	-	-	(716,460)	-	(716,460)
Fire	1,033,236	2,000	537,096	54,109	(440,031)	-	(440,031)
Public works	698,313	236,077	82,691	-	(379,545)	-	(379,545)
Culture and recreation	250,467	4,410	1,700	-	(244,357)	-	(244,357)
Community development	88,053	-	88,053	-	-	-	-
Interest on long-term debt	11,654	-	-	-	(11,654)	-	(11,654)
Total governmental activities	3,424,099	399,502	709,540	70,783	(2,244,274)	-	(2,244,274)
Business-type activities:							
Water and sewer	1,483,607	1,411,072	7,000	-	-	(65,535)	(65,535)
Total primary government	\$ 4,907,706	\$ 1,810,574	\$ 716,540	\$ 70,783	(2,244,274)	(65,535)	(2,309,809)
General revenues:							
Property taxes					907,507	-	907,507
Auto taxes					116,634	-	116,634
Hospitality taxes					142,546	-	142,546
Business licenses					758,609	-	758,609
Intergovernmental					271,474	-	271,474
Unrestricted investment earnings					6,173	6,337	12,510
Gain on capital assets disposed					591	-	591
Miscellaneous income					10,469	5,727	16,196
Transfers					59,596	(59,596)	-
Total general revenues and transfers					2,273,599	(47,532)	2,226,067
Change in net assets					29,325	(113,067)	(83,742)
Net assets - beginning					2,683,379	6,330,892	9,014,271
Net assets - ending					\$ 2,712,704	\$ 6,217,825	\$ 8,930,529

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 954,463	\$ 312,897	\$ 52,001	\$ 1,319,361
Receivables:				
Accounts receivable	63,961	11,835	2,376	78,172
Taxes receivable, net of allowance	17,856	-	-	17,856
Interest receivable	587	283	-	870
Due from other governments	52,260	-	-	52,260
Due from other funds	17,435	23,000	1,333	41,768
Inventories	2,469	-	-	2,469
Prepaid items	77,609	-	-	77,609
Cash - restricted	10,194	-	-	10,194
	<u>\$ 1,196,834</u>	<u>\$ 348,015</u>	<u>\$ 55,710</u>	<u>\$ 1,600,559</u>
Total assets				
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 92,497	\$ 927	\$ -	\$ 93,424
Due to other funds	57,163	-	-	57,163
Due to other governments	45,977	-	-	45,977
Accrued liabilities	17,114	-	-	17,114
Unearned revenue	1,875	-	-	1,875
Liabilities payable from restricted assets	8,631	-	-	8,631
	<u>223,257</u>	<u>927</u>	<u>-</u>	<u>224,184</u>
Total liabilities				
Fund balances				
Reserved for inventory	2,469	-	-	2,469
Reserved for prepaid items	77,609	-	-	77,609
Unreserved, undesignated reported in:				
General fund	893,499	-	-	893,499
Special revenue funds	-	347,088	55,710	402,798
	<u>973,577</u>	<u>347,088</u>	<u>55,710</u>	<u>1,376,375</u>
Total fund balances				
	<u>\$ 1,196,834</u>	<u>\$ 348,015</u>	<u>\$ 55,710</u>	
Total liabilities and fund balances				

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,599,995

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

(263,666)

Net assets of governmental activities

\$ 2,712,704

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property tax	\$ 907,507	\$ -	\$ -	\$ 907,507
Auto tax	116,634	-	-	116,634
Hospitality tax	-	142,546	-	142,546
Franchise fees	242,690	-	-	242,690
Licenses and permits	515,919	-	-	515,919
Intergovernmental	1,046,853	-	4,944	1,051,797
Charges for services	244,953	-	-	244,953
Fines and forfeitures	142,315	-	12,234	154,549
Investment earnings	4,478	1,476	219	6,173
Miscellaneous	10,287	182	-	10,469
Total revenues	3,231,636	144,204	17,397	3,393,237
EXPENDITURES				
Administration	446,922	1,195	-	448,117
Public safety	1,784,780	-	22,449	1,807,229
Public works	679,680	-	-	679,680
Culture, recreation, and tourism	166,359	45,824	-	212,183
Community development	88,053	-	-	88,053
Debt service:				
Principal	57,548	34,346	-	91,894
Interest	6,945	4,711	-	11,656
Capital outlay	91,778	-	5,214	96,992
Total expenditures	3,322,065	86,076	27,663	3,435,804
Excess (deficiency) of revenues over (under) expenditures	(90,429)	58,128	(10,266)	(42,567)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	68,193	-	-	68,193
Operating transfers out	-	(8,596)	-	(8,596)
Sale of capital assets	591	-	-	591
Total other financing sources (uses)	68,784	(8,596)	-	60,188
Net change in fund balances	(21,645)	49,532	(10,266)	17,621
Fund balance - beginning	995,222	297,556	65,976	1,358,754
Fund balance - ending	\$ 973,577	\$ 347,088	\$ 55,710	\$ 1,376,375

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Amounts reported for governmental activities in the statement of activities are different

Net change in fund balances - total governmental funds	\$	17,621
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 and reported as depreciation expense. This is the amount by which depreciation of \$176,747 exceeded capital outlay of \$95,515 in the current period.		(81,232)
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 transactions, however, have any effect on net assets. This is the amount of principal payments of long-term debt in the current period.		91,894
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 governmental funds.		<u>1,042</u>
Changes in net assets of governmental activities	\$	<u><u>29,325</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER ENTERPRISE FUND
JUNE 30, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,117,354
Accounts receivables (net of allowance)	296,701
Interest receivable	1,669
Due from other funds	32,830
Inventories	17,891
Prepaid items	19,384
Restricted cash, cash equivalents, and other:	
Customer deposits	111,328
Note payable covenant deposit	26,036
	<hr/>
Total current assets	1,623,193
	<hr/>
Capital assets:	
Land	57,418
Buildings and systems	8,654,122
Machinery and equipment	676,040
Vehicles	361,796
Less accumulated depreciation	(4,755,632)
	<hr/>
Total capital assets (net of accumulated depreciation)	4,993,744
	<hr/>
Total assets	6,616,937
	<hr/>

LIABILITIES

Current liabilities:	
Accounts payable	68,184
Due to other funds	17,435
Compensated absences	3,110
Accrued liabilities	4,043
Notes payable - current	13,938
	<hr/>
Total current liabilities	106,710
	<hr/>
Current liabilities payable from restricted assets:	
Customer deposits payable	111,328
	<hr/>
Noncurrent liabilities:	
Notes payable	181,074
	<hr/>
Total liabilities	399,112
	<hr/>

NET ASSETS

Invested in capital assets, net of related debt	4,798,732
Restricted for debt service	26,036
Unrestricted	1,393,057
	<hr/>
Total net assets	\$ 6,217,825
	<hr/>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
WATER AND SEWER ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

OPERATING REVENUES	
Charges for services	\$ 1,411,072
OPERATING EXPENSES	
Cost of sales and services	1,184,249
Administration	61,839
Depreciation	231,448
Total operating expenses	1,477,536
Operating loss	(66,464)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	7,000
Investment earnings	6,337
Interest expense	(6,071)
Insurance proceeds	5,727
Total nonoperating revenues (expenses)	12,993
Income (loss) before contributions and transfers	(53,471)
Transfers in	404
Transfers out	(60,000)
Change in net assets	(113,067)
Total net assets - beginning	6,330,892
Total net assets - ending	\$ 6,217,825

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,478,727
Cash paid to suppliers	(848,216)
Cash paid to employees	<u>(424,243)</u>
Net cash provided (used) by operating activities	<u>206,268</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Decrease in due from other funds	49,874
Transfers to other funds	(60,000)
Transfers from other funds	404
Intergovernmental revenue	7,000
Other income	<u>5,727</u>
Net cash provided (used) by noncapital financing activities	<u>3,005</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments - revenue bonds and notes	(13,527)
Interest paid	(6,071)
Purchase of fixed assets	<u>(28,842)</u>
Net cash provided (used) by capital and related financing activities	<u>(48,440)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>6,581</u>
-----------------	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS

167,414

CASH AND CASH EQUIVALENTS - BEGINNING

(Including restricted assets of \$130,170) 1,087,304

CASH AND CASH EQUIVALENTS - ENDING

(Including restricted assets of \$137,364) \$ 1,254,718

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating loss	\$ (66,464)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	231,448
(Increase) decrease in accounts receivable	61,318
(Increase) decrease in prepaid items	(6,998)
Increase (decrease) in accounts payable	(22,104)
Increase (decrease) in accrued liabilities	4,527
Increase (decrease) in compensated absences	(1,795)
Increase (decrease) in customer deposits	<u>6,336</u>
Total adjustments	<u>272,732</u>
Net cash provided by operating activities	<u><u>\$ 206,268</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009**

	Zion Street Senior Citizens Agency Fund
ASSETS	
Cash and cash equivalents	\$ <u>1,588</u>
Total assets	\$ <u><u>1,588</u></u>
LIABILITIES	
Zion Street payables	\$ <u>1,588</u>
Total liabilities	\$ <u><u>1,588</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Belton, South Carolina (“City”) was incorporated in 1855. It is governed by a mayor and six council members who serve staggered four year terms. The City operates under the council/mayor form of government by South Carolina law.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. 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 government's accounting policies are described below.

Government-wide and fund financial statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. The City currently has not identified any component units.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Property taxes, state shared revenue, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

The government reports the following major governmental funds:

The *general fund* is the government'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 fund* is used to account for the proceeds of hospitality fees to be segregated for the expenditures of tourism related costs.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer department. The water and sewer department operates the sewage pumping stations and collection systems, and the water distribution system.

Additionally, the government reports the following fund type:

The *Zion Street senior citizens fund* accounts for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued through November 30, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's general fund, special revenue funds, and water and sewer fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the water and sewer fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, obligations of the State of South Carolina, repurchase agreements, certificates of deposit and the South Carolina Local Government Investment Pool. Investments for the government are reported at fair value. The reported value of the South Carolina Local Government Investment Pool is the same as the fair value of the pool shares.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on October 1, and are payable without penalty through January 15. Unpaid taxes attach as an enforceable lien on property as of the following March 17.

Anderson County bills and collects real and vehicle property taxes for the City. City property tax revenues are recognized when levied to the extent they result in current receivables. Current receivables represent collections within 60 days after the close of the current fiscal year.

Inventories and prepaid items

Significant inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Restricted assets and reserves

The City had restricted cash in the general fund in the amount of \$10,194, the amount of the Escheat account.

The City has designated \$111,328 for the future payment of refunds for Customer Deposits in the proprietary fund. The Water and Sewer fund also has restricted \$26,036 to comply with a loan covenant.

Capital assets

Capital assets, which include property, plant, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

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

Major outlays for capital asset and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Systems	5-50
Improvements Other Than Buildings	20-30
Machinery and Equipment	3-20
Vehicles	5-15

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types show the face amount of debt issued as other financing sources.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Accordingly, actual results could differ from these estimates.

NOTE 2 – CASH AND INVESTMENTS

Deposits

Custodial credit risk – deposits. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the 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. The City maintains its cash balance at financial institutions where accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2009, none of the City's bank balances of \$2,677,242 were exposed to custodial credit risk due to Federal Deposit Insurance Corporation coverage of \$378,401 and the Transaction Account Guarantee coverage of \$2,298,841.

Investments

The City is allowed to invest in (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan associations to the extent that the same are secured by the Federal Deposit Insurance Corporation; (4) certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2009, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes (net of allowance for uncollectibles of \$111,816)	\$ 17,856	\$ -	\$ 17,856
Accounts (net of allowance for uncollectibles of \$160,414 for Business-type Activities)	78,172	296,701	374,873
Interest	870	1,669	2,539
	96,898	298,370	395,268
Due from other governments:			
State Treasurer's Office	35,688	-	35,688
Anderson County	16,572	-	16,572
	52,260	-	52,260
Total Receivables	\$ 149,158	\$ 298,370	\$ 447,528

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 256,065	\$ -	\$ -	\$ 256,065
Total capital assets, not being depreciated	<u>256,065</u>	<u>-</u>	<u>-</u>	<u>256,065</u>
Capital assets, being depreciated:				
Buildings and improvements	730,578	15,650	-	746,228
Improvements other than buildings	670,643	3,200	-	673,843
Machinery and equipment	591,295	76,665	(954)	667,006
Vehicles	1,368,904	-	-	1,368,904
Total capital assets, being depreciated	<u>3,361,420</u>	<u>95,515</u>	<u>(954)</u>	<u>3,455,981</u>
Less accumulated depreciation for:				
Buildings and improvements	(561,634)	(17,881)	-	(579,515)
Improvements other than buildings	(229,607)	(28,328)	-	(257,935)
Machinery and equipment	(356,634)	(46,299)	954	(401,979)
Vehicles	(788,383)	(84,239)	-	(872,622)
Total accumulated depreciation	<u>(1,936,258)</u>	<u>(176,747)</u>	<u>954</u>	<u>(2,112,051)</u>
Total capital assets, being depreciated, net	<u>1,425,162</u>	<u>(81,232)</u>	<u>-</u>	<u>1,343,930</u>
Governmental activities capital assets, net	<u>\$ 1,681,227</u>	<u>\$ (81,232)</u>	<u>\$ -</u>	<u>\$ 1,599,995</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 57,418	\$ -	\$ -	\$ 57,418
Capital assets, being depreciated:				
Buildings and systems	8,626,645	27,477	-	8,654,122
Machinery and equipment	674,675	1,365	-	676,040
Vehicles	361,796	-	-	361,796
Total capital assets, being depreciated	<u>9,663,116</u>	<u>28,842</u>	<u>-</u>	<u>9,691,958</u>
Less accumulated depreciation for:				
Buildings and systems	(3,689,050)	(202,393)	-	(3,891,443)
Machinery and equipment	(499,588)	(16,379)	-	(515,967)
Vehicles	(335,547)	(12,675)	-	(348,222)
Total accumulated depreciation	<u>(4,524,185)</u>	<u>(231,447)</u>	<u>-</u>	<u>(4,755,632)</u>
Total capital assets, being depreciated, net	<u>5,138,931</u>	<u>(202,605)</u>	<u>-</u>	<u>4,936,326</u>
Business-type activities capital assets, net	<u>\$ 5,196,349</u>	<u>\$ (202,605)</u>	<u>\$ -</u>	<u>\$ 4,993,744</u>

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Governmental activities:		
General government		\$ 20,863
Police		25,057
Fire		82,123
Public works		16,784
Culture and recreation		31,920
Total depreciation expense – governmental activities		<u>\$ 176,747</u>
Business-type activities:		
Water and sewer		<u>\$ 231,447</u>

NOTE 5 – CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the fiscal year ended June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due in one year
Governmental activities:					
Notes payable:					
Note	\$ 109,277	\$ -	\$ (34,346)	\$ 74,931	\$ 34,346
Note	185,801	-	(57,548)	128,253	60,103
Compensated absences	61,524	-	(1,042)	60,482	-
Totals	<u>\$ 356,602</u>	<u>\$ -</u>	<u>\$ (92,936)</u>	<u>\$ 263,666</u>	<u>\$ 94,449</u>
Business-type activities:					
Notes payable:					
Note	\$ 208,539	\$ -	\$ (13,527)	\$ 195,012	\$ 13,938
Compensated absences	4,905	-	(1,795)	3,110	-
Totals	<u>\$ 213,444</u>	<u>\$ -</u>	<u>\$ (15,322)</u>	<u>\$ 198,122</u>	<u>\$ 13,938</u>

Long-term debt at June 30, 2009, was comprised of the following:

Governmental activities:

Note Payable To:	Interest Rate:	Monthly Payment:	Maturity Date:	Collateralized By:	Balance at June 30, 2009
Bank	4.95%	\$2,862	November, 2013	Hospitality Taxes	\$ 74,931
Bank	4.30%	\$5,370	July, 2011	Equipment	128,253
					<u>\$ 203,184</u>

Business-type Activities:

SCIRF	3.00%	\$1,633	May, 2021	Water Revenues	<u>\$ 195,012</u>
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**CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The annual requirements to amortize notes payable debt outstanding as of June 30, 2009, are as follows:

Notes payable: Year Ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2010	\$ 94,449	\$ 7,824	\$ 13,938	\$ 5,660
2011	97,086	3,564	14,362	5,236
2012	11,649	309	14,799	4,799
2013	-	-	15,249	4,349
2014	-	-	15,713	3,606
2015-2019	-	-	86,032	11,959
2020-2021	-	-	34,919	1,013
Totals	<u>\$ 203,184</u>	<u>\$ 11,697</u>	<u>\$ 195,012</u>	<u>\$ 36,622</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds: Receivable fund	Payable fund	Amount
Water	General	\$ 15,395
Other Governmental Funds	General	1,333
Hospitality Fund	General	23,000
		<u>\$ 39,728</u>

The outstanding balances between funds result mainly 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.

Interfund transfers:

Transferred out:	Transferred In:			Total
	General Fund	Hospitality Fund	Water and Sewer Fund	
Hospitality fund	\$ 8,192	\$ -	\$ 404	\$ 8,596
Water and Sewer Enterprise fund	60,000	-	-	60,000
Total	<u>\$ 68,192</u>	<u>\$ -</u>	<u>\$ 404</u>	<u>\$ 68,596</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 7 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the governmental and enterprise fund as of June 30, 2009, are as follows:

	Governmental activities	Business-type activities
Escheat deposits	\$ 10,194	\$ -
Customer meter deposits	-	111,328
Note payable covenant deposit	-	26,036
Total restricted assets	<u>\$ 10,194</u>	<u>\$ 137,364</u>

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF), and the South Carolina Local Government Assurance Group (SCLGAG), which are public entity risk pools currently operating as common risk management and insurance programs. The City pays an annual premium to SCMIRF for its general insurance coverage and a monthly premium to SCLGAG for its employee health, life, and dental insurance coverage.

The SCMIRF is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The SCLGAG is also self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event. For claims in excess of \$40,000 but less than \$100,000, the "stop loss" insurance is pooled with other members.

The City also has joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (SCMIT), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The City pays an annual premium to SCMIT.

There were no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three years.

NOTE 9 – EMPLOYEE RETIREMENT BENEFITS

The City contributes to the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). These plans are cost-sharing, multiple-employer pension plans administered by the Retirement Division of the State Budget and Control Board. The SCRS and the PORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

The SCRS plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.24% of annual covered payroll. The contribution requirements of plan members and the City are established by Title 9 of the SC Code of Laws. The City's contributions to the SCRS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$69,050, \$66,304, and \$58,925, respectively, equal to the required contributions for each year.

The PORS plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 10.65% of annual covered payroll. The contribution requirements of plan members and the City are established by Title 9 of the SC Code of Laws. The City's contributions to the PORS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$71,430, \$73,722, and \$68,025, respectively, equal to the required contributions for each year.

The City has a tax sheltered annuity program qualified under Section 403(b) of the Internal Revenue Code covering all eligible employees. If an employee elects to do so, they can contribute a minimum of 2% of eligible wages. Since the City contributes to the South Carolina Retirement System, no matching contributions are made to this program by the City.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 – LEASE AGREEMENT

The City signed an agreement with Anderson County School District Two on February 6, 2007, to provide lighting for a school district football field in the amount of \$44,750 and to pay for electricity to operate these lights in exchange for the use of this field by the Recreation department football teams for a period of twenty years, ending on February 15, 2027.

NOTE 11 – COMMITMENT

The City signed an agreement with Anderson County in 2008, to compensate the county for services to provide National Pollutant Discharge Elimination System (NPDES) storm water discharge permit services and other storm water related services. These services are for the City to be in compliance with SCDHEC Regulations. During fiscal year ending June 30, 2009, the City paid Anderson County \$10,000 for these services. Payments per the agreement will be \$3,914 payable monthly for the period July 1, 2009 through February 28, 2011, the expiration date of the permit.

NOTE 12 – SUBSEQUENT EVENTS

The management of the City has evaluated subsequent events through July 6, 2010, which is the date the financial statements were available to be issued.

**CITY OF BELTON, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property tax	\$ 875,000	\$ 875,000	\$ 907,507	\$ 32,507
Property tax penalty	20,000	20,000	-	(20,000)
Auto tax	140,000	140,000	116,634	(23,366)
Payment in lieu of taxes	4,200	4,200	-	(4,200)
Franchise fees	261,500	261,500	242,690	(18,810)
Licenses and permits	605,500	605,500	515,919	(89,581)
Intergovernmental	352,550	352,550	1,046,853	694,303
Charges for services	260,367	260,367	244,953	(15,414)
Fines and forfeitures	195,000	195,000	142,315	(52,685)
Investment earnings	5,000	5,000	4,478	(522)
Miscellaneous	4,000	4,000	10,287	6,287
Total revenues	<u>2,723,117</u>	<u>2,723,117</u>	<u>3,231,636</u>	<u>508,519</u>
EXPENDITURES				
Administration	479,201	479,201	446,922	32,279
Public safety	1,343,266	1,343,266	1,784,780	(441,514)
Public works	659,096	659,096	679,680	(20,584)
Culture and recreation	193,307	193,307	166,359	26,948
Community development	-	-	88,053	(88,053)
Debt Service:				
Principal	68,635	68,635	57,548	11,087
Interest	6,362	6,362	6,945	(583)
Capital outlay	70,250	70,250	91,778	(21,528)
Total expenditures	<u>2,820,117</u>	<u>2,820,117</u>	<u>3,322,065</u>	<u>(501,948)</u>
(Deficiency) of revenues (under) expenditures	<u>(97,000)</u>	<u>(97,000)</u>	<u>(90,429)</u>	<u>6,571</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	94,000	94,000	68,193	(25,807)
Sale of capital assets	3,000	3,000	591	(2,409)
Total other financing sources (uses)	<u>97,000</u>	<u>97,000</u>	<u>68,784</u>	<u>(28,216)</u>
Net change in fund balance	-	-	(21,645)	(21,645)
Fund balance - beginning	995,222	995,222	995,222	-
Fund balance - ending	<u>\$ 995,222</u>	<u>\$ 995,222</u>	<u>\$ 973,577</u>	<u>\$ (21,645)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
HOSPITALITY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Hospitality	\$ 120,000	\$ 120,000	\$ 142,546	\$ 22,546
Investment earnings	1,000	1,000	1,476	476
Miscellaneous	-	-	182	182
Total revenues	<u>121,000</u>	<u>121,000</u>	<u>144,204</u>	<u>23,204</u>
EXPENDITURES				
Administration	3,300	3,300	1,195	2,105
Culture and recreation	89,860	89,860	36,643	53,217
Tourism	21,000	21,000	9,181	11,819
Debt Service:				
Principal	-	-	34,346	(34,346)
Interest	4,840	4,840	4,711	129
Capital outlay	2,000	2,000	-	2,000
Total expenditures	<u>121,000</u>	<u>121,000</u>	<u>86,076</u>	<u>34,924</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>58,128</u>	<u>58,128</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	(8,596)	(8,596)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,596)</u>	<u>(8,596)</u>
Net change in fund balance	-	-	49,532	49,532
Fund balance -beginning	297,556	297,556	297,556	-
Fund balance - ending	<u>\$ 297,556</u>	<u>\$ 297,556</u>	<u>\$ 347,088</u>	<u>\$ 49,532</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 – BUDGETS

The City prepares an annual budget on the General Fund, Special Revenue Funds, and the Water and Sewer Enterprise Fund. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least forty days prior to July 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Two public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, the revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The budget for the City is adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City’s level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriate amount) is established on the budget as a whole.

<u>Fund</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
General Fund	\$ 2,820,117	\$ 3,322,065	\$ (501,948)

No budgetary amendments were made by Council during the year.

**CITY OF BELTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2009**

	<u>Drug Fund</u>	<u>Firemen's Fund</u>	<u>Victims Compensation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 13,007	\$ 3,828	\$ 35,166	\$ 52,001
Accounts receivable	-	-	2,376	2,376
Due from other funds	-	-	1,333	1,333
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 13,007</u>	<u>\$ 3,828</u>	<u>\$ 38,875</u>	<u>\$ 55,710</u>
FUND BALANCES				
Unreserved, undesignated	<u>\$ 13,007</u>	<u>\$ 3,828</u>	<u>\$ 38,875</u>	<u>\$ 55,710</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>\$ 13,007</u>	<u>\$ 3,828</u>	<u>\$ 38,875</u>	<u>\$ 55,710</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Drug Fund</u>	<u>Firemen's Fund</u>	<u>Victims Compensation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ -	\$ 4,944	\$ -	\$ 4,944
Fines and forfeitures	942	-	11,292	12,234
Investment earnings	44	24	151	219
Total revenues	<u>986</u>	<u>4,968</u>	<u>11,443</u>	<u>17,397</u>
EXPENDITURES				
Public safety	300	4,410	17,739	22,449
Capital outlay	-	-	5,214	5,214
Total expenditures	<u>300</u>	<u>4,410</u>	<u>22,953</u>	<u>27,663</u>
Excess (deficiency) of revenues over (under) expenditures	686	558	(11,510)	(10,266)
Fund balance - beginning	<u>12,321</u>	<u>3,270</u>	<u>50,385</u>	<u>65,976</u>
Fund balance - ending	<u>\$ 13,007</u>	<u>\$ 3,828</u>	<u>\$ 38,875</u>	<u>\$ 55,710</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
SCHEDULE OF MUNICIPAL COURT FINES,
ASSESSMENTS, AND SURCHARGES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Collected by Municipal Court</u>	<u>Retained by City Treasurer</u>	<u>Remitted to State Treasurer</u>	<u>Allocated to Victims Assistance</u>
Fines	\$ 56,442	\$ 56,442	\$ -	\$ -
Assessments	60,064	-	53,359	6,705
Surcharges	23,419	-	20,498	2,921
	<u>\$ 139,925</u>	<u>\$ 56,442</u>	<u>\$ 73,857</u>	<u>\$ 9,626</u>
Expenditures:				
Public safety				\$ 17,739
Capital outlay				5,214
Total expenditures				<u>\$ 22,953</u>
Balance Carried Forward to July 1, 2009				<u>\$ 35,166</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BELTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal/Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant:			
Grant no. 2007-FG-00674	97.044	N/A	\$ 459,590
Grant no. 2007-FO-09857	97.044	N/A	<u>4,559</u>
Total Assistance to Firefighters Grant			<u>464,149</u> *
<u>U.S. Department of Housing and Urban Development</u>			
HOME Investment Partnership Program (HOME)	14.239	N/A	<u>66,039</u>
Total Federal Awards			<u><u>\$ 530,188</u></u>

* Major Program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Belton, South Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ADDITIONAL OFFICES
LOCATED IN
BELTON, SC
GREENWOOD, SC

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

To the City Council and Mayor
City of Belton, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Belton, South Carolina as of and for the year ended June 30, 2009, which collectively comprise City of Belton, South Carolina's basic financial statements and have issued our report thereon dated July 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs at 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Belton, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

We noted certain other matters that we reported to management of City of Belton, South Carolina in a separate letter dated July 6, 2010.

City of Belton, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Belton, South Carolina's response and, accordingly, we express no opinion on it.

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

Greene and Company, C.L.P.

Anderson, South Carolina
July 6, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council and Mayor
City of Belton, South Carolina

Compliance

We have audited the compliance of City of Belton, South Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Belton, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Belton, South Carolina's management. Our responsibility is to express an opinion on City of Belton, South Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Belton, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Belton, South Carolina's compliance with those requirements.

As described in item 2009-1 in the accompanying schedule of findings and questioned costs, City of Belton, South Carolina, did not comply with requirements regarding allowable costs that are applicable to its Assistance to Firefighters Grant program. Compliance with such requirements is necessary, in our opinion, for City of Belton, South Carolina, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Belton, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

Management of City of Belton, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Belton, South Carolina's internal control over

compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Belton, South Carolina's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Belton, South Carolina's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Belton, South Carolina's responses and, accordingly, we express no opinion on the responses.

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

Greene and Company, C.L.P.

Anderson, South Carolina

July 6, 2010

**CITY OF BELTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Belton, South Carolina.
2. One significant deficiency that was considered to be a material weakness in the internal control over financial reporting was disclosed during the audit of the financial statements that was required to be reported in the 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*.
3. One instance of noncompliance material to the financial statements of the City of Belton, South Carolina, required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. One significant deficiency that was considered to be a material weakness in internal control over major federal award programs was disclosed during the audit that is required to be reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major programs for the City of Belton, South Carolina, expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:
Department of Homeland Security –
Assistance to Firefighters Grant – CFDA No. 97.044
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Belton, South Carolina did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2009-1 MATERIAL WEAKNESS

Intergovernmental revenue and due to other government

As discussed at finding 2009-1 in Section C, lack of compliance with the grant agreement caused intergovernmental revenues to be overstated by \$45,977 and due to other governments to be understated by \$45,977. Recommendations included implementing procedures to monitor the requirements of grant agreements to verify expenditures are allowable under grant terms.

CITY OF BELTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT

DEPARTMENT OF HOMELAND SECURITY

Assistance to Firefighters Grant Program – CFDA no. 97.044

2009-1 Grant No. EMW-2007-FR-00674

Condition and Criteria: Radio equipment was purchased and rebates were issued by the manufacturer. The rebates therefore reduced the effective price per unit. Additional radios were then acquired due to the reduced price per unit. The number of units of equipment acquired exceeded the number approved in the grant application.

Effect: The purchase price of additional units acquired totaling \$45,977 is possibly an unallowable cost and is therefore, considered a questioned cost.

\$ 45,977

Cause: The City did not consult with the grant coordinator when the cost per unit decreased. The grant requires approval by the grantor before excess funds can be expended.

Auditor's Recommendation: Procedures should be implemented to ensure the City consults with the grant coordinator before excess funds are used.

Grantee's Response: The City has completed and submitted a grant amendment with the grant coordinator to request additional equipment be funded with the remaining grant award. The City agrees with the finding and the auditor's recommendation has been adopted.

Total Questioned Costs

\$ 45,977