

CITY OF BELTON, SOUTH CAROLINA

ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Greene and Company, LLP
Certified Public Accountants

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GENERAL PURPOSE FINANCIAL STATEMENTS
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JUNE 30, 2010**

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LOCATED IN
BELTON, SC
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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, 2010, 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, 2010, 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 January 27, 2011, 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 and the schedule of municipal court fines, assessments, and surcharges are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of municipal 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 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
January 27, 2011

**CITY OF BELTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010.

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 \$8,877,938 of which \$2,146,143 was unrestricted.
- The government-wide net assets decreased by \$52,591 or .59%.
- Total long-term debt decreased by \$105,964 or 23%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2010 fiscal year by \$1,280,035.
- Total fund balances of the governmental funds decreased by \$96,340 or 7%.
- The total governmental funds revenues were \$3,016,676, which was less than total governmental funds expenditures of \$3,173,474 by \$156,798.
- Other financing sources for governmental funds totaled \$60,458 for the recent fiscal year.
- The net change in the water and sewer fund was a decrease of \$148,071.

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, 2010, and June 30, 2009.

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 \$8,877,938 at the close of the most recent fiscal year.

By far, the largest portion of the City's total net assets (70.6%) 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.

The following condensed statement of net assets reports the total assets, liabilities, and net asset of the City:

Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Totals	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash and other assets	\$1,418,598	\$1,543,396	\$1,588,579	\$1,605,758	\$3,007,177	\$3,149,154
Capital assets	1,698,160	1,599,995	4,860,027	4,993,744	6,558,187	6,593,739
Total assets	<u>3,116,758</u>	<u>3,143,391</u>	<u>6,448,606</u>	<u>6,599,502</u>	<u>9,565,364</u>	<u>9,742,893</u>
Current liabilities	199,817	227,503	197,779	186,665	397,596	414,168
Non-current liabilities	108,757	203,184	181,073	195,012	289,830	398,196
Total liabilities	<u>308,574</u>	<u>430,687</u>	<u>378,852</u>	<u>381,677</u>	<u>687,426</u>	<u>812,364</u>
Net assets:						
Invested in capital assets, net of debt	1,589,403	1,396,811	4,678,954	4,798,732	6,268,357	6,195,543
Restricted	437,276	402,798	26,162	26,036	463,438	428,834
Unrestricted	781,505	913,095	1,364,638	1,393,057	2,146,143	2,306,152
Total net assets	<u>\$2,808,184</u>	<u>\$2,712,704</u>	<u>\$6,069,754</u>	<u>\$6,217,825</u>	<u>\$8,877,938</u>	<u>\$8,930,529</u>

The net assets decreased \$52,591 in fiscal year 2010. The governmental activities increased \$95,480, while the business-type activities decreased \$148,071. Net assets of the City's governmental activities are \$2,808,184, while the business-type activities are \$6,069,754.

\$463,438 of the City's net assets represents resources that are subject to restrictions on how they may be used. Restricted net assets total \$437,276 for governmental activities and \$26,162 for business-type activities. The remaining balance of *unrestricted net assets*, \$2,146,143, may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets total \$781,505 for governmental activities and \$1,364,638 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, 2010 and 2009.

	Change in Net Assets					
	Governmental activities		Business-type activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenues:						
Program revenues:						
Charges for services	\$ 387,606	\$ 399,502	\$ 1,369,665	\$ 1,411,072	\$ 1,757,271	\$ 1,810,574
Operating grants and contributions	207,137	709,540	-	7,000	207,137	716,540
Capital grants and contributions	265,292	70,783	-	-	265,292	70,783
General revenues:						
Property taxes	903,957	907,507	-	-	903,957	907,507
Other taxes	244,264	259,180	-	-	244,264	259,180
Business licenses	739,972	758,609	-	-	739,972	758,609
Intergovernmental	250,084	271,474	-	-	250,084	271,474
Payment in lieu of tax	4,969	-	-	-	4,969	-
Investment earnings	2,745	6,173	1,513	6,337	4,258	12,510
Gain (loss) on sale (disposal) of assets	875	591	-	-	875	591
Miscellaneous income	10,650	10,469	1,469	5,727	12,119	16,196
Total revenues	<u>\$ 3,017,551</u>	<u>\$ 3,393,828</u>	<u>\$ 1,372,647</u>	<u>\$ 1,430,136</u>	<u>\$ 4,390,198</u>	<u>\$ 4,823,964</u>

Change in Net Assets (continued)

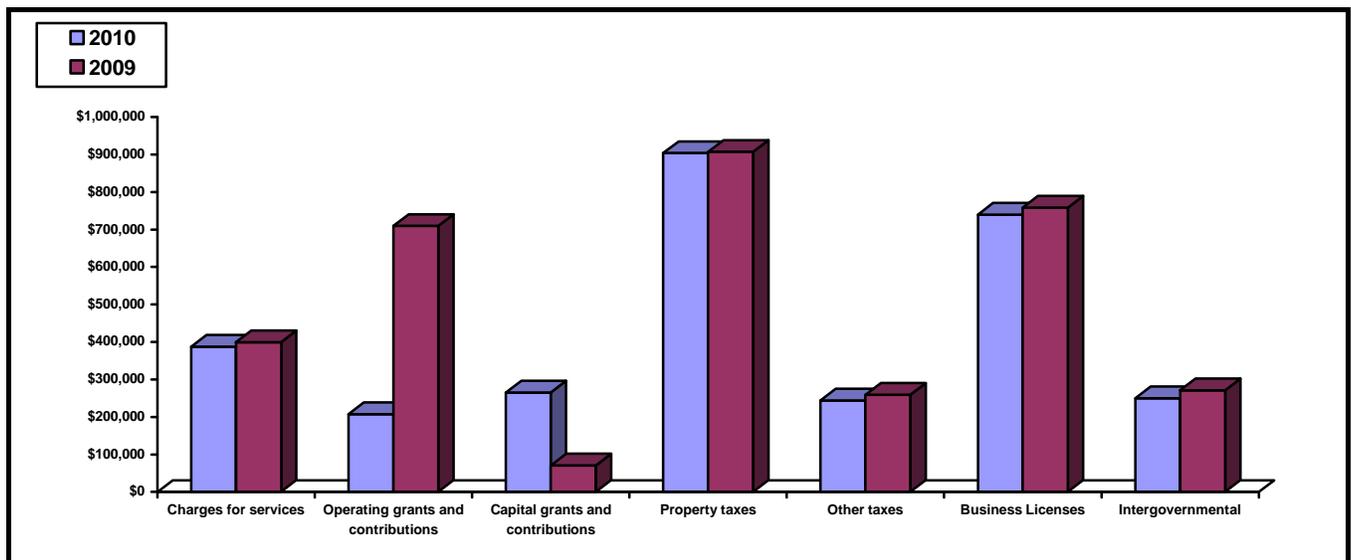
	Governmental activities		Business-type activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Expenses:						
General government	\$ 461,948	\$ 468,912	\$ -	\$ -	\$ 461,948	\$ 468,912
Police	925,041	873,464	-	-	925,041	873,464
Fire	467,816	1,033,236	-	-	467,816	1,033,236
Public works	724,958	698,313	-	-	724,958	698,313
Culture and recreation	240,477	250,467	-	-	240,477	250,467
Community development	153,093	88,053	-	-	153,093	88,053
Interest on long-term debt	8,322	11,654	-	-	8,322	11,654
Water and sewer	-	-	1,461,134	1,483,607	1,461,134	1,483,607
Total expenses	2,981,655	3,424,099	1,461,134	1,483,607	4,442,789	4,907,706
Increase (decrease) in net assets before transfers	35,896	(30,271)	(88,487)	(53,471)	(52,591)	(83,742)
Transfers	59,584	59,596	(59,584)	(59,596)	-	-
Change in net assets	95,480	29,325	(148,071)	(113,067)	(52,591)	(83,742)
Net assets - July 1	2,712,704	2,683,379	6,217,825	6,330,892	8,930,529	9,014,271
Net assets - June 30	\$ 2,808,184	\$ 2,712,704	\$ 6,069,754	\$ 6,217,825	\$ 8,877,938	\$ 8,930,529

Governmental activities

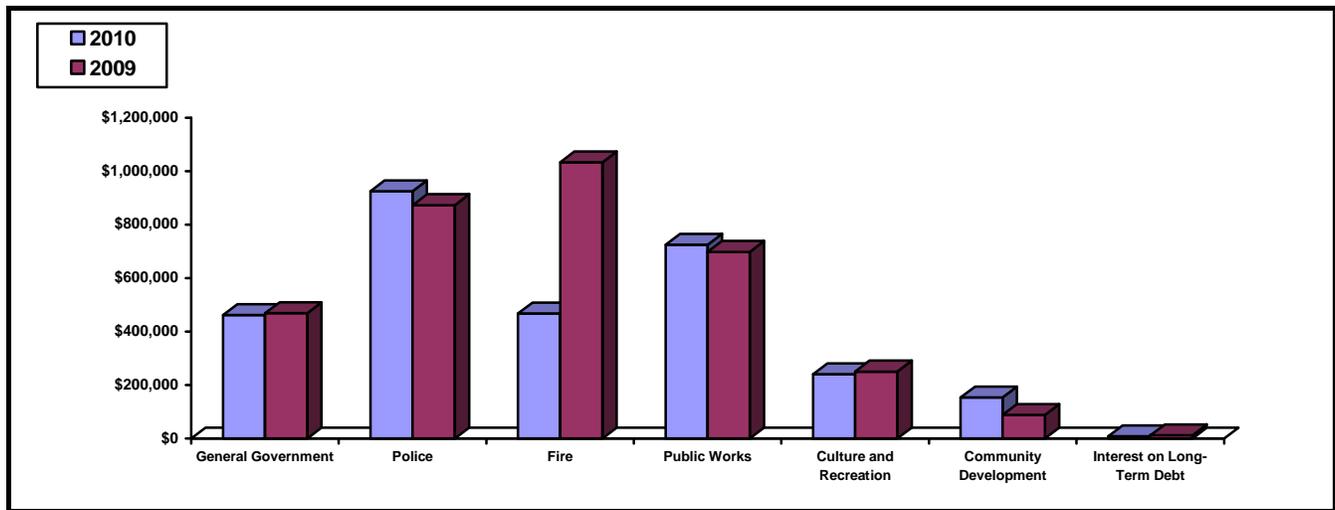
Governmental activities increased the City’s net assets by \$95,480. Key elements of this increase are as follows:

- Capital grants and contributions increased \$194,509.
- Decrease in fire expenditures of \$565,420.

Governmental Activities – Revenues by source



Governmental Activities – Expenses



Business-type activities

Net assets of business-type activities decreased in the current year by \$148,071 (2.38%). The key element of this decrease was as follows:

- Charges for services decreased \$41,407 (2.93%).
- Operating expenses decreased in accordance with decrease in revenues; however, including depreciation expenses adds to decrease occurring in net assets.

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 \$1,280,035. Of this amount \$1,202,144 is an unreserved fund balance and \$77,891 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 \$130,818 (13.4%) 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 \$148,071 (2.38%) in fiscal year 2010.

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	\$ 2,737,404	\$ 2,935,950	\$ 198,546
Expenditures	<u>2,737,404</u>	<u>3,066,768</u>	<u>(329,364)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (130,818)</u>	<u>\$ (130,818)</u>

Actual General Fund revenues and other revenue sources exceeded budgeted revenues and other financing sources by \$198,546. 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 \$329,364. Community development, public works, and capital outlay expenditures 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, 2010, amounts to \$6,558,187 (net of accumulated depreciation.) This investment in capital assets includes land, improvements other than buildings, buildings and systems, and machinery and equipment. This year's major capital asset additions included renovations to the City Hall's second floor.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Land	\$ 256,080	\$ 256,065	\$ 57,418	\$ 57,418	\$ 313,498	\$ 313,483
Buildings and system	382,761	166,713	4,648,456	4,762,679	5,031,217	4,929,392
Improvements other than buildings	387,599	415,908	-	-	387,599	415,908
Machinery and equipment	249,903	265,027	146,840	160,073	396,743	425,100
Vehicles	421,817	496,282	7,313	13,574	429,130	509,856
Total	<u>\$ 1,698,160</u>	<u>\$ 1,599,995</u>	<u>\$ 4,860,027</u>	<u>\$ 4,993,744</u>	<u>\$ 6,558,187</u>	<u>\$ 6,593,739</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 \$289,830 in notes payable to banks for its government-wide activities. This is a decrease of \$108,366 (27.21%) from the previous year amount of \$398,196.

Outstanding Debt

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Notes payable	\$ 108,757	\$ 203,184	\$ 181,073	\$ 195,012	\$ 289,830	\$ 398,196
Compensated absences	61,254	60,482	4,740	3,110	65,994	63,592
Totals	<u>\$ 170,011</u>	<u>\$ 263,666</u>	<u>\$ 185,813</u>	<u>\$ 198,122</u>	<u>\$ 355,824</u>	<u>\$ 461,788</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 City was pleased to complete renovations of the second floor of City Hall. Further improvements will include construction of an elevator with partial funding provided by a local foundation, and the remainder of funds to be received through a grant from the USDA. Bid requests are expected to be received in early 2011 to proceed with these improvements.

Increase in fuel prices is anticipated to improve the prospects of the revival of rail usage within the City. Local railway companies have made significant improvements on their line north of the City and track crossing work has now advanced into the City with expectations to improve business.

The combined utilities department continues to perform significant upgrades particularly with water services by replacing fragmented systems with larger lines to improve both quality and quantity of water to customers. Sewer permit is due for renewal in the near future and preliminary engineering has been done and alternatives are being evaluated.

Park and recreation facilities in the City are in excellent condition and usage continues to expand. Belton is perhaps unique with a very high percentage of use by residents from outside the City. The City hopes to receive funding from Anderson County that will allow for expanded parking at these recreational facilities in the upcoming future.

General economic conditions continues to be a concern; however, the City continues to operate within its means as a subdivision of State government, much of what takes place on the local level is tied to legislative acts at the State. Perhaps the new session will bring improved economic expansion and jobs.

As the City anticipates next year's budget, it is probable that the upcoming fiscal year will closely resemble the current plan.

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, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,203,691	\$ 1,155,829	\$ 2,359,520
Receivables (net of allowance for uncollectibles)	109,841	249,806	359,647
Interest receivable	-	465	465
Intergovernmental receivables	29,348	-	29,348
Internal balances	(11,888)	11,888	-
Inventories	4,652	17,891	22,543
Prepays	73,239	18,388	91,627
Restricted assets:			
Cash and cash equivalents	9,715	-	9,715
Customer deposits	-	108,150	108,150
Note payable covenant deposit	-	26,162	26,162
Capital assets not being depreciated:			
Land	256,080	57,418	313,498
Capital assets net of accumulated depreciation:			
Buildings and systems	382,761	4,648,456	5,031,217
Improvements other than buildings	387,599	-	387,599
Machinery and equipment	249,903	146,840	396,743
Vehicles	421,817	7,313	429,130
Total assets	<u>3,116,758</u>	<u>6,448,606</u>	<u>9,565,364</u>
LIABILITIES			
Accounts payable	62,577	80,715	143,292
Unearned revenue	1,875	-	1,875
Intergovernmental payables	45,977	-	45,977
Accrued liabilities	20,002	4,174	24,176
Liabilities payable from restricted assets	8,132	108,150	116,282
Compensated absences	61,254	4,740	65,994
Noncurrent liabilities:			
Due within one year	97,085	14,362	111,447
Due in more than one year	11,672	166,711	178,383
Total liabilities	<u>308,574</u>	<u>378,852</u>	<u>687,426</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,589,403	4,678,954	6,268,357
Restricted for:			
Hospitality fund	385,230	-	385,230
Drug enforcement fund	15,500	-	15,500
Firemen's fund	5,212	-	5,212
Victims compensation fund	31,334	-	31,334
Debt service	-	26,162	26,162
Unrestricted	781,505	1,364,638	2,146,143
Total net assets	<u>\$ 2,808,184</u>	<u>\$ 6,069,754</u>	<u>\$ 8,877,938</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, 2010**

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	\$ 461,948	\$ -	\$ 2,325	\$ 233,326	\$ (226,297)	\$ -	\$ (226,297)
Police	925,041	147,093	-	737	(777,211)	-	(777,211)
Fire	467,816	2,500	4,795	31,229	(429,292)	-	(429,292)
Public works	724,958	231,885	45,924	-	(447,149)	-	(447,149)
Culture and recreation	240,477	6,128	1,000	-	(233,349)	-	(233,349)
Community development	153,093	-	153,093	-	-	-	-
Interest on long-term debt	8,322	-	-	-	(8,322)	-	(8,322)
Total governmental activities	2,981,655	387,606	207,137	265,292	(2,121,620)	-	(2,121,620)
Business-type activities:							
Water and sewer	1,461,134	1,369,665	-	-	-	(91,469)	(91,469)
Total primary government	\$ 4,442,789	\$ 1,757,271	\$ 207,137	\$ 265,292	(2,121,620)	(91,469)	(2,213,089)
General revenues:							
Property taxes					903,957	-	903,957
Auto taxes					102,709	-	102,709
Hospitality taxes					141,555	-	141,555
Business licenses					739,972	-	739,972
Intergovernmental					250,084	-	250,084
Payment in lieu of taxes					4,969	-	4,969
Unrestricted investment earnings					2,745	1,513	4,258
Gain on capital assets disposed					875	-	875
Miscellaneous income					10,650	1,469	12,119
Transfers					59,584	(59,584)	-
Total general revenues and transfers					2,217,100	(56,602)	2,160,498
Change in net assets					95,480	(148,071)	(52,591)
Net assets - beginning					2,712,704	6,217,825	8,930,529
Net assets - ending					\$ 2,808,184	\$ 6,069,754	\$ 8,877,938

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

**CITY OF BELTON, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 778,346	\$ 373,299	\$ 52,046	\$ 1,203,691
Receivables:				
Accounts receivable	68,521	13,126	-	81,647
Taxes receivable, net of allowance	28,194	-	-	28,194
Due from other governments	29,348	-	-	29,348
Due from other funds	13,644	-	-	13,644
Inventories	4,652	-	-	4,652
Prepaid items	73,239	-	-	73,239
Cash - restricted	9,715	-	-	9,715
	<u>\$ 1,005,659</u>	<u>\$ 386,425</u>	<u>\$ 52,046</u>	<u>\$ 1,444,130</u>
Total assets				
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 61,382	\$ 1,195	\$ -	\$ 62,577
Due to other funds	25,532	-	-	25,532
Due to other governments	45,977	-	-	45,977
Accrued liabilities	20,002	-	-	20,002
Unearned revenue	1,875	-	-	1,875
Liabilities payable from restricted assets	8,132	-	-	8,132
	<u>162,900</u>	<u>1,195</u>	<u>-</u>	<u>164,095</u>
Total liabilities				
Fund balances				
Reserved for inventory	4,652	-	-	4,652
Reserved for prepaid items	73,239	-	-	73,239
Unreserved, undesignated reported in:				
General fund	764,868	-	-	764,868
Special revenue funds	-	385,230	52,046	437,276
	<u>842,759</u>	<u>385,230</u>	<u>52,046</u>	<u>1,280,035</u>
Total fund balances				
	<u>\$ 1,005,659</u>	<u>\$ 386,425</u>	<u>\$ 52,046</u>	

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.

1,698,160

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

(170,011)

Net assets of governmental activities

\$ 2,808,184

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, 2010**

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property tax	\$ 903,957	\$ -	\$ -	\$ 903,957
Auto tax	102,709	-	-	102,709
Hospitality tax fees	-	141,555	-	141,555
Payments in lieu of taxes	4,969	-	-	4,969
Franchise fees	269,580	-	-	269,580
Grants	2,800	-	-	2,800
Licenses and permits	470,392	-	-	470,392
Intergovernmental	715,393	-	4,795	720,188
Charges for services	240,405	-	-	240,405
Fines and forfeitures	133,254	-	13,472	146,726
Investment earnings	1,768	874	103	2,745
Miscellaneous	10,650	-	-	10,650
Total revenues	2,855,877	142,429	18,370	3,016,676
EXPENDITURES				
Administration	437,235	4,070	-	441,305
Public safety	1,268,106	-	22,034	1,290,140
Public works	709,109	-	-	709,109
Culture, recreation, and tourism	164,848	43,275	-	208,123
Community development	153,093	-	-	153,093
Debt service:				
Principal	60,081	34,346	-	94,427
Interest	5,341	2,981	-	8,322
Capital outlay	268,955	-	-	268,955
Total expenditures	3,066,768	84,672	22,034	3,173,474
Excess (deficiency) of revenues over (under) expenditures	(210,891)	57,757	(3,664)	(156,798)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	79,198	-	-	79,198
Operating transfers out	-	(19,615)	-	(19,615)
Sale of capital assets	875	-	-	875
Total other financing sources (uses)	80,073	(19,615)	-	60,458
Net change in fund balances	(130,818)	38,142	(3,664)	(96,340)
Fund balance - beginning	973,577	347,088	55,710	1,376,375
Fund balance - ending	\$ 842,759	\$ 385,230	\$ 52,046	\$ 1,280,035

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, 2010**

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

Net change in fund balances - total governmental funds	\$ (96,340)
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 capital outlay of \$268,970 exceeded depreciation of \$170,805 in the current period.	98,165
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.	94,427
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>(772)</u>
Change in net assets of governmental activities	<u>\$ 95,480</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, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,155,829
Accounts receivables (net of allowance)	249,806
Interest receivable	465
Due from other funds	25,532
Inventories	17,891
Prepaid items	18,388
Restricted cash, cash equivalents, and other:	
Customer deposits	108,150
Note payable covenant deposit	26,162
	<hr/>
Total current assets	1,602,223
	<hr/>
Capital assets:	
Land	57,418
Buildings and systems	8,743,407
Machinery and equipment	676,040
Vehicles	294,631
Less accumulated depreciation	(4,911,469)
	<hr/>
Total capital assets (net of accumulated depreciation)	4,860,027
	<hr/>
Total assets	6,462,250
	<hr/>

LIABILITIES

Current liabilities:	
Accounts payable	80,715
Due to other funds	13,644
Compensated absences	4,740
Accrued liabilities	4,174
Notes payable - current	14,362
	<hr/>
Total current liabilities	117,635
	<hr/>
Current liabilities payable from restricted assets:	
Customer deposits payable	108,150
	<hr/>
Noncurrent liabilities:	
Notes payable	166,711
	<hr/>
Total liabilities	392,496
	<hr/>

NET ASSETS

Invested in capital assets, net of related debt	4,678,954
Restricted for debt service	26,162
Unrestricted	1,364,638
	<hr/>
Total net assets	\$ 6,069,754
	<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, 2010**

OPERATING REVENUES	
Charges for services	\$ 1,369,665
OPERATING EXPENSES	
Cost of sales and services	1,123,134
Administration	108,351
Depreciation	223,001
Total operating expenses	1,454,486
Operating loss	(84,821)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,513
Interest expense	(6,648)
Insurance proceeds	1,469
Total nonoperating revenues (expenses)	(3,666)
Income (loss) before contributions and transfers	(88,487)
Transfers in	416
Transfers out	(60,000)
Change in net assets	(148,071)
Total net assets - beginning	6,217,825
Total net assets - ending	\$ 6,069,754

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, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,413,382
Cash paid to suppliers	(823,069)
Cash paid to employees	<u>(393,128)</u>
Net cash provided (used) by operating activities	<u>197,185</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Decrease in due from other funds	3,507
Transfers to other funds	(60,000)
Transfers from other funds	416
Other income	<u>1,469</u>
Net cash provided (used) by noncapital financing activities	<u>(54,608)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments - revenue bonds and notes	(13,938)
Interest paid	(6,648)
Purchase of fixed assets	<u>(89,285)</u>
Net cash provided (used) by capital and related financing activities	<u>(109,871)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,717</u>
-----------------	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS

35,423

CASH AND CASH EQUIVALENTS - BEGINNING

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

CASH AND CASH EQUIVALENTS - ENDING

(Including restricted assets of \$134,312) \$ 1,290,141

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

Operating loss	\$ (84,821)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	223,001
(Increase) decrease in accounts receivable	46,895
(Increase) decrease in prepaid items	996
Increase (decrease) in accounts payable	12,531
Increase (decrease) in accrued liabilities	131
Increase (decrease) in compensated absences	1,630
Increase (decrease) in customer deposits	<u>(3,178)</u>
Total adjustments	<u>282,006</u>
Net cash provided by operating activities	<u><u>\$ 197,185</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, 2010**

	Zion Street Senior Citizens Agency Fund
ASSETS	
Cash and cash equivalents	\$ <u>2,445</u>
Total assets	\$ <u><u>2,445</u></u>
LIABILITIES	
Zion Street payables	\$ <u>2,445</u>
Total liabilities	\$ <u><u>2,445</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, 2010

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, 2010

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, 2010

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, 2010

Restricted assets and reserves

The City had restricted cash in the general fund in the amount of \$9,715, the amount of the Escheat account.

The City has designated \$108,150 for the future payment of refunds for Customer Deposits in the proprietary fund. The Water and Sewer fund also has restricted \$26,162 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:

Assets	<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, 2010**

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, 2010, none of the City's bank balances of \$2,535,487 were exposed to custodial credit risk due to Federal Deposit Insurance Corporation coverage of \$377,129 and the Transaction Account Guarantee coverage of \$2,158,358.

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, 2010, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes (net of allowance for uncollectibles of \$103,990)	\$ 28,194	\$ -	\$ 28,194
Accounts (net of allowance for uncollectibles of \$190,248 for Business-type Activities)	81,647	249,806	331,453
Interest	-	465	465
	109,841	250,271	360,112
Due from other governments:			
Federal Government	369	-	369
State Treasurer's Office	28,979	-	28,979
	29,348	-	29,348
Total Receivables	\$ 139,189	\$ 250,271	\$ 389,460

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 256,065	\$ 15	\$ -	\$ 256,080
Total capital assets, not being depreciated	256,065	15	-	256,080
Capital assets, being depreciated:				
Buildings and improvements	746,228	236,026	-	982,254
Improvements other than buildings	673,843	-	-	673,843
Machinery and equipment	667,006	32,929	-	699,935
Vehicles	1,368,904	67,165	(80,208)	1,355,861
Total capital assets, being depreciated	3,455,981	336,120	(80,208)	3,711,893
Less accumulated depreciation for:				
Buildings and improvements	(579,515)	(19,978)	-	(599,493)
Improvements other than buildings	(257,935)	(28,309)	-	(286,244)
Machinery and equipment	(401,979)	(48,053)	-	(450,032)
Vehicles	(872,622)	(141,630)	80,208	(934,044)
Total accumulated depreciation	(2,112,051)	(237,970)	80,208	(2,269,813)
Total capital assets, being depreciated, net	1,343,930	98,150	-	1,442,080
Governmental activities capital assets, net	\$ 1,599,995	\$ 98,165	\$ -	\$ 1,698,160
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 57,418	\$ -	\$ -	\$ 57,418
Capital assets, being depreciated:				
Buildings and systems	8,654,123	89,284	-	8,743,407
Machinery and equipment	676,040	-	-	676,040
Vehicles	361,796	-	(67,165)	294,631
Total capital assets, being depreciated	9,691,959	89,284	(67,165)	9,714,078
Less accumulated depreciation for:				
Buildings and systems	(3,891,444)	(203,507)	-	(4,094,951)
Machinery and equipment	(515,967)	(13,233)	-	(529,200)
Vehicles	(348,222)	(6,261)	67,165	(287,318)
Total accumulated depreciation	(4,755,633)	(223,001)	67,165	(4,911,469)
Total capital assets, being depreciated, net	4,936,326	(133,717)	-	4,802,609
Business-type activities capital assets, net	\$ 4,993,744	\$ (133,717)	\$ -	\$ 4,860,027

CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Governmental activities:		
General government		\$ 19,815
Police		20,201
Fire		84,219
Public works		14,908
Culture and recreation		31,662
Total depreciation expense – governmental activities		<u>\$ 170,805</u>
Business-type activities:		
Water and sewer		<u>\$ 223,001</u>

Current year increase in governmental activities includes a fully depreciated asset transferred from the water sewer enterprise fund.

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, 2010:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts due in one year
Governmental activities:					
Notes payable:					
Note	\$ 74,931	\$ -	\$ (34,346)	\$ 40,585	\$ 34,346
Note	128,253	-	(60,081)	68,172	62,739
Compensated absences	60,482	772	-	61,254	772
Totals	<u>\$ 263,666</u>	<u>\$ 772</u>	<u>\$ (94,427)</u>	<u>\$ 170,011</u>	<u>\$ 97,857</u>
Business-type activities:					
Notes payable:					
Note	\$ 195,012	\$ -	\$ (13,939)	\$ 181,073	\$ 14,362
Compensated absences	3,110	1,630	-	4,740	1,630
Totals	<u>\$ 198,122</u>	<u>\$ 1,630</u>	<u>\$ (13,939)</u>	<u>\$ 185,813</u>	<u>\$ 15,992</u>

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

Governmental activities:

Note Payable To:	Interest Rate:	Monthly Payment:	Maturity Date:	Collateralized By:	Balance at June 30, 2010
Bank	4.95%	\$2,862	November, 2013	Hospitality Taxes	\$ 40,585
Bank	4.30%	\$5,370	July, 2011	Equipment	68,172
					<u>\$ 108,757</u>

Business-type Activities:

SCIRF	3.00%	\$1,633	May, 2021	Water Revenues	<u>\$ 181,073</u>
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CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The annual requirements to amortize notes payable debt outstanding as of June 30, 2010, are as follows:

<u>Notes payable:</u> Year Ending June 30	<u>Governmental activities</u>		<u>Business-type activities</u>	
	Principal	Interest	Principal	Interest
2011	\$ 97,085	\$ 3,532	\$ 14,362	\$ 5,236
2012	11,672	309	14,799	4,799
2013	-	-	15,249	4,349
2014	-	-	15,713	3,606
2015	-	-	16,191	3,407
2016-2020	-	-	88,649	9,342
2021	-	-	16,110	222
Totals	<u>\$ 108,757</u>	<u>\$ 3,841</u>	<u>\$ 181,073</u>	<u>\$ 30,961</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

<u>Due to/from other funds:</u> <u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water	General	\$ 11,888

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:

	<u>Transferred In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Water and Sewer Fund</u>	
Transferred out:				
Hospitality fund	\$ 19,200	\$ -	\$ 415	\$ 19,615
Water and Sewer Enterprise fund	60,000	-	-	60,000
Total	<u>\$ 79,200</u>	<u>\$ -</u>	<u>\$ 415</u>	<u>\$ 79,615</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, 2010, are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Escheat deposits	\$ 9,715	\$ -
Customer meter deposits	-	108,150
Note payable covenant deposit	-	26,162
Total restricted assets	<u>\$ 9,715</u>	<u>\$ 134,312</u>

**CITY OF BELTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, 2009, and 2008, were \$68,907, \$69,050, and \$66,304, 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, 2010, 2009, and 2008, were \$74,249, \$71,430, and \$73,722, 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, 2010

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 2009, 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, 2010, the City paid Anderson County \$46,968 for these services. Payments per the agreement will be \$3,914 payable monthly for the period July 1, 2010 through February 28, 2011, the expiration date of the permit.

NOTE 12 – SUBSEQUENT EVENTS

The management of the City has evaluated subsequent events through January 27, 2011, 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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property tax	\$ 875,000	\$ 875,000	\$ 903,957	\$ 28,957
Auto tax	115,000	115,000	102,709	(12,291)
Payment in lieu of taxes	5,000	5,000	4,969	(31)
Franchise fees	297,500	297,500	269,580	(27,920)
Grants	-	-	2,800	2,800
Licenses and permits	580,500	580,500	470,392	(110,108)
Intergovernmental	313,550	313,550	715,393	401,843
Charges for services	252,854	252,854	240,405	(12,449)
Fines and forfeitures	195,000	195,000	133,254	(61,746)
Investment earnings	2,000	2,000	1,768	(232)
Miscellaneous	2,000	2,000	10,650	8,650
Total revenues	<u>2,638,404</u>	<u>2,638,404</u>	<u>2,855,877</u>	<u>217,473</u>
EXPENDITURES				
Administration	470,345	470,345	437,235	33,110
Public safety	1,321,963	1,321,963	1,268,106	53,857
Public works	677,172	677,172	709,109	(31,937)
Culture and recreation	202,231	202,231	164,848	37,383
Community development	-	-	153,093	(153,093)
Debt Service:				
Principal	60,104	60,104	60,081	23
Interest	4,339	4,339	5,341	(1,002)
Capital outlay	1,250	1,250	268,955	(267,705)
Total expenditures	<u>2,737,404</u>	<u>2,737,404</u>	<u>3,066,768</u>	<u>(329,364)</u>
(Deficiency) of revenues (under) expenditures	<u>(99,000)</u>	<u>(99,000)</u>	<u>(210,891)</u>	<u>(111,891)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	99,000	99,000	79,198	(19,802)
Sale of capital assets	-	-	875	875
Total other financing sources (uses)	<u>99,000</u>	<u>99,000</u>	<u>80,073</u>	<u>(18,927)</u>
Net change in fund balance	-	-	(130,818)	(130,818)
Fund balance - beginning	973,577	973,577	973,577	-
Fund balance - ending	<u>\$ 973,577</u>	<u>\$ 973,577</u>	<u>\$ 842,759</u>	<u>\$ (130,818)</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, 2010**

	<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	\$ 141,555	\$ 21,555
Investment earnings	-	-	874	874
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>142,429</u>	<u>22,429</u>
EXPENDITURES				
Administration	6,500	6,500	4,070	2,430
Culture and recreation	79,000	79,000	22,639	56,361
Tourism	34,500	34,500	20,636	13,864
Debt Service:				
Principal	-	-	34,346	(34,346)
Interest	-	-	2,981	(2,981)
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>84,672</u>	<u>35,328</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>57,757</u>	<u>57,757</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	(19,615)	(19,615)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(19,615)</u>	<u>(19,615)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>38,142</u>	<u>38,142</u>
Fund balance -beginning	<u>347,088</u>	<u>347,088</u>	<u>347,088</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 347,088</u></u>	<u><u>\$ 347,088</u></u>	<u><u>\$ 385,230</u></u>	<u><u>\$ 38,142</u></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, 2010

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	\$ 2,737,404	\$ 3,066,768	\$ (329,364)

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, 2010**

	<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	\$ 15,500	\$ 5,212	\$ 31,334	\$ 52,046
Total assets	<u>\$ 15,500</u>	<u>\$ 5,212</u>	<u>\$ 31,334</u>	<u>\$ 52,046</u>
FUND BALANCES				
Unreserved, undesignated	\$ 15,500	\$ 5,212	\$ 31,334	\$ 52,046
Total fund balances	<u>\$ 15,500</u>	<u>\$ 5,212</u>	<u>\$ 31,334</u>	<u>\$ 52,046</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, 2010**

	<u>Drug Fund</u>	<u>Firemen's Fund</u>	<u>Victims Compensation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ -	\$ 4,795	\$ -	\$ 4,795
Fines and forfeitures	3,842	-	9,630	13,472
Investment earnings	31	13	59	103
Total revenues	<u>3,873</u>	<u>4,808</u>	<u>9,689</u>	<u>18,370</u>
EXPENDITURES				
Public safety	<u>1,380</u>	<u>3,424</u>	<u>17,230</u>	<u>22,034</u>
Total expenditures	<u>1,380</u>	<u>3,424</u>	<u>17,230</u>	<u>22,034</u>
Excess (deficiency) of revenues over (under) expenditures	2,493	1,384	(7,541)	(3,664)
Fund balance - beginning	<u>13,007</u>	<u>3,828</u>	<u>38,875</u>	<u>55,710</u>
Fund balance - ending	<u>\$ 15,500</u>	<u>\$ 5,212</u>	<u>\$ 31,334</u>	<u>\$ 52,046</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, 2010**

	<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	\$ 50,717	\$ 50,717	\$ -	\$ -
Assessments	54,074	-	48,038	6,036
Surcharges	17,192	-	14,388	2,804
Other surcharges	6,220	-	6,220	-
	<u>\$ 128,203</u>	<u>\$ 50,717</u>	<u>\$ 68,646</u>	<u>\$ 8,840</u>
Expenditures:				
Public safety				\$ 17,230
Total expenditures				<u>\$ 17,230</u>
Balance Carried Forward to July 1, 2010				<u>\$ 31,334</u>

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

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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, 2010, which collectively comprise the City of Belton, South Carolina's basic financial statements and have issued our report thereon dated January 27, 2011. 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 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City Council and Mayor

Page Two

We noted certain matters that we reported to management of City of Belton, South Carolina, in a separate letter dated January 27, 2011.

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, L.L.P.

Anderson, South Carolina
January 27, 2011