

CITY OF BELTON, SOUTH CAROLINA

ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Argo and Associates, LLP
Certified Public Accountants

**CITY OF BELTON, SOUTH CAROLINA
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JUNE 30, 2011**

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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, 2011, 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. 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 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 31 through 32 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.

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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 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.

Argo and Associates, L.L.P.

Anderson, South Carolina

January 30, 2012

**CITY OF BELTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011.

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 \$8,931,704 of which \$2,031,151 was unrestricted.
- The government-wide net assets increased by \$53,766 or .61%.
- Total long-term debt decreased by \$104,255 or 29%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2011 fiscal year by \$1,387,577.
- Total fund balances of the governmental funds increased by \$107,542 or 8%.
- The total governmental funds revenues were \$2,657,434, which was more than total governmental funds expenditures of \$2,609,012 by \$48,422.
- Other financing sources for governmental funds totaled \$59,120 for the recent fiscal year.
- The net change in the water and sewer fund was a decrease of \$25,657.

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, 2011, and June 30, 2010.

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 \$8,931,704 at the close of the most recent fiscal year.

By far, the largest portion of the City's total net assets (70.2%) 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 assets of the City:

Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Totals	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cash and other assets	\$1,528,387	\$1,418,598	\$1,678,393	\$1,588,579	\$3,206,780	\$3,007,177
Capital assets	1,580,148	1,698,160	4,870,013	4,860,027	6,450,161	6,558,187
Total assets	<u>3,108,535</u>	<u>3,116,758</u>	<u>6,548,406</u>	<u>6,448,606</u>	<u>9,656,941</u>	<u>9,565,364</u>
Current liabilities	140,810	199,817	332,858	197,779	473,668	397,596
Non-current liabilities	80,118	108,757	171,451	181,073	251,569	289,830
Total liabilities	<u>220,928</u>	<u>308,574</u>	<u>504,309</u>	<u>378,852</u>	<u>725,237</u>	<u>687,426</u>
Net assets:						
Invested in capital assets, net of debt	1,568,467	1,589,403	4,703,302	4,678,954	6,271,769	6,268,357
Restricted	602,525	437,276	26,259	26,162	628,784	463,438
Unrestricted	716,615	781,505	1,314,536	1,364,638	2,031,151	2,146,143
Total net assets	<u>\$2,887,607</u>	<u>\$2,808,184</u>	<u>\$6,044,097</u>	<u>\$6,069,754</u>	<u>\$8,931,704</u>	<u>\$8,877,938</u>

The net assets increased \$53,766 in fiscal year 2011. The governmental activities increased \$79,423, while the business-type activities decreased \$25,657. Net assets of the City's governmental activities are \$2,887,607, while the business-type activities are \$6,044,097.

\$628,784 of the City's net assets represents resources that are subject to restrictions on how they may be used. Restricted net assets total \$602,525 for governmental activities and \$26,259 for business-type activities. The remaining balance of *unrestricted net assets*, \$2,031,151, may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets total \$716,615 for governmental activities and \$1,314,536 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, 2011 and 2010.

	Governmental activities		Business-type activities		Totals	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues:						
Program revenues:						
Charges for services	\$ 393,152	\$ 387,606	\$ 1,361,187	\$ 1,369,665	\$ 1,754,339	\$ 1,757,271
Operating grants and contributions	5,249	207,137	-	-	5,249	207,137
Capital grants and contributions	154,999	265,292	136,859	-	291,858	265,292
General revenues:						
Property taxes	902,995	903,957	-	-	902,995	903,957
Other taxes	238,592	244,264	-	-	238,592	244,264
Business licenses	723,505	739,972	-	-	723,505	739,972
Intergovernmental	223,072	250,084	-	-	223,072	250,084
Payment in lieu of taxes	10,028	4,969	-	-	10,028	4,969
Investment earnings	2,959	2,745	1,605	1,513	4,564	4,258
Gain (loss) on sale (disposal) of assets	-	875	-	-	-	875
Miscellaneous income	2,883	10,650	23,174	1,469	26,057	12,119
Total revenues	<u>\$ 2,657,434</u>	<u>\$ 3,017,551</u>	<u>\$ 1,522,825</u>	<u>\$ 1,372,647</u>	<u>\$ 4,180,259</u>	<u>\$ 4,390,198</u>

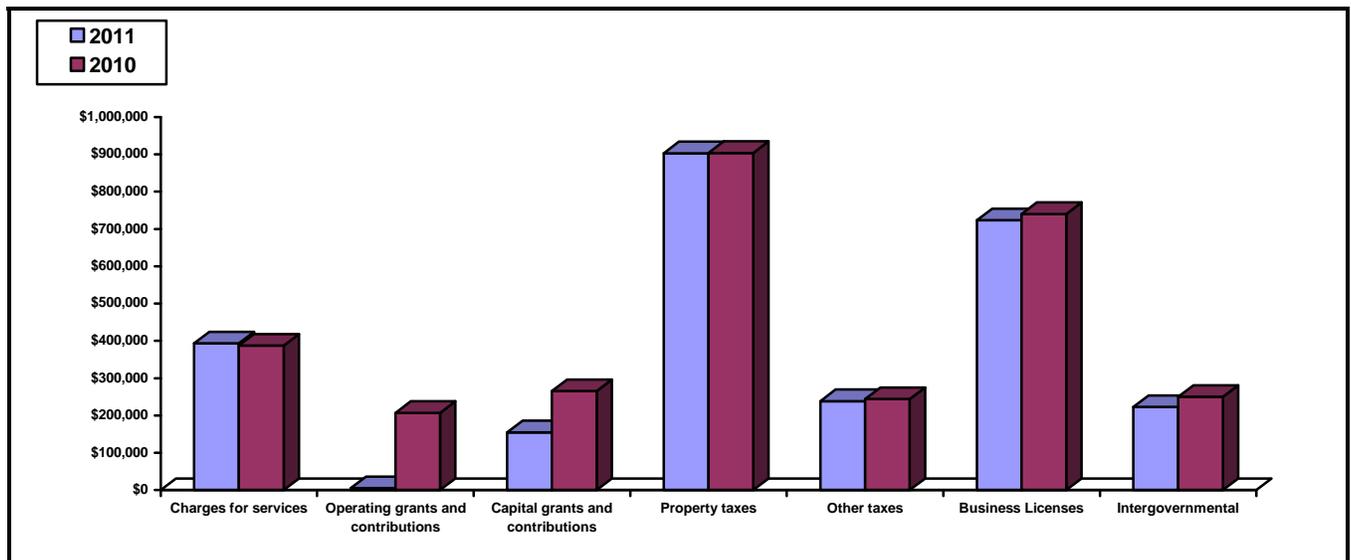
Change in Net Assets (continued)

	Governmental activities		Business-type activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Expenses:						
General government	\$ 454,927	\$ 461,948	\$ -	\$ -	\$ 454,927	\$ 461,948
Police	882,696	925,041	-	-	882,696	925,041
Fire	460,872	467,816	-	-	460,872	467,816
Public works	585,578	724,958	-	-	585,578	724,958
Culture and recreation	250,026	240,477	-	-	250,026	240,477
Community development	-	153,093	-	-	-	153,093
Interest on long-term debt	3,032	8,322	-	-	3,032	8,322
Water and sewer	-	-	1,489,362	1,461,134	1,489,362	1,461,134
Total expenses	<u>2,637,131</u>	<u>2,981,655</u>	<u>1,489,362</u>	<u>1,461,134</u>	<u>4,126,493</u>	<u>4,442,789</u>
Increase (decrease) in net assets before transfers	20,303	35,896	33,463	(88,487)	53,766	(52,591)
Transfers	59,120	59,584	(59,120)	(59,584)	-	-
Change in net assets	<u>79,423</u>	<u>95,480</u>	<u>(25,657)</u>	<u>(148,071)</u>	<u>53,766</u>	<u>(52,591)</u>
Net assets - July 1	2,808,184	2,712,704	6,069,754	6,217,825	8,877,938	8,930,529
Net assets - June 30	<u>\$ 2,887,607</u>	<u>\$ 2,808,184</u>	<u>\$ 6,044,097</u>	<u>\$ 6,069,754</u>	<u>\$ 8,931,704</u>	<u>\$ 8,877,938</u>

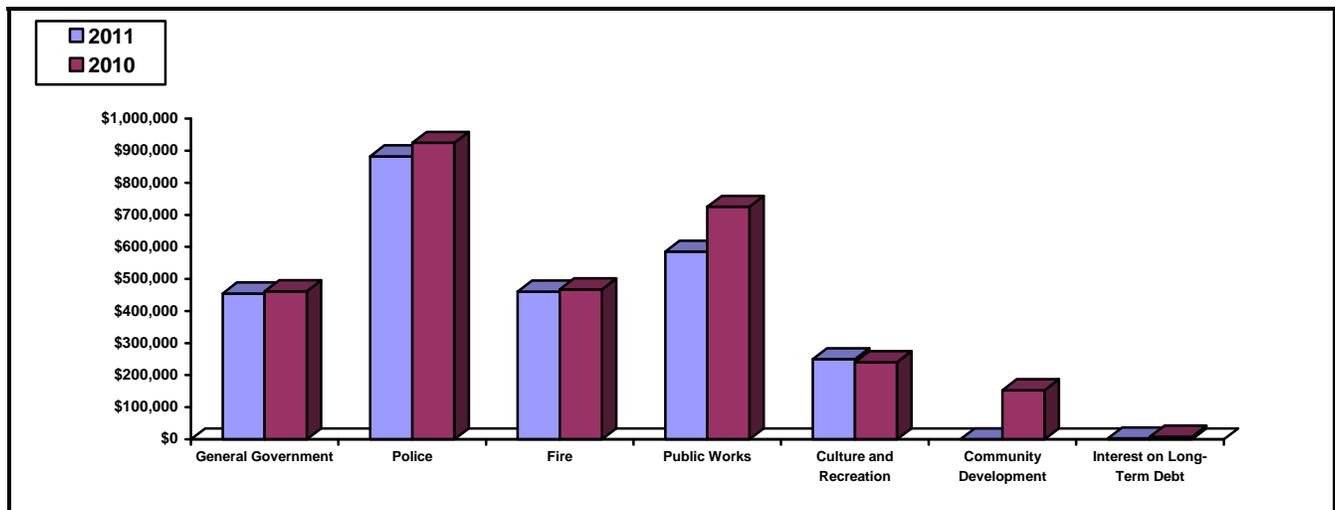
Governmental activities

Governmental activities increased the City's net assets by \$79,423. The decrease of total government activities expenditures of \$344,524 (12%) was the key element to this increase.

Governmental Activities – Revenues by source



Governmental Activities – Expenses



Business-type activities

Net assets of business-type activities decreased in the current year by \$25,657 (.42%). The increase of total business-type activities of \$28,228 (1.93%) was the key element of this decrease.

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 \$1,387,577. Of this amount \$65,588 is nonspendable, \$602,525 is restricted, and \$241,968 is assigned. The unassigned fund balance of \$477,496 is available for new spending.

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 increased \$61,229 (7.26%) 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. In fiscal year 2011, net assets decreased \$25,657 (.42%).

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:

	Budget-Final	Actual	Variance
Revenues and Other Financial Resources	\$ 2,536,404	\$ 2,570,604	\$ 34,200
Expenditures	2,536,404	2,509,375	27,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 61,229	\$ 61,229

Actual General Fund revenues and other revenue sources exceeded budgeted revenues and other financing sources by \$34,200. Intergovernmental, franchise fees, and a contribution accounted for the majority of the excess of revenues over the budgeted amounts. General fund expenditures were less than budgeted amounts by \$27,029. Administration, public works, culture and recreation expenditures accounted for the majority of the decrease 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, 2011, amounts to \$6,450,161 (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 costs incurred for the water meter monitoring system and purchase of police vehicles.

	Governmental activities		Business-type activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Land	\$ 256,080	\$ 256,080	\$ 57,418	\$ 57,418	\$ 313,498	\$ 313,498
Construction in progress	10,110	-	215,604	-	225,714	-
Buildings and system	358,594	382,761	4,444,681	4,648,456	4,803,275	5,031,217
Improvements other than buildings	360,524	387,599	-	-	360,524	387,599
Machinery and equipment	204,175	249,903	148,019	146,840	352,194	396,743
Vehicles	390,665	421,817	4,291	7,313	394,956	429,130
Total	\$ 1,580,148	\$ 1,698,160	\$ 4,870,013	\$ 4,860,027	\$ 6,450,161	\$ 6,558,187

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 \$178,392 in notes payable to banks for its government-wide activities. This is a decrease of \$111,438 (38%) from the previous year amount of \$289,830.

Outstanding Debt

	Governmental activities		Business-type activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Notes payable	\$ 11,681	\$ 108,757	\$ 166,711	\$ 181,073	\$ 178,392	\$ 289,830
Compensated absences	68,437	61,254	4,740	4,740	73,177	65,994
Totals	\$ 80,118	\$ 170,011	\$ 171,451	\$ 185,813	\$ 251,569	\$ 355,824

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

Economic Factors, Next Year’s Budget and Rates

The general safety and welfare of the community remain consistent, with police and fire services continuing with minimal staff changes.

During the year, the City of Belton was pleased to have construction begin on the elevator. This is one step in improving accessibility to all areas of City Hall. Much of this funding will come from a USDA grant, and a grant from a local foundation.

Our park and recreation facilities are in excellent condition and usage remains steady. The City continues to work with area teams outside of the City league. In the interest of promoting fitness and healthy living, we are hopeful that existing facilities will be maintained, and that there may be some expansion of sports in the near future. Some upgrades are planned for the largest baseball field.

The Combined Utilities Department will be busy with their seasonal work, as they continue to upgrade many parts of the system with new meters. The meter upgrade program is funded by a grant from the SC Department of Energy. These employees are also preparing for large-scale improvements to water and sewer systems.

National, state and local economies are beginning to see a slight rebound from the recession. This cautious optimism will hopefully lead to expansions in local businesses, and some new businesses coming to fill store fronts. The City is taking small strides to market our area, encourage tourism, and improve the general quality of life.

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 of the State. As the City anticipated next year's budget, it is probable that the upcoming 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, 2011

	Primary Government		
	Governmental Activities	Business- type	Total
ASSETS			
Cash and cash equivalents	\$ 1,207,653	\$ 1,176,509	\$ 2,384,162
Receivables (net of allowance for uncollectibles)	124,163	220,645	344,808
Interest receivable	-	465	465
Intergovernmental receivables	21,608	90,243	111,851
Internal balances	(19,296)	19,296	-
Inventories	4,652	17,891	22,543
Prepays	60,936	16,028	76,964
Restricted assets:			
Cash and cash equivalents:			
Escheat deposits	9,735	-	9,735
City Hall elevator contribution	100,255	-	100,255
Municipal Court deposits	18,681	-	18,681
Customer deposits	-	111,057	111,057
Note payable covenant deposit	-	26,259	26,259
Capital assets not being depreciated:			
Land	256,080	57,418	313,498
Construction in progress	10,110	215,604	225,714
Capital assets net of accumulated depreciation:			
Buildings and systems	358,594	4,444,681	4,803,275
Improvements other than buildings	360,524	-	360,524
Machinery and equipment	204,175	148,019	352,194
Vehicles	390,665	4,291	394,956
Total assets	<u>3,108,535</u>	<u>6,548,406</u>	<u>9,656,941</u>
LIABILITIES			
Accounts payable and other current liabilities	84,826	221,318	306,144
Unearned revenue	1,875	-	1,875
Intergovernmental payables	45,977	-	45,977
Liabilities payable from restricted assets	8,132	111,540	119,672
Noncurrent liabilities:			
Due within one year	25,689	19,539	45,228
Due in more than one year	54,429	151,912	206,341
Total liabilities	<u>220,928</u>	<u>504,309</u>	<u>725,237</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,568,467	4,703,302	6,271,769
Restricted for:			
Victims' assistance	39,016	-	39,016
Drug enforcement	15,531	-	15,531
Firemen's fund	5,069	-	5,069
Hospitality	423,973	-	423,973
City Hall capital improvements	100,255	-	100,255
Municipal Court	18,681	-	18,681
Debt service	-	26,259	26,259
Unrestricted	716,615	1,314,536	2,031,151
Total net assets	<u>\$ 2,887,607</u>	<u>\$ 6,044,097</u>	<u>\$ 8,931,704</u>

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

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 454,927	\$ 600	\$ -	\$ 101,000	\$ (353,327)	\$ -	\$ (353,327)
Police	882,696	154,257	-	-	(728,439)	-	(728,439)
Fire	460,872	146	4,749	-	(455,977)	-	(455,977)
Public works	585,578	231,721	-	52,874	(300,983)	-	(300,983)
Culture and recreation	250,026	6,428	500	1,125	(241,973)	-	(241,973)
Interest on long-term debt	3,032	-	-	-	(3,032)	-	(3,032)
Total governmental activities	<u>2,637,131</u>	<u>393,152</u>	<u>5,249</u>	<u>154,999</u>	<u>(2,083,731)</u>	<u>-</u>	<u>(2,083,731)</u>
Business-type Activities:							
Water and sewer	<u>1,489,362</u>	<u>1,384,361</u>	<u>-</u>	<u>136,859</u>	<u>-</u>	<u>31,858</u>	<u>31,858</u>
Total Primary Government	<u>\$ 4,126,493</u>	<u>\$ 1,777,513</u>	<u>\$ 5,249</u>	<u>\$ 291,858</u>	<u>(2,083,731)</u>	<u>31,858</u>	<u>(2,051,873)</u>
General Revenues:							
Taxes					1,141,587	-	1,141,587
Business licenses					723,505	-	723,505
Intergovernmental					223,072	-	223,072
Interest earnings					2,959	1,605	4,564
Payments in lieu of taxes					10,028	-	10,028
Miscellaneous					2,883	-	2,883
Transfers					59,120	(59,120)	-
Total General Revenues, Special Items, and Transfers					<u>2,163,154</u>	<u>(57,515)</u>	<u>2,105,639</u>
Change in Net Assets					79,423	(25,657)	53,766
Net Assets - Beginning					2,808,184	6,069,754	8,877,938
Net Assets - Ending					<u>\$ 2,887,607</u>	<u>\$ 6,044,097</u>	<u>\$ 8,931,704</u>

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

**CITY OF BELTON, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 718,692	\$ 429,345	\$ 59,616	\$ 1,207,653
Receivables:				
Accounts receivable	75,869	6,628	-	82,497
Taxes receivable, net of allowance	41,666	-	-	41,666
Due from other governments	21,608	-	-	21,608
Due from other funds	13,126	-	-	13,126
Inventories	4,652	-	-	4,652
Prepaid items	60,936	-	-	60,936
Cash - restricted	128,671	-	-	128,671
Total assets	<u>\$ 1,065,220</u>	<u>\$ 435,973</u>	<u>\$ 59,616</u>	<u>\$ 1,560,809</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 54,524	\$ 12,000	\$ -	\$ 66,524
Due to other funds	32,422	-	-	32,422
Due to other governments	45,977	-	-	45,977
Accrued liabilities	18,302	-	-	18,302
Unearned revenue	1,875	-	-	1,875
Liabilities payable from restricted assets	8,132	-	-	8,132
Total liabilities	<u>161,232</u>	<u>12,000</u>	<u>-</u>	<u>173,232</u>
Fund balances:				
Nonspendable	65,588	-	-	65,588
Restricted	118,936	423,973	59,616	602,525
Assigned	241,968	-	-	241,968
Unassigned	477,496	-	-	477,496
Total fund balances	<u>903,988</u>	<u>423,973</u>	<u>59,616</u>	<u>1,387,577</u>
Total liabilities and fund balances	<u>\$ 1,065,220</u>	<u>\$ 435,973</u>	<u>\$ 59,616</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. 1,580,148

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (80,118)

Net assets of governmental activities \$ 2,887,607

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

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 902,995	\$ -	\$ -	\$ 902,995
Auto	96,480	-	-	96,480
Hospitality	-	142,112	-	142,112
Payments in lieu of taxes	10,028	-	-	10,028
Franchise fees	272,205	-	-	272,205
Grants	1,000	-	-	1,000
Licenses and permits	451,300	-	-	451,300
Intergovernmental	278,171	-	4,749	282,920
Charges for services	237,195	-	-	237,195
Fines and forfeitures	145,401	-	8,501	153,902
Contributions	100,000	-	-	100,000
Investment earnings	1,720	1,124	115	2,959
Miscellaneous	4,338	-	-	4,338
Total revenues	2,500,833	143,236	13,365	2,657,434
EXPENDITURES				
Administration	428,792	2,158	-	430,950
Public safety	1,229,275	-	5,795	1,235,070
Public works	577,507	-	-	577,507
Culture, recreation, and tourism	163,284	56,091	-	219,375
Debt service:				
Principal	62,730	34,346	-	97,076
Interest	1,785	1,247	-	3,032
Capital outlay	46,002	-	-	46,002
Total expenditures	2,509,375	93,842	5,795	2,609,012
Excess (deficiency) of revenues over (under) expenditures	(8,542)	49,394	7,570	48,422
OTHER FINANCING SOURCES (USES)				
Operating transfers in	69,771	-	-	69,771
Operating transfers out	-	(10,651)	-	(10,651)
Total other financing sources (uses)	69,771	(10,651)	-	59,120
Net change in fund balances	61,229	38,743	7,570	107,542
Fund balance - beginning	842,759	385,230	52,046	1,280,035
Fund balance - ending	\$ 903,988	\$ 423,973	\$ 59,616	\$ 1,387,577

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, 2011**

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

Net change in fund balances - total governmental funds	\$ 107,542
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 expense of \$164,014 exceeded capital outlay of \$46,002 in the current period.	(118,012)
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.	97,076
Some expenses reported in the statement of activities do not require the use of current resources, and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(7,183)</u>
Change in net assets of governmental activities	<u>\$ 79,423</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, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,176,509
Accounts receivables (net of allowance)	220,645
Interest receivable	465
Intergovernmental receivable	90,243
Due from other funds	32,422
Inventories	17,891
Prepaid items	16,028
Restricted cash, cash equivalents, and other:	
Customer deposits	111,057
Note payable covenant deposit	<u>26,259</u>
 Total current assets	 <u>1,691,519</u>

Capital assets:

Land	57,418
Construction in progress	215,604
Buildings and systems	8,743,407
Machinery and equipment	689,400
Vehicles	294,631
Less accumulated depreciation	<u>(5,130,447)</u>
 Total capital assets (net of accumulated depreciation)	 <u>4,870,013</u>

Total assets	<u>6,561,532</u>
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LIABILITIES

Current liabilities:

Accounts payable	217,618
Due to other funds	13,126
Compensated absences	4,740
Accrued liabilities	3,700
Notes payable - current	<u>14,799</u>
 Total current liabilities	 <u>253,983</u>

Current liabilities payable from restricted assets:

Customer deposits payable	<u>111,540</u>
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Noncurrent liabilities:

Notes payable	<u>151,912</u>
 Total liabilities	 <u>517,435</u>

NET ASSETS

Invested in capital assets, net of related debt	4,703,302
Restricted for debt service	26,259
Unrestricted	<u>1,314,536</u>
 Total net assets	 <u>\$ 6,044,097</u>

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, 2011**

OPERATING REVENUES	
Charges for services	\$ 1,361,187
OPERATING EXPENSES	
Cost of sales and services	1,149,305
Administration	115,843
Depreciation	218,978
Total operating expenses	1,484,126
Operating loss	(122,939)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,605
Interest expense	(5,236)
Insurance proceeds	23,174
Total nonoperating revenues (expenses)	19,543
Income (loss) before contributions and transfers	(103,396)
Capital contributions - Grants	136,859
Transfers in	880
Transfers out	(60,000)
Change in net assets	(25,657)
Total net assets - beginning	6,069,754
Total net assets - ending	\$ 6,044,097

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, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,393,256
Cash paid to suppliers	(867,839)
Cash paid to employees	<u>(390,578)</u>
Net cash provided (used) by operating activities	<u>134,839</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due from other funds	(7,408)
Transfers to other funds	(60,000)
Transfers from other funds	879
Other income	<u>23,174</u>
Net cash provided (used) by noncapital financing activities	<u>(43,355)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments - revenue bonds and notes	(14,799)
Interest paid	(5,236)
Proceeds from capital contributions - grants	46,616
Purchase of fixed assets	<u>(95,986)</u>
Net cash provided (used) by capital and related financing activities	<u>(69,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1,605</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,684
CASH AND CASH EQUIVALENTS - BEGINNING (Including restricted assets of \$134,312)	<u>1,290,141</u>
CASH AND CASH EQUIVALENTS - ENDING (Including restricted assets of \$137,316)	<u><u>\$ 1,313,825</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating loss	\$ (122,939)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	218,978
(Increase) decrease in accounts receivable	29,161
(Increase) decrease in prepaid items	2,360
Increase (decrease) in accounts payable	4,363
Increase (decrease) in accrued liabilities	(474)
Increase (decrease) in customer deposits	<u>3,390</u>
Total adjustments	<u>257,778</u>
Net cash provided by operating activities	<u><u>\$ 134,839</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, 2011**

	<u>Zion Street Senior Citizens Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,605</u>
Total assets	<u>\$ 1,605</u>
LIABILITIES	
Zion Street payables	\$ <u>1,605</u>
Total liabilities	<u>\$ 1,605</u>

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

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Belton, South Carolina (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 City's accounting policies are described below.

A. Reporting Entity

The City of Belton, South Carolina 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 City provides the following services: public safety (police and fire), street maintenance, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. The City also owns and operates a utility system which provides water and sewer services. The financial statements of the City include all of the above operations. No other organizations are included in the financial statements and the City is not included in any other governmental "reporting entity" as defined by GASB, since Council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues or from specific revenue sources such as grants, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. 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.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 City 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.

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 City.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and the change in net assets.

Major Governmental Funds – The major governmental funds reported by the City are as follows:

General Fund. 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.

Hospitality Fund. The Hospitality Fund is used to account for the proceeds of hospitality fees to be segregated for the expenditures of tourism related costs.

Major Proprietary Fund – The City reports the following major proprietary fund:

Water and Sewer Fund. This enterprise fund accounts for the activities of the City-owned water and sewer systems.

Additionally, the City reports the following fund type:

Fiduciary Fund. The fiduciary fund accounts for the assets held by the government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. 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.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of 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 non-operating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Cash and Investments

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and short-term investments with a maturity date within three months of the date purchased. Investments are recorded at fair value. The calculation of realized gains and losses is independent of calculation of changes in fair value of investments.

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.

2. Interfund 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.

3. Accounts Receivable

Accounts receivable represent amounts owed the City for property taxes, water and sewer fees, and franchise fees and are reflected net of an allowance for uncollectibles.

4. Inventories

Significant inventories are valued at cost using the first-in/first-out (FIFO) method and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Prepaid Items

Payments to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited by applicable laws, grant agreements, or bond covenants.

7. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the 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 and an estimated useful life in excess of two years. The assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed.

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

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

8. 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.

9. 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.

10. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted or committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

11. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt. This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets. This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, constitutional provisions.

Unrestricted Net Assets. This amount is all the net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

12. Property Taxes

Anderson County bills and collects real and vehicle property taxes for the City. 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.

13. 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.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

The State of South Carolina General Statutes permits the City to invest in certain types of financial instruments. Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

As of June 30, 2011, bank balances of the City's deposits were \$2,668,266.

Interest rate risk. The City manages its exposure to declines in fair values by limiting its investments to certificates of deposit which can be sold and withdrawn on demand.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2011, all of the City's bank balances were insured and collateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2011, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
Taxes (net of allowance of \$93,138)	\$ 41,666	\$ -	\$ 41,666
Accounts (net of allowance of \$243,504 for Business-type Activities)	82,497	220,645	303,142
Interest	-	465	465
	<u>124,163</u>	<u>221,110</u>	<u>345,273</u>
Due from other governments:			
State Treasurer's Office	21,608	-	21,608
SC Energy Office	-	90,243	90,243
	<u>21,608</u>	<u>90,243</u>	<u>111,851</u>
Total Receivables	<u>\$ 145,771</u>	<u>\$ 311,353</u>	<u>\$ 457,124</u>

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital assets activity for the governmental activities for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 256,080	\$ -	\$ -	\$ 256,080
Construction in progress	-	10,110	-	10,110
Total capital assets, not being depreciated	<u>256,080</u>	<u>10,110</u>	<u>-</u>	<u>266,190</u>
Capital assets, being depreciated:				
Buildings and improvements	982,254	-	-	982,254
Improvements other than buildings	673,843	-	-	673,843
Machinery and equipment	699,935	-	(1,451)	698,484
Vehicles	1,355,861	35,892	(67,165)	1,324,588
Total capital assets, being depreciated	<u>3,711,893</u>	<u>35,892</u>	<u>(68,616)</u>	<u>3,679,169</u>
Accumulated depreciation for:				
Buildings and improvements	(599,493)	(24,167)	-	(623,660)
Improvements other than buildings	(286,244)	(27,075)	-	(313,319)
Machinery and equipment	(450,032)	(45,728)	1,451	(494,309)
Vehicles	(934,044)	(67,044)	67,165	(933,923)
Total accumulated depreciation	<u>(2,269,813)</u>	<u>(164,014)</u>	<u>68,616</u>	<u>(2,365,211)</u>
Total capital assets, being depreciated, net	<u>1,442,080</u>	<u>(128,122)</u>	<u>-</u>	<u>1,313,958</u>
Governmental activities capital assets, net	<u>\$ 1,698,160</u>	<u>\$ (118,012)</u>	<u>\$ -</u>	<u>\$ 1,580,148</u>

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

Governmental activities:	
General government	\$ 22,595
Police	18,371
Fire	81,845
Public works	10,873
Culture and recreation	30,330
Total depreciation expense – governmental activities	<u>\$ 164,014</u>

Current year increase in governmental activities includes purchases of police vehicles and costs incurred toward the construction of an elevator at City Hall.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – CHANGES IN CAPITAL ASSETS (continued)

Capital assets activity for business-type activities for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 57,418	\$ -	\$ -	\$ 57,418
Construction in progress	-	215,604	-	215,604
Total capital assets, not being depreciated	<u>57,418</u>	<u>215,604</u>	<u>-</u>	<u>273,022</u>
Capital assets, being depreciated:				
Buildings and systems	8,743,407	-	-	8,743,407
Machinery and equipment	676,040	13,360	-	689,400
Vehicles	294,631	-	-	294,631
Total capital assets, being depreciated	<u>9,714,078</u>	<u>13,360</u>	<u>-</u>	<u>9,727,438</u>
Accumulated depreciation for:				
Buildings and systems	(4,094,951)	(203,775)	-	(4,298,726)
Machinery and equipment	(529,200)	(12,181)	-	(541,381)
Vehicles	(287,318)	(3,022)	-	(290,340)
Total accumulated depreciation	<u>(4,911,469)</u>	<u>(218,978)</u>	<u>-</u>	<u>(5,130,447)</u>
Total capital assets, being depreciated, net	<u>4,802,609</u>	<u>(205,618)</u>	<u>-</u>	<u>4,596,991</u>
Business-type activities capital assets, net	<u>\$ 4,860,027</u>	<u>\$ 9,986</u>	<u>\$ -</u>	<u>\$ 4,870,013</u>

Depreciation expense for the water and sewer enterprise fund was \$218,978 for the year ended June 30, 2011.

Current year increases in business-type activities includes purchase of air units and construction costs for a water meter monitoring system not complete as of June 30, 2011.

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, 2011:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due in one year
Governmental activities:					
Notes payable:					
Note	\$ 40,585	\$ -	\$ (34,346)	\$ 6,239	\$ 6,239
Note	68,172	-	(62,730)	5,442	5,442
Compensated absences	61,254	7,183	-	68,437	14,008
Totals	<u>\$ 170,011</u>	<u>\$ 7,183</u>	<u>\$ (97,076)</u>	<u>\$ 80,118</u>	<u>\$ 25,689</u>

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CHANGES IN LONG-TERM DEBT (continued)

Business-type activities:	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due in one year
Notes payable:					
Note	\$ 181,073	\$ -	\$ (14,362)	\$ 166,711	\$ 14,799
Compensated absences	4,740	-	-	4,740	4,740
Totals	<u>\$ 185,813</u>	<u>\$ -</u>	<u>\$ (14,362)</u>	<u>\$ 171,451</u>	<u>\$ 19,539</u>

Long-term debt at June 30, 2011, was comprised of the following:

Governmental activities:

Note Payable To:	Interest Rate:	Monthly Payment:	Maturity Date:	Collateralized By:	Balance at June 30, 2011
Bank	4.95%	\$2,862	November, 2013	Hospitality Taxes	\$ 6,239
Bank	4.30%	\$5,370	July, 2011	Equipment	5,442
					<u>\$ 11,681</u>

Business-type Activities:

SCIRF	3.00%	\$1,633	May, 2021	Water Revenues	<u>\$ 166,711</u>
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The annual requirements to amortize notes payable debt outstanding as of June 30, 2011, are as follows:

Year Ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2012	\$ 11,681	\$ 19	\$ 14,799	\$ 4,799
2013	-	-	15,249	4,349
2014	-	-	15,713	3,606
2015	-	-	16,191	3,407
2016	-	-	16,684	2,915
2017-2021	-	-	88,075	6,649
Totals	<u>\$ 11,681</u>	<u>\$ 19</u>	<u>\$ 166,711</u>	<u>\$ 25,725</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

Receivable fund	Payable fund	Amount
Water	General	\$ 19,296

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.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Interfund transfers:	Transferred In:			
	General Fund	Hospitality Fund	Water and Sewer Fund	Total
Transferred out:				
Hospitality fund	\$ 9,772	\$ -	\$ 879	\$ 10,651
Water and Sewer Enterprise fund	60,000	-	-	60,000
Total	<u>\$ 69,772</u>	<u>\$ -</u>	<u>\$ 879</u>	<u>\$ 70,651</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. Amounts were transferred from the Water and Sewer Enterprise Fund to the General Fund for administrative costs.

NOTE 7 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the governmental and enterprise fund as of June 30, 2011, are as follows:

	Governmental activities	Business-type activities
Escheat deposits	\$ 9,735	\$ -
City Hall elevator contribution	100,255	-
Municipal Court deposits	18,681	-
Customer meter deposits	-	111,057
Note payable covenant deposit	-	26,259
Total restricted assets	<u>\$ 128,671</u>	<u>\$ 137,316</u>

NOTE 8 – FUND BALANCES

The following is a summary of the Governmental fund balances of the City as of June 30, 2011:

	General Fund	Major Special Revenue Fund – Hospitality Fund	Other Governmental Funds	Totals
Nonspendable:				
Inventory	\$ 4,652	\$ -	\$ -	\$ 4,652
Prepays	60,936	-	-	60,936
	<u>65,588</u>	<u>-</u>	<u>-</u>	<u>65,588</u>
Restricted for:				
City Hall capital improvements	100,255	-	-	100,255
Municipal court	18,681	-	-	18,681
Hospitality	-	423,973	-	423,973
Victims compensation	-	-	39,016	39,016
Drug enforcement	-	-	15,531	15,531
Firemen’s activities	-	-	5,069	5,069
	<u>118,936</u>	<u>423,973</u>	<u>59,616</u>	<u>602,525</u>

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – FUND BALANCES (continued)

	General Fund	Major Special Revenue Fund – Hospitality Fund	Other Governmental Funds	Totals
Assigned to:				
Parks and Recreation	1,356	-	-	1,356
City Hall capital improvements	30,530	-	-	30,530
Longevity	58,244	-	-	58,244
Insurance premiums	151,838	-	-	151,838
	<u>241,968</u>	<u>-</u>	<u>-</u>	<u>241,968</u>
Unassigned:	477,496	-	-	477,496
Total Fund Balance	<u>\$ 903,988</u>	<u>\$ 423,973</u>	<u>\$ 59,616</u>	<u>\$ 1,387,577</u>

NOTE 9 – 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 10 – 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.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – EMPLOYEE RETIREMENT BENEFITS (continued)

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, 2011, 2010, and 2009, were \$61,465, \$68,907, and \$69,050, 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, 2011, 2010, and 2009, were \$77,636, \$74,249, and \$71,430, 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.

NOTE 11 – 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 12 – SUBSEQUENT EVENTS

The City has applied for and been pre-approved for funding from Rural Development for the construction of a water system upgrade estimated to cost \$9.4 million. Construction is expected to start within the next fiscal year ending June 30, 2012. As of the date of the financial statements, the amount of funding to be received by Rural Development had not been determined.

**CITY OF BELTON, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 925,000	\$ 925,000	\$ 902,995	\$ (22,005)
Auto	115,000	115,000	96,480	(18,520)
Payment in lieu of taxes	5,000	5,000	10,028	5,028
Franchise fees	252,500	252,500	272,205	19,705
Grants	-	-	1,000	1,000
Licenses and permits	514,800	514,800	451,300	(63,500)
Intergovernmental	221,300	221,300	278,171	56,871
Charges for services	246,804	246,804	237,195	(9,609)
Fines and forfeitures	150,000	150,000	145,401	(4,599)
Contributions	-	-	100,000	100,000
Investment earnings	1,000	1,000	1,720	720
Miscellaneous	11,000	11,000	4,338	(6,662)
Total revenues	<u>2,442,404</u>	<u>2,442,404</u>	<u>2,500,833</u>	<u>58,429</u>
EXPENDITURES				
Administration	440,808	440,808	428,792	12,016
Public safety	1,224,483	1,224,483	1,229,275	(4,792)
Public works	587,249	587,249	577,507	9,742
Culture and recreation	174,247	174,247	163,284	10,963
Debt Service:				
Principal	64,444	64,444	62,730	1,714
Interest	1,721	1,721	1,785	(64)
Capital outlay	43,452	43,452	46,002	(2,550)
Total expenditures	<u>2,536,404</u>	<u>2,536,404</u>	<u>2,509,375</u>	<u>27,029</u>
(Deficiency) of revenues (under) expenditures	<u>(94,000)</u>	<u>(94,000)</u>	<u>(8,542)</u>	<u>85,458</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	94,000	94,000	69,771	(24,229)
Total other financing sources (uses)	<u>94,000</u>	<u>94,000</u>	<u>69,771</u>	<u>(24,229)</u>
Net change in fund balance	-	-	61,229	61,229
Fund balance - beginning	842,759	842,759	842,759	-
Fund balance - ending	<u>\$ 842,759</u>	<u>\$ 842,759</u>	<u>\$ 903,988</u>	<u>\$ 61,229</u>

See the accompanying notes to the required supplemental information.

**CITY OF BELTON, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
HOSPITALITY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 142,112	\$ 22,112
Investment earnings	750	750	1,124	374
Total revenues	<u>120,750</u>	<u>120,750</u>	<u>143,236</u>	<u>22,486</u>
EXPENDITURES				
Administration	4,000	4,000	2,158	1,842
Culture and recreation	67,811	67,811	37,058	30,753
Tourism	10,000	10,000	19,033	(9,033)
Debt Service:				
Principal	34,346	34,346	34,346	-
Interest	4,593	4,593	1,247	3,346
Total expenditures	<u>120,750</u>	<u>120,750</u>	<u>93,842</u>	<u>26,908</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>49,394</u>	<u>49,394</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	(10,651)	(10,651)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10,651)</u>	<u>(10,651)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>38,743</u>	<u>38,743</u>
Fund balance - beginning	<u>385,230</u>	<u>385,230</u>	<u>385,230</u>	<u>-</u>
Fund balance - ending	<u>\$ 385,230</u>	<u>\$ 385,230</u>	<u>\$ 423,973</u>	<u>\$ 38,743</u>

See the accompanying notes to the required supplemental information.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2011

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).

**CITY OF BELTON, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2011**

	<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	\$ 15,531	\$ 5,069	\$ 39,016	\$ 59,616
Total assets	<u>\$ 15,531</u>	<u>\$ 5,069</u>	<u>\$ 39,016</u>	<u>\$ 59,616</u>
FUND BALANCES				
Restricted	\$ 15,531	\$ 5,069	\$ 39,016	\$ 59,616
Total fund balances	<u>\$ 15,531</u>	<u>\$ 5,069</u>	<u>\$ 39,016</u>	<u>\$ 59,616</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, 2011**

	<u>Drug Fund</u>	<u>Firemen's Fund</u>	<u>Victims Compensation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ -	\$ 4,749	\$ -	\$ 4,749
Fines and forfeitures	-	-	8,501	8,501
Investment earnings	31	15	69	115
Total revenues	<u>31</u>	<u>4,764</u>	<u>8,570</u>	<u>13,365</u>
EXPENDITURES				
Public safety	-	4,907	888	5,795
Total expenditures	<u>-</u>	<u>4,907</u>	<u>888</u>	<u>5,795</u>
Excess (deficiency) of revenues over (under) expenditures	31	(143)	7,682	7,570
Fund balance - beginning	<u>15,500</u>	<u>5,212</u>	<u>31,334</u>	<u>52,046</u>
Fund balance - ending	<u>\$ 15,531</u>	<u>\$ 5,069</u>	<u>\$ 39,016</u>	<u>\$ 59,616</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, 2011**

	<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	\$ 57,733	\$ 57,733	\$ -	\$ -
Assessments	58,979	-	52,395	6,584
Surcharges	20,229	-	17,736	2,493
Other surcharges	6,952	-	6,952	-
	<u>\$ 143,893</u>	<u>\$ 57,733</u>	<u>\$ 77,083</u>	<u>\$ 9,077</u>
Expenditures:				
Public safety				\$ 888
Total expenditures				<u>\$ 888</u>
Balance Carried Forward to July 1, 2011				<u>\$ 39,016</u>

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