

**CITY OF BELTON
BELTON, SOUTH CAROLINA**

**ANNUAL FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Argo and Associates, LLP
Anderson, South Carolina

**CITY OF BELTON, SOUTH CAROLINA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Belton, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 32-33 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belton, South Carolina's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of municipal court fines, assessments, and surcharges are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2014, 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* in considering City of Belton, South Carolina's internal control over financial reporting and compliance.

Argo and Associates, L.L.P.

Anderson, South Carolina
July 10, 2014

**CITY OF BELTON, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013.

FINANCIAL HIGHLIGHTS

Management believes the City's financial condition has weakened over the last few years. The following are key financial highlights:

- The total government-wide net position at the close of the most recent fiscal year was \$8,597,807 of which \$1,986,196 was unrestricted.
- The government-wide net position decreased by \$204,301 or 2.32%.
- Total long-term debt decreased by \$44,472 or 18.23%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2013 fiscal year by \$1,048,489.
- Total fund balances of the governmental funds decreased by \$123,526 or 10.54%.
- The total governmental funds revenues were \$2,721,318, which was less than total governmental funds expenditures of \$2,846,761 by \$125,443.
- Other financing sources and uses for governmental funds was a net increase of \$1,917 for the recent fiscal year.
- The net change in the proprietary funds included an increase of \$84,906 for the water fund and a decrease of \$143,479 for the wastewater fund.

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 position.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two being reported as net position. Over time, increases and decreases in net position 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 position changed over the most recent fiscal year. All changes to net position 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, intergovernmental, 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 wastewater systems. 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, 2013, and June 30, 2012.

Net Position

As noted earlier, net position 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 \$8,597,807 at the close of the most recent fiscal year.

By far, the largest portion of the City's total net position (71.29%) 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 position reports the total assets, liabilities, and net position of the City:

Condensed Statement of Net Position

| | Governmental activities | | Business-type activities | | Totals | |
|--|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Cash and other assets | \$1,228,313 | \$1,290,538 | \$1,661,878 | \$1,523,185 | \$2,890,191 | \$2,813,723 |
| Capital assets | 1,701,156 | 1,753,956 | 4,564,992 | 4,788,573 | 6,266,148 | 6,542,529 |
| Total assets | <u>2,929,469</u> | <u>3,044,494</u> | <u>6,226,870</u> | <u>6,311,758</u> | <u>9,156,339</u> | <u>9,356,252</u> |
| Current liabilities | 179,824 | 118,523 | 179,209 | 191,650 | 359,033 | 310,173 |
| Non-current liabilities | 56,721 | 87,319 | 142,778 | 156,652 | 199,499 | 243,971 |
| Total liabilities | <u>236,545</u> | <u>205,842</u> | <u>321,987</u> | <u>348,302</u> | <u>558,532</u> | <u>554,144</u> |
| Net position: | | | | | | |
| Invested in capital assets, net of debt | 1,701,156 | 1,753,956 | 4,428,329 | 4,636,661 | 6,129,485 | 6,390,617 |
| Restricted | 455,727 | 461,840 | 26,399 | 26,336 | 482,126 | 488,176 |
| Unrestricted | 536,041 | 622,856 | 1,450,155 | 1,300,459 | 1,986,196 | 1,923,315 |
| Total net position | <u>\$2,692,924</u> | <u>\$2,838,652</u> | <u>\$5,904,883</u> | <u>\$5,963,456</u> | <u>\$8,597,807</u> | <u>\$8,802,108</u> |

The net position decreased \$204,301 in fiscal year 2013. The governmental activities decreased \$145,728, while the business-type activities decreased \$58,573. The City's governmental activities net position as of June 30, 2013, was \$2,692,924, while the business-type activities was \$5,904,883.

\$482,126 of the City's net position represents resources that are subject to restrictions on how they may be used. \$455,727 of the governmental activities net position and \$26,399 of the business-type activities net position was restricted as of June 30, 2013. The remaining balance of \$1,986,196 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. \$536,041 of the governmental activities net position and \$1,450,155 of the business-type activities net position was unrestricted as of June 30, 2013.

Change in Net Position

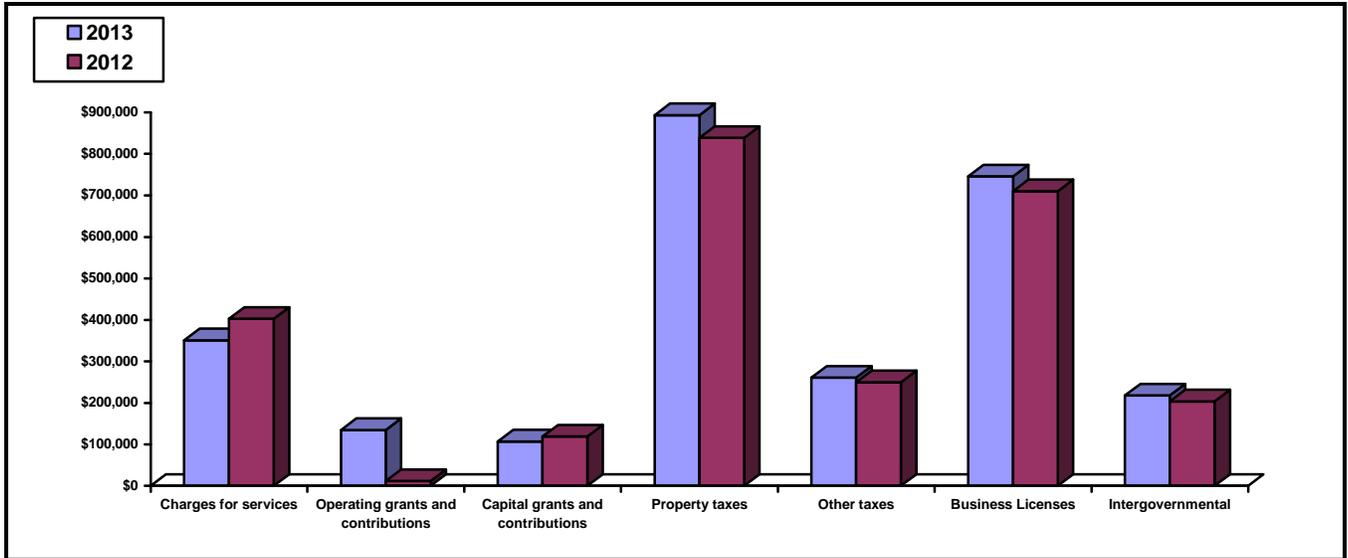
The following table shows the revenues and expenses of the City for the fiscal year ended June 30, 2013 and 2012.

| | Governmental activities | | Business-type activities | | Totals | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 350,912 | \$ 402,351 | \$ 1,425,869 | \$ 1,422,735 | \$ 1,776,781 | \$ 1,825,086 |
| Operating grants and contributions | 134,759 | 11,616 | - | - | 134,759 | 11,616 |
| Capital grants and contributions | 107,015 | 118,949 | - | 73,441 | 107,015 | 192,390 |
| General revenues: | | | | | | |
| Property taxes | 893,189 | 838,452 | - | - | 893,189 | 838,452 |
| Other taxes | 260,873 | 249,456 | - | - | 260,873 | 249,456 |
| Business licenses | 745,721 | 710,064 | - | - | 745,721 | 710,064 |
| Intergovernmental | 217,866 | 203,780 | - | - | 217,866 | 203,780 |
| Payment in lieu of taxes | - | 6,038 | - | - | - | 6,038 |
| Investment earnings | 618 | 2,714 | 1,130 | 1,190 | 1,748 | 3,904 |
| Gain (loss) on sale (disposal) of assets | (3,415) | 326 | - | - | (3,415) | 326 |
| Contribution of land | - | 32,000 | - | - | - | 32,000 |
| Miscellaneous income | 10,365 | 50,653 | - | - | 10,365 | 50,653 |
| Total revenues | <u>2,717,903</u> | <u>2,626,399</u> | <u>1,426,999</u> | <u>1,497,366</u> | <u>4,144,902</u> | <u>4,123,765</u> |
| Expenses: | | | | | | |
| General government | 478,622 | 497,923 | - | - | 478,622 | 497,923 |
| Police | 936,822 | 899,230 | - | - | 936,822 | 899,230 |
| Fire | 488,754 | 500,753 | - | - | 488,754 | 500,753 |
| Public works | 575,517 | 545,200 | - | - | 575,517 | 545,200 |
| Culture and recreation | 381,815 | 289,985 | - | - | 381,815 | 289,985 |
| Interest on long-term debt | 68 | 55 | - | - | 68 | 55 |
| Water | - | - | 871,146 | 949,976 | 871,146 | 949,976 |
| Wastewater | - | - | 616,459 | 570,239 | 616,459 | 570,239 |
| Total expenses | <u>2,861,598</u> | <u>2,733,146</u> | <u>1,487,605</u> | <u>1,520,215</u> | <u>4,349,203</u> | <u>4,253,361</u> |
| Increase (Decrease) in net assets before transfers | (143,695) | (106,747) | (60,606) | (22,849) | (204,301) | (129,596) |
| Transfers | (2,033) | 57,792 | 2,033 | (57,792) | - | - |
| Net position - July 1 | <u>2,838,652</u> | <u>2,887,607</u> | <u>5,963,456</u> | <u>6,044,097</u> | <u>8,802,108</u> | <u>8,931,704</u> |
| Net position - June 30 | <u>\$ 2,692,924</u> | <u>\$ 2,838,652</u> | <u>\$ 5,904,883</u> | <u>\$ 5,963,456</u> | <u>\$ 8,597,807</u> | <u>\$ 8,802,108</u> |

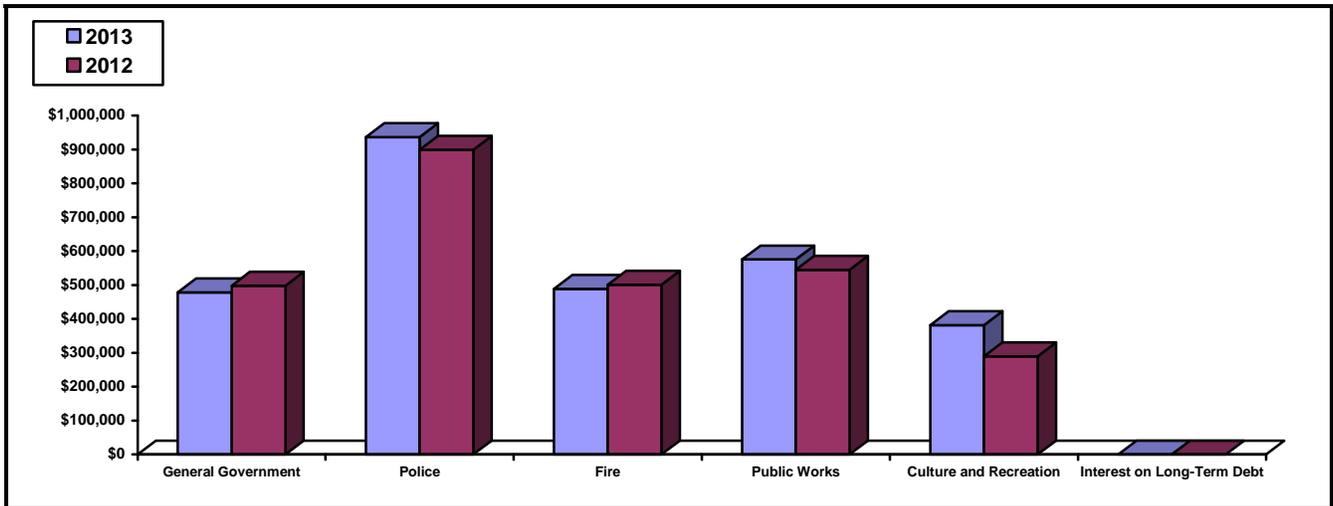
Governmental activities

Governmental activities decreased the City's net position by \$145,278. Total government activities expenditures increased \$128,452 (4.70%) from prior year. This increase in expenditures was considered to be the key element to the decrease in governmental activities net assets during the current year.

Governmental Activities – Revenues by source



Governmental Activities – Expenses



Business-type activities

Net position of business-type activities decreased in the current year by \$58,573 (0.98%). Total business-type activities revenues decreased \$70,367 (4.70%) from prior year. This decrease in revenues was the key element of the decrease in net position of the business-type activities for the current year.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

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

The City’s total governmental funds reported a combined ending fund balance of \$1,048,489. Of this amount \$64,514 is nonspendable, \$455,727 is restricted, and \$343,779 is assigned. The unassigned fund balance of \$184,469 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 decreased \$114,484 (15.82%) during the current fiscal year.

Proprietary funds – The City’s Proprietary Funds statements provide the same type of information as the government-wide financial statements, except in more detail. In fiscal year 2013, net position decreased \$58,573 (0.98%).

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 | \$ 2,842,202 | \$ 2,586,432 | \$(255,770) |
| Expenditures | 2,943,702 | 2,700,916 | 242,786 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$(101,500)</u> | <u>\$(114,484)</u> | <u>\$(12,984)</u> |

Actual General Fund revenues and other revenue sources were less than budgeted revenues and other financing sources by \$255,770. Intergovernmental, property tax, franchise fees, and fines and forfeitures revenues accounted for the majority of the decrease of revenues under budgeted amounts. General fund expenditures were less than budgeted amounts by \$242,786. Public works expenditures accounted for the majority of the decrease of expenditures under 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, 2013, amounts to \$6,266,148 (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 purchases of police vehicles, fire equipment, and playground structures for City parks.

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Land | \$ 288,080 | \$ 288,080 | \$ 57,418 | \$ 57,418 | \$ 345,498 | \$ 345,498 |
| Construction in progress | - | - | 96,913 | 96,613 | 96,913 | 96,913 |
| Buildings and system improvements other than buildings | 314,091 | 334,490 | 4,280,411 | 4,490,016 | 4,594,502 | 4,824,506 |
| Machinery and equipment | 557,330 | 578,412 | - | - | 557,330 | 578,412 |
| Vehicles | 183,921 | 175,789 | 126,783 | 140,623 | 310,704 | 316,412 |
| | 357,734 | 377,185 | 3,467 | 3,603 | 361,201 | 380,788 |
| Total | <u>\$ 1,701,156</u> | <u>\$ 1,753,956</u> | <u>\$ 4,564,992</u> | <u>\$ 4,788,573</u> | <u>\$ 6,266,148</u> | <u>\$ 6,542,529</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 \$136,663 in notes payable to banks for its government-wide activities. This is a decrease of \$15,249 (10.04%) from the previous year amount of \$151,912.

| | <u>Outstanding Debt</u> | | | | | |
|----------------------|--------------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | Governmental activities | | Business-type activities | | Total | |
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| Notes payable | \$ - | \$ - | \$ 136,663 | \$ 151,912 | \$ 136,663 | \$ 151,912 |
| Compensated absences | 56,721 | 87,319 | 6,115 | 4,740 | 62,836 | 92,059 |
| Totals | \$ 56,721 | \$ 87,319 | \$ 142,778 | \$ 156,652 | \$ 199,499 | \$ 243,971 |

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 safety and welfare of the citizens of Belton is our number one priority, along with providing needed services to our residents efficiently as possible. The City of Belton has not seen any significant rebound from the struggling economy, and therefore has seen little increase in new businesses.

During the current fiscal year, in order to cut costs, the City Council formed committees to help run the City as the former City Administrator’s position was not replaced. Also, during the year, the City of Belton obtained several grants and contributions from the County to offset the burden on the budget for the purchase of new equipment, such as police cars and playground structures for the City’s recreational facilities. The City has partnered with Anderson County on storm water management, building codes, and landfill dumping. This has saved the City money by creating an alliance to assist with needed services. The City had several long time employees and department heads to retire during the year causing the City to pay out a substantial amount of unused leave. Each department postponed rehiring for these positions in order to overcome the financial burden created.

The Police Department had actual expenditures of approximately \$56,246 that were not budgeted due mostly to retiree payout of accrued leave time as previously mentioned. Furthermore, the income from fees and assessments was short of the projected revenues due to reduction in force.

During the year, the Belton Fire Department purchased much needed personal protective equipment for the firefighters and continues to work on the ISO rating of the department. The department continues to apply for grants through FEMA and other agencies to help provide for needed equipment.

The Recreation Department continues to improve as ongoing upgrades and repairs are implemented to its parks and recreational facilities within the City. This year, Leda Poore Park has been upgraded by adding new tennis courts, a picnic shelter, and new dugouts on the baseball field. A new roof was put on the picnic shelter at M.T. Haynie Park, and many repairs have been completed at the Farmer's Market and at Terry Martin field. As money is available, the Recreation Department will continue upgrades and repairs to fields and parks as needed to provide for the increased participation in sports offered.

The Combined Utilities Department continues to operate providing water and sewer services to customers with no current increases. A loan-grant combination has been acquired from the USDA to allow for the mandated sewer upgrade from DHEC. In 2014, construction will begin with completion of the project expected in 2015.

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 POSITION
JUNE 30, 2013

| | <u>Primary Government</u> | | |
|---|------------------------------------|---------------------------|---------------------|
| | <u>Governmental Activities</u> | <u>Business- type</u> | <u>Total</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,236,064 | \$ 1,002,956 | \$ 2,239,020 |
| Receivables (net of allowance for uncollectibles) | 111,304 | 231,572 | 342,876 |
| Interest receivable | 96 | 62 | 158 |
| Intergovernmental receivables | 34,397 | - | 34,397 |
| Internal balances | (244,060) | 244,060 | - |
| Inventories | 4,652 | 17,891 | 22,543 |
| Prepays | 59,862 | 12,391 | 72,253 |
| Restricted assets: | | | |
| Cash and cash equivalents: | | | |
| Escheat deposits | 9,755 | - | 9,755 |
| Municipal Court deposits | 16,243 | - | 16,243 |
| Customer deposits | - | 126,547 | 126,547 |
| Note payable covenant deposit | - | 26,399 | 26,399 |
| Capital assets not being depreciated: | | | |
| Land | 288,080 | 57,418 | 345,498 |
| Construction in progress | - | 96,913 | 96,913 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings and systems | 314,091 | 4,280,411 | 4,594,502 |
| Improvements other than buildings | 557,330 | - | 557,330 |
| Machinery and equipment | 183,921 | 126,783 | 310,704 |
| Vehicles | 357,734 | 3,467 | 361,201 |
| Total assets | <u>2,929,469</u> | <u>6,226,870</u> | <u>9,156,339</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 132,778 | 54,219 | 186,997 |
| Unearned revenue | 1,875 | - | 1,875 |
| Intergovernmental payables | 37,039 | - | 37,039 |
| Liabilities payable from restricted assets | 8,132 | 124,990 | 133,122 |
| Noncurrent liabilities: | | | |
| Due within one year | 7,488 | 19,053 | 26,541 |
| Due in more than one year | 49,233 | 123,725 | 172,958 |
| Total liabilities | <u>236,545</u> | <u>321,987</u> | <u>558,532</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 1,701,156 | 4,428,329 | 6,129,485 |
| Restricted for: | | | |
| Drug enforcement | 8,320 | - | 8,320 |
| Firemen's fund | 7,407 | - | 7,407 |
| Municipal Court | 16,243 | - | 16,243 |
| Hospitality | 423,757 | - | 423,757 |
| Debt service | - | 26,399 | 26,399 |
| Unrestricted | 536,041 | 1,450,155 | 1,986,196 |
| Total net position | <u>\$ 2,692,924</u> | <u>\$ 5,904,883</u> | <u>\$ 8,597,807</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, 2013**

| Function / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|--|---------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 478,690 | \$ 625 | \$ 128,155 | \$ - | \$ (349,910) | \$ - | \$ (349,910) |
| Police | 936,822 | 102,146 | - | 36,720 | (797,956) | - | (797,956) |
| Fire | 488,754 | 4,200 | 5,329 | 4,295 | (474,930) | - | (474,930) |
| Public works | 575,517 | 238,506 | 58,000 | - | (279,011) | - | (279,011) |
| Culture and recreation | 381,815 | 5,435 | 1,275 | 8,000 | (367,105) | - | (367,105) |
| Total governmental activities | <u>2,861,598</u> | <u>350,912</u> | <u>192,759</u> | <u>49,015</u> | <u>(2,268,912)</u> | <u>-</u> | <u>(2,268,912)</u> |
| Business-type Activities: | | | | | | | |
| Water | 871,146 | 954,096 | - | - | - | 82,950 | 82,950 |
| Wastewater | 616,459 | 471,773 | - | - | - | (144,686) | (144,686) |
| Total business-type activities | <u>1,487,605</u> | <u>1,425,869</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(61,736)</u> | <u>(61,736)</u> |
| Total Primary Government | <u>\$ 4,349,203</u> | <u>\$ 1,776,781</u> | <u>\$ 192,759</u> | <u>\$ 49,015</u> | <u>(2,268,912)</u> | <u>(61,736)</u> | <u>(2,330,648)</u> |
| General Revenues: | | | | | | | |
| Taxes | | | | | 1,154,062 | - | 1,154,062 |
| Business licenses | | | | | 745,721 | - | 745,721 |
| Intergovernmental | | | | | 217,866 | - | 217,866 |
| Interest earnings | | | | | 618 | 1,130 | 1,748 |
| Gain (loss) on sale of capital assets | | | | | (3,415) | - | (3,415) |
| Miscellaneous | | | | | 10,365 | - | 10,365 |
| Transfers | | | | | (2,033) | 2,033 | - |
| Total General Revenues, Special Items, and Transfers | | | | | <u>2,123,184</u> | <u>3,163</u> | <u>2,126,347</u> |
| Change in Net Position | | | | | <u>(145,728)</u> | <u>(58,573)</u> | <u>(204,301)</u> |
| Net Position - Beginning | | | | | <u>2,838,652</u> | <u>5,963,456</u> | <u>8,802,108</u> |
| Net Position - Ending | | | | | <u>\$ 2,692,924</u> | <u>\$ 5,904,883</u> | <u>\$ 8,597,807</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, 2013**

| | <u>General Fund</u> | <u>Hospitality Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 758,015 | \$ 425,283 | \$ 52,766 | \$ 1,236,064 |
| Receivables: | | | | |
| Accounts receivable | 79,964 | 11,252 | - | 91,216 |
| Taxes receivable, net of allowance | 20,088 | - | - | 20,088 |
| Interest receivable | 61 | 35 | - | 96 |
| Due from other governments | 34,397 | - | - | 34,397 |
| Due from other funds | 6,821 | - | - | 6,821 |
| Inventories | 4,652 | - | - | 4,652 |
| Prepaid items | 59,862 | - | - | 59,862 |
| Cash - restricted | 25,998 | - | - | 25,998 |
| Total assets | <u>\$ 989,858</u> | <u>\$ 436,570</u> | <u>\$ 52,766</u> | <u>\$ 1,479,194</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 102,686 | \$ 12,813 | \$ - | \$ 115,499 |
| Due to other funds | 100,000 | - | - | 100,000 |
| Advances from other funds | 150,881 | - | - | 150,881 |
| Due to other governments | - | - | 37,039 | 37,039 |
| Accrued liabilities | 17,279 | - | - | 17,279 |
| Unearned revenue | 1,875 | - | - | 1,875 |
| Liabilities payable from restricted assets | 8,132 | - | - | 8,132 |
| Total liabilities | <u>380,853</u> | <u>12,813</u> | <u>37,039</u> | <u>430,705</u> |
| Fund balances: | | | | |
| Nonspendable | 64,514 | - | - | 64,514 |
| Restricted | 16,243 | 423,757 | 15,727 | 455,727 |
| Assigned | 343,779 | - | - | 343,779 |
| Unassigned | 184,469 | - | - | 184,469 |
| Total fund balances | <u>609,005</u> | <u>423,757</u> | <u>15,727</u> | <u>1,048,489</u> |
| Total liabilities and fund balances | <u>\$ 989,858</u> | <u>\$ 436,570</u> | <u>\$ 52,766</u> | |

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

| | |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,701,156 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(56,721)</u> |
| Net position of governmental activities | <u>\$ 2,692,924</u> |

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, 2013**

| | General Fund | Hospitality Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|-----------------------------|---|---|
| REVENUES | | | | |
| Taxes: | | | | |
| Property Tax | \$ 893,189 | \$ - | \$ - | \$ 893,189 |
| Auto Tax | 114,785 | - | - | 114,785 |
| Hospitality Tax Fees | - | 146,088 | - | 146,088 |
| Franchise fees | 271,764 | - | - | 271,764 |
| Grants | 167,170 | - | - | 167,170 |
| Licenses and permits | 473,957 | - | - | 473,957 |
| Intergovernmental | 287,741 | - | 5,329 | 293,070 |
| Charges for services | 247,254 | - | - | 247,254 |
| Fines and forfeitures | 93,963 | - | 7,570 | 101,533 |
| Investment earnings | 359 | 226 | 33 | 618 |
| Miscellaneous | 11,599 | 291 | - | 11,890 |
| Total revenues | 2,561,781 | 146,605 | 12,932 | 2,721,318 |
| EXPENDITURES | | | | |
| Administration | 447,838 | 1,971 | - | 449,809 |
| Public safety | 1,295,791 | - | 45,700 | 1,341,491 |
| Public works | 567,658 | - | - | 567,658 |
| Culture, recreation, and tourism | 147,077 | 79,092 | - | 226,169 |
| Community development | 128,571 | - | - | 128,571 |
| Debt service: | | | | |
| Interest | 68 | - | - | 68 |
| Capital outlay | 113,913 | 19,082 | - | 132,995 |
| Total expenditures | 2,700,916 | 100,145 | 45,700 | 2,846,761 |
| Excess (deficiency) of revenues over (under) expenditures | (139,135) | 46,460 | (32,768) | (125,443) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 21,325 | - | - | 21,325 |
| Operating transfers out | - | (14,401) | (8,333) | (22,734) |
| Sale of capital assets | 3,326 | - | - | 3,326 |
| Total other financing sources (uses) | 24,651 | (14,401) | (8,333) | 1,917 |
| Net change in fund balances | (114,484) | 32,059 | (41,101) | (123,526) |
| Fund balance - beginning | 723,489 | 391,698 | 56,828 | 1,172,015 |
| Fund balance - ending | \$ 609,005 | \$ 423,757 | \$ 15,727 | \$ 1,048,489 |

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, 2013**

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

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ (123,526) |
| 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 \$178,430 exceeded capital outlay of \$132,995. in the current period. | (45,435) |
| The net effect of various miscellaneous transaction involving capital assets (i.e., sales and donations) is to increase net assets. | (7,365) |
| 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>30,598</u> |
| Change in net position of governmental activities | <u>\$ (145,728)</u> |

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

CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

| | Water | Wastewater | Total Enterprise Funds |
|--|---------------------|---------------------|------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 651,587 | \$ 351,369 | \$ 1,002,956 |
| Accounts receivables (net of allowance) | 229,627 | 1,945 | 231,572 |
| Interest receivable | 62 | - | 62 |
| Due from other funds | 111,685 | - | 111,685 |
| Inventories | 17,891 | - | 17,891 |
| Prepaid items | 7,694 | 4,697 | 12,391 |
| Restricted cash, cash equivalents, and other: | | | |
| Customer deposits | 126,547 | - | 126,547 |
| Note payable covenant deposit | - | 26,399 | 26,399 |
| Total current assets | <u>1,145,093</u> | <u>384,410</u> | <u>1,529,503</u> |
| Noncurrent assets: | | | |
| Advances to other funds | 150,881 | - | 150,881 |
| Capital assets: | | | |
| Land | 57,418 | - | 57,418 |
| Construction in progress | 35,096 | 61,817 | 96,913 |
| Buildings and systems | 2,067,443 | 6,930,255 | 8,997,698 |
| Machinery and equipment | 524,683 | 198,033 | 722,716 |
| Vehicles | 313,178 | 711 | 313,889 |
| Less accumulated depreciation | <u>(1,859,221)</u> | <u>(3,764,421)</u> | <u>(5,623,642)</u> |
| Total capital assets (net of accumulated depreciation) | <u>1,138,597</u> | <u>3,426,395</u> | <u>4,564,992</u> |
| Total noncurrent assets | <u>1,289,478</u> | <u>3,426,395</u> | <u>4,715,873</u> |
| Total assets | <u>2,434,571</u> | <u>3,810,805</u> | <u>6,245,376</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 39,334 | 9,821 | 49,155 |
| Due to other funds | - | 18,506 | 18,506 |
| Compensated absences | 2,998 | 342 | 3,340 |
| Accrued liabilities | 3,780 | 1,284 | 5,064 |
| Notes payable - current | - | 15,713 | 15,713 |
| Total current liabilities | <u>46,112</u> | <u>45,666</u> | <u>91,778</u> |
| Current liabilities payable from restricted assets: | | | |
| Customer deposits payable | <u>124,990</u> | <u>-</u> | <u>124,990</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 2,678 | 97 | 2,775 |
| Notes payable | - | 120,950 | 120,950 |
| Total liabilities | <u>173,780</u> | <u>166,713</u> | <u>340,493</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 1,138,597 | 3,289,732 | 4,428,329 |
| Restricted for debt service | - | 26,399 | 26,399 |
| Unrestricted | <u>1,122,194</u> | <u>327,961</u> | <u>1,450,155</u> |
| Total net position | <u>\$ 2,260,791</u> | <u>\$ 3,644,092</u> | <u>\$ 5,904,883</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 POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Water</u> | <u>Wastewater</u> | <u>Total Enterprise Funds</u> |
|--|---------------------|---------------------|---------------------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 939,512 | \$ 471,773 | \$ 1,411,285 |
| OPERATING EXPENSES | | | |
| Cost of sales and services | 779,205 | 424,316 | 1,203,521 |
| Administration | 40,922 | 14,607 | 55,529 |
| Depreciation | 51,019 | 173,187 | 224,206 |
| Total operating expenses | 871,146 | 612,110 | 1,483,256 |
| Operating income (loss) | 68,366 | (140,337) | (71,971) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 862 | 268 | 1,130 |
| Interest expense | - | (4,349) | (4,349) |
| Insurance proceeds | 14,584 | - | 14,584 |
| Total nonoperating revenues (expenses) | 15,446 | (4,081) | 11,365 |
| Income (loss) before contributions and transfers | 83,812 | (144,418) | (60,606) |
| Capital contributions | 624 | - | 624 |
| Transfers in | 470 | 939 | 1,409 |
| Change in net position | 84,906 | (143,479) | (58,573) |
| Total net position - beginning | 2,175,885 | 3,787,571 | 5,963,456 |
| Total net position - ending | <u>\$ 2,260,791</u> | <u>\$ 3,644,092</u> | <u>\$ 5,904,883</u> |

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

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Water</u> | <u>Wastewater</u> | <u>Total Enterprise Funds</u> |
|--|-------------------|-------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 936,524 | \$ 471,145 | \$ 1,407,669 |
| Cash paid to suppliers | (617,859) | (262,199) | (880,058) |
| Cash paid to employees | (214,912) | (183,842) | (398,754) |
| Net cash provided (used) by operating activities | <u>103,753</u> | <u>25,104</u> | <u>128,857</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Increase (Decrease) in due from other funds | (222,500) | 14,795 | (207,705) |
| Transfers from other funds | 470 | 939 | 1,409 |
| Net cash provided (used) by noncapital financing activities | <u>(222,030)</u> | <u>15,734</u> | <u>(206,296)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal payments - revenue bonds and notes | - | (15,249) | (15,249) |
| Interest paid | - | (4,349) | (4,349) |
| Proceeds from insurance recovery | 14,584 | - | 14,584 |
| Net cash provided (used) by capital and related financing activities | <u>14,584</u> | <u>(19,598)</u> | <u>(5,014)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | 1,265 | 268 | 1,533 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | (102,428) | 21,508 | (80,920) |
| CASH AND CASH EQUIVALENTS - BEGINNING (Including restricted assets of \$144,813) | | | |
| | <u>880,562</u> | <u>356,260</u> | <u>1,236,822</u> |
| CASH AND CASH EQUIVALENTS - ENDING (Including restricted assets of \$152,946) | | | |
| | <u>\$ 778,134</u> | <u>\$ 377,768</u> | <u>\$ 1,155,902</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 68,366 | \$ (140,337) | \$ (71,971) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 51,019 | 173,187 | 224,206 |
| (Increase) decrease in accounts receivable | (9,318) | (628) | (9,946) |
| (Increase) decrease in prepaid items | (4,075) | 1,709 | (2,366) |
| Increase (decrease) in accounts payable | (10,408) | (10,040) | (20,448) |
| Increase (decrease) in accrued liabilities | 903 | 774 | 1,677 |
| Increase (decrease) in compensated absences | 936 | 342 | 1,278 |
| Increase (decrease) in customer deposits | 6,330 | - | 6,330 |
| Total adjustments | <u>35,387</u> | <u>165,344</u> | <u>200,731</u> |
| Net cash provided by operating activities | <u>\$ 103,753</u> | <u>\$ 25,007</u> | <u>\$ 128,760</u> |

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

**CITY OF BELTON, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013**

| | <u>Zion Street Senior Citizens Agency Fund</u> |
|---------------------------|--|
| ASSETS | |
| Cash and cash equivalents | \$ 447 |
| Total assets | <u>\$ 447</u> |
| LIABILITIES | |
| Zion Street payables | \$ 447 |
| Total liabilities | <u>\$ 447</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, 2013

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 wastewater 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 position and the statement of activities) 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, 2013

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 position and the change in net position.

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 Funds – The City reports the following major proprietary funds:

Water Fund. This enterprise fund accounts for the activities of the City-owned water system.

Wastewater Fund. This enterprise fund accounts for the activities of the City-owned wastewater system.

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.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 proprietary funds. 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.

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 funds' principal ongoing operations. The principal operating revenues of the water and wastewater enterprise funds are charges to customers for sales and services. The water 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 wastewater funds 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.

**CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Effective January 1, 2013, the City revised the policy to allow only 40 hours of unpaid accumulated vacation benefits to roll forward.

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 position.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Position

In the government-wide financial statements, net position is 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. This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted. The amount not meeting the definition of “invested in capital assets, net of related debt” or “restricted.”

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. The City has not formally adopted a policy governing deposits and investments.

As of June 30, 2013, bank balances of the City's deposits were \$2,443,106.

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, 2013, 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, 2013, including the applicable allowance for uncollectible accounts, are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|------------------------------------|-------------------------------------|-------------------|
| Receivables: | | | |
| Accounts | \$ 79,964 | \$ 321,552 | \$ 401,516 |
| Property taxes | 63,088 | - | 63,088 |
| Hospitality taxes | 11,252 | - | 11,252 |
| Interest | 96 | 62 | 158 |
| Gross receivables | <u>154,400</u> | <u>321,614</u> | <u>476,014</u> |
| Less: Allowance for uncollectibles | <u>(43,000)</u> | <u>(89,980)</u> | <u>(132,980)</u> |
| Net receivables | <u>\$ 111,400</u> | <u>\$ 231,634</u> | <u>\$ 343,034</u> |

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital assets activity for the governmental activities for the fiscal year ended June 30, 2013, was as follows:

| Governmental activities: | Balance June 30, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|--------------------------------------|--------------------|-------------------|--------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 288,080 | \$ - | \$ - | \$ 288,080 |
| Total capital assets, not being depreciated | <u>288,080</u> | <u>-</u> | <u>-</u> | <u>288,080</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 982,254 | 3,850 | - | 986,104 |
| Improvements other than buildings | 920,612 | 12,900 | - | 933,512 |
| Machinery and equipment | 676,057 | 55,948 | (132,750) | 599,255 |
| Vehicles | 1,330,507 | 60,299 | (82,525) | 1,308,281 |
| Total capital assets, being depreciated | <u>3,909,430</u> | <u>132,997</u> | <u>(215,275)</u> | <u>3,827,152</u> |
| Accumulated depreciation for: | | | | |
| Buildings and improvements | (647,764) | (24,249) | - | (672,013) |
| Improvements other than buildings | (342,200) | (33,982) | - | (376,182) |
| Machinery and equipment | (500,268) | (41,074) | 126,008 | (415,334) |
| Vehicles | (953,322) | (79,125) | 81,900 | (950,547) |
| Total accumulated depreciation | <u>(2,443,554)</u> | <u>(178,430)</u> | <u>207,908</u> | <u>(2,414,076)</u> |
| Total capital assets, being depreciated, net | <u>1,465,876</u> | <u>(45,433)</u> | <u>(7,367)</u> | <u>1,413,076</u> |
| Governmental activities capital assets, net | <u>\$ 1,753,956</u> | <u>\$ (45,433)</u> | <u>\$ (7,367)</u> | <u>\$ 1,701,156</u> |

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

| | |
|--|-------------------|
| Governmental activities: | |
| General government | \$ 28,589 |
| Police | 36,469 |
| Fire | 77,995 |
| Public works | 7,355 |
| Culture and recreation | 28,022 |
| Total depreciation expense – governmental activities | <u>\$ 178,430</u> |

Current year increase in governmental activities includes purchases of police vehicles and equipment, fire equipment, playground equipment and a building at City parks, and a heating and air unit at City Hall.

Assets were transferred from the governmental activities to be used in the business-type activities during the fiscal year ended June 30, 2013. The net amount reported as transfers in the government-wide statement of activities for the transfer of capital assets was \$624.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – CHANGES IN CAPITAL ASSETS (continued)

Capital assets activity for business-type activities for the fiscal year ended June 30, 2013, was as follows:

| | Balance June 30, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|--------------------------------------|---------------------|------------------|--------------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 57,418 | \$ - | \$ - | \$ 57,418 |
| Construction in progress | 96,913 | - | - | 96,913 |
| Total capital assets, not being depreciated | <u>154,331</u> | <u>-</u> | <u>-</u> | <u>154,331</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and systems | 8,997,698 | - | - | 8,997,698 |
| Machinery and equipment | 722,716 | - | - | 722,716 |
| Vehicles | 294,630 | 19,259 | - | 313,889 |
| Total capital assets, being depreciated | <u>10,015,044</u> | <u>19,259</u> | <u>-</u> | <u>10,034,303</u> |
| Accumulated depreciation for: | | | | |
| Buildings and systems | (4,507,682) | (209,605) | - | (4,717,287) |
| Machinery and equipment | (582,093) | (13,840) | - | (595,933) |
| Vehicles | (291,027) | (19,395) | - | (310,422) |
| Total accumulated depreciation | <u>(5,380,802)</u> | <u>(242,840)</u> | <u>-</u> | <u>(5,623,642)</u> |
| Total capital assets, being depreciated, net | <u>4,634,242</u> | <u>(223,581)</u> | <u>-</u> | <u>4,410,661</u> |
| Business-type activities capital assets, net | <u>\$ 4,788,573</u> | <u>\$ (223,581)</u> | <u>\$ -</u> | <u>\$ 4,564,992</u> |

Depreciation expense for the water and wastewater enterprise funds was \$51,019 and \$173,187, respectively for the year ended June 30, 2013.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

| | Balance June 30, 2012 | Additions | Reductions | Balance June 30, 2013 | Amounts due in one year |
|---------------------------|-----------------------------|-----------------|--------------------|-----------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 87,319 | \$ - | \$ (30,598) | \$ 56,721 | \$ 7,488 |
| Totals | <u>\$ 87,319</u> | <u>\$ -</u> | <u>\$ (30,598)</u> | <u>\$ 56,721</u> | <u>\$ 7,488</u> |
| Business-type activities: | | | | | |
| Notes payable: | | | | | |
| Note | \$ 151,912 | \$ - | \$ (15,249) | \$ 136,663 | \$ 15,713 |
| Compensated absences | 4,740 | 1,375 | - | 6,115 | 3,340 |
| Totals | <u>\$ 156,652</u> | <u>\$ 1,375</u> | <u>\$ (15,249)</u> | <u>\$ 142,778</u> | <u>\$ 19,053</u> |

Long-term debt at June 30, 2013, was comprised of the following:

Business-type Activities:

| Note Payable To: | Interest Rate: | Monthly Payment: | Maturity Date: | Collateralized By: | Balance at June 30, 2013 |
|---------------------|-------------------|---------------------|----------------|--------------------|--------------------------------|
| SCIRF | 3.00% | \$1,633 | May, 2021 | Water Revenues | <u>\$ 136,663</u> |

The annual requirements to amortize notes payable debt outstanding as of June 30, 2013, are as follows:

| Year Ending June 30 | Governmental activities | | Business-type activities | |
|------------------------|-------------------------|-------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ - | \$ - | \$ 15,713 | \$ 3,606 |
| 2015 | - | - | 16,191 | 3,407 |
| 2016 | - | - | 16,684 | 2,915 |
| 2017 | - | - | 17,191 | 2,407 |
| 2018 | - | - | 17,714 | 1,884 |
| 2019-2022 | - | - | 53,170 | 2,358 |
| Totals | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 136,663</u> | <u>\$ 16,577</u> |

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

| Receivable fund | Payable fund | Amount |
|-----------------|--------------|------------|
| General | Wastewater | \$ 6,821 |
| Water | General | 250,881 |
| Water | Wastewater | 11,685 |
| | Total | \$ 269,387 |

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.

The balance of \$250,881 due to the water fund from the general fund resulted from loans made to provide for operations during the year. \$150,881 of the balance is not scheduled to be repaid in the subsequent year and is reported as interfund advances.

The interfund balance of \$11,685 due to the Water fund from the Wastewater fund was eliminated and therefore not reported in the government-wide statement of net assets.

The composition of interfund transfers for the year ended June 30, 2013, is as follows:

Interfund transfers:

| | Transferred In: | | | Total |
|------------------|-----------------|------------|-----------------|-----------|
| | General Fund | Water Fund | Wastewater Fund | |
| Transferred out: | | | | |
| Hospitality fund | \$ 12,992 | \$ 470 | \$ 939 | \$ 14,401 |
| Victims fund | 8,333 | - | - | 8,333 |
| Total | \$ 21,325 | \$ 470 | \$ 939 | \$ 22,734 |

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. Transfers from the Hospitality fund to other funds were for payments of public safety officers at public events. Transfers from the Victims fund to the general fund were for payment of victims safety officer.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the governmental and enterprise fund as of June 30, 2013, are as follows:

| | Governmental activities | Business-type activities |
|-------------------------------|----------------------------|-----------------------------|
| Escheat deposits | \$ 9,755 | \$ - |
| Municipal Court deposits | 16,243 | - |
| Customer meter deposits | - | 126,547 |
| Note payable covenant deposit | - | 26,399 |
| Total restricted assets | <u>\$ 25,998</u> | <u>\$ 152,946</u> |

NOTE 8 – FUND BALANCES

The following is a summary of the Governmental fund balances of the City as of June 30, 2013:

| | General Fund | Major Special Revenue Fund – Hospitality Fund | Other Governmental Funds | Totals |
|--------------------------------|-------------------|---|--------------------------------|---------------------|
| Nonspendable: | | | | |
| Inventory | \$ 4,652 | \$ - | \$ - | \$ 4,652 |
| Prepays | 59,862 | - | - | 59,862 |
| | <u>64,514</u> | <u>-</u> | <u>-</u> | <u>64,514</u> |
| Restricted for: | | | | |
| Municipal court | 16,243 | - | - | 16,243 |
| Hospitality | - | 423,757 | - | 423,757 |
| Drug enforcement | - | - | 8,320 | 8,320 |
| Firemen’s activities | - | - | 7,407 | 7,407 |
| | <u>16,243</u> | <u>423,757</u> | <u>15,727</u> | <u>455,727</u> |
| Assigned to: | | | | |
| Parks and Recreation | 1,581 | - | - | 1,581 |
| City Hall capital improvements | 169,202 | - | - | 169,202 |
| Longevity | 58,278 | - | - | 58,278 |
| Insurance premiums | 114,718 | - | - | 114,718 |
| | <u>343,779</u> | <u>-</u> | <u>-</u> | <u>343,779</u> |
| Unassigned: | <u>184,469</u> | <u>-</u> | <u>-</u> | <u>184,469</u> |
| Total Fund Balance | <u>\$ 609,005</u> | <u>\$ 423,757</u> | <u>\$ 15,727</u> | <u>\$ 1,048,489</u> |

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 contribution requirements of plan members and the City are established by Title 9 of the SC Code of Laws. Employee-required contributions are 7.0% for the SCRS and PORS. The City is required to contribute at an actuarially-determined rate. The current rate for the SCRS is 10.45% of annual covered payroll, and the current rate for the PORS is 11.90% of annual covered payroll.

In addition to the above rates, the City, as a participating employer with the South Carolina Retirement System, contributes .15% of payroll to provide a group life insurance benefit for its participants. The City, as a participating employer under the Police Officers Retirement System, also contributes .20% of payroll to provide a group life insurance benefit and .20% of payroll to provide an accidental death benefit for its participants.

The City's total contributions for both Plans for the fiscal years ending June 30, 2013, 2012, and 2011, were \$158,744, \$145,593, and \$139,101, respectively.

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.

As of June 30, 2013, the City has no outstanding pension liability or asset computed in accordance with generally accepted government accounting standards.

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 – COMMITMENTS

The City has a commitment for the upgrading of three Wastewater Treatment Plants within the City to become compliant with NPDES permitting. Estimated project budget is \$6,908,000. Funding from Rural Development has been obligated in the form of a loan for \$4,687,000 and \$2,221,000 in grant funds. As of the date of the financial statements, the letter of conditions with Rural Development has been signed, the final engineering contract was approved, and construction began.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – SUBSEQUENT EVENTS

The City has entered into a commercial construction loan with a local bank for \$4,687,000. This loan is to be paid monthly over a term of 18 months with an interest rate of 2.99%. At the end of the term, an agreement has been made with the USDA to pay off the loan and the City will then enter into a 40 year bond with the USDA and receive grant funds in the amount of \$2,221,000. The commercial construction loan is for the upgrading of the Wastewater Treatment Plants within the City to become compliant with NPDES permitting. The City imposed an increase in minimum sewer rates on January 7, 2014. The City started construction March 31, 2014. As of the date of the financial statements, construction is not complete.

**CITY OF BELTON, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property Tax | \$ 925,000 | \$ 925,000 | \$ 893,189 | \$ (31,811) |
| Auto Tax | 100,000 | 100,000 | 114,785 | 14,785 |
| Payment in lieu of taxes | 6,000 | 6,000 | - | (6,000) |
| Franchise fees | 287,000 | 287,000 | 271,764 | (15,236) |
| Grants | 112,000 | 112,000 | 167,170 | 55,170 |
| Licenses and permits | 430,800 | 430,800 | 473,957 | 43,157 |
| Intergovernmental | 516,750 | 516,750 | 287,741 | (229,009) |
| Charges for services | 248,480 | 248,480 | 247,254 | (1,226) |
| Fines and forfeitures | 150,000 | 150,000 | 93,963 | (56,037) |
| Investment earnings | 1,000 | 1,000 | 359 | (641) |
| Miscellaneous | 2,000 | 2,000 | 11,599 | 9,599 |
| Total revenues | <u>2,779,030</u> | <u>2,779,030</u> | <u>2,561,781</u> | <u>(217,249)</u> |
| EXPENDITURES | | | | |
| Administration | 470,069 | 470,069 | 447,838 | 22,231 |
| Public safety | 1,279,845 | 1,279,845 | 1,295,791 | (15,946) |
| Public works | 843,943 | 843,943 | 567,658 | 276,285 |
| Culture and recreation | 170,345 | 170,345 | 147,077 | 23,268 |
| Community development | 110,000 | 110,000 | 128,571 | (18,571) |
| Debt Service: | | | | |
| Interest | - | - | 68 | (68) |
| Capital outlay | 69,500 | 69,500 | 113,913 | (44,413) |
| Total expenditures | <u>2,943,702</u> | <u>2,943,702</u> | <u>2,700,916</u> | <u>242,786</u> |
| (Deficiency) of revenues (under) expenditures | <u>(164,672)</u> | <u>(164,672)</u> | <u>(139,135)</u> | <u>25,537</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 63,172 | 63,172 | 21,325 | (41,847) |
| Sale of capital assets | - | - | 3,326 | 3,326 |
| Total other financing sources (uses) | <u>63,172</u> | <u>63,172</u> | <u>24,651</u> | <u>(38,521)</u> |
| Net change in fund balance | (101,500) | (101,500) | (114,484) | (12,984) |
| Fund balance - beginning | 723,489 | 723,489 | 723,489 | - |
| Fund balance - ending | <u>\$ 621,989</u> | <u>\$ 621,989</u> | <u>\$ 609,005</u> | <u>\$ (12,984)</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, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Hospitality | \$ 142,000 | \$ 142,000 | \$ 146,088 | \$ 4,088 |
| Investment earnings | 500 | 500 | 226 | (274) |
| Miscellaneous | - | - | 291 | 291 |
| Total revenues | <u>142,500</u> | <u>142,500</u> | <u>146,605</u> | <u>4,105</u> |
| EXPENDITURES | | | | |
| Administration | 1,000 | 1,000 | 1,971 | (971) |
| Culture and recreation | 106,154 | 106,154 | 34,461 | 71,693 |
| Tourism | 35,346 | 35,346 | 44,631 | (9,285) |
| Debt Service: | | | | |
| Capital outlay | - | - | 19,082 | (19,082) |
| Total expenditures | <u>142,500</u> | <u>142,500</u> | <u>100,145</u> | <u>42,355</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>46,460</u> | <u>46,460</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers out | - | - | (14,401) | (14,401) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(14,401)</u> | <u>(14,401)</u> |
| Net change in fund balance | - | - | 32,059 | 32,059 |
| Fund balance - beginning | 391,698 | 391,698 | 391,698 | - |
| Fund balance - ending | <u>\$ 391,698</u> | <u>\$ 391,698</u> | <u>\$ 423,757</u> | <u>\$ 32,059</u> |

See the accompanying notes to the required supplemental information.

CITY OF BELTON, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2013

NOTE 1 – BUDGETS

The City prepares an annual budget on the General Fund, Special Revenue Funds, the Water Fund, and Wastewater 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, 2013**

| | <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 | \$ 8,320 | \$ 7,407 | \$ 37,039 | \$ 52,766 |
| Total assets | <u>\$ 8,320</u> | <u>\$ 7,407</u> | <u>\$ 37,039</u> | <u>\$ 52,766</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Due to other governments | \$ - | \$ - | \$ 37,039 | \$ 37,039 |
| Fund balances | | | | |
| Restricted | 8,320 | 7,407 | - | 15,727 |
| Total liabilities and fund balances | <u>\$ 8,320</u> | <u>\$ 7,407</u> | <u>\$ 37,039</u> | <u>\$ 52,766</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, 2013**

| | <u>Drug Fund</u> | <u>Firemen's Fund</u> | <u>Victims Compensation Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|------------------|---------------------------|--|--|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 5,329 | \$ - | \$ 5,329 |
| Fines and forfeitures | 460 | - | 7,110 | 7,570 |
| Investment earnings | 8 | 4 | 21 | 33 |
| Total revenues | <u>468</u> | <u>5,333</u> | <u>7,131</u> | <u>12,932</u> |
| EXPENDITURES | | | | |
| Public safety | <u>5,204</u> | <u>3,324</u> | <u>37,172</u> | <u>45,700</u> |
| Total expenditures | <u>5,204</u> | <u>3,324</u> | <u>37,172</u> | <u>45,700</u> |
| Excess (deficiency) of revenues over (under) expenditures | (4,736) | 2,009 | (30,041) | (32,768) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(8,333)</u> | <u>(8,333)</u> |
| Net change in fund balances | <u>(4,736)</u> | <u>2,009</u> | <u>(38,374)</u> | <u>(41,101)</u> |
| Fund balance - beginning | <u>13,056</u> | <u>5,398</u> | <u>38,374</u> | <u>56,828</u> |
| Fund balance - ending | <u>\$ 8,320</u> | <u>\$ 7,407</u> | <u>\$ -</u> | <u>\$ 15,727</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 YEAR ENDED JUNE 30, 2013**

| | Collected by Municipal Court | Retained by City Treasurer | Remitted to State Treasurer | Allocated to Victim's Assistance |
|---|---|---|--|---|
| Fines | \$ 37,691 | \$ 37,691 | \$ - | \$ - |
| Assessments | 38,427 | - | 34,154 | 4,273 |
| Surcharges | 12,173 | - | 10,542 | 1,631 |
| Other surcharges | 4,393 | - | 4,393 | - |
| | <u>\$ 92,684</u> | <u>\$ 37,691</u> | <u>\$ 49,089</u> | <u>\$ 5,904</u> |
| Expenditures: | | | | |
| Public Safety | | | | \$ 37,172 |
| Total expenditures | | | | <u>\$ 37,172</u> |
| Balance carried forward to July 1, 2013 | | | | <u>\$ -</u> |

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



Certified Public Accountants

303 E. CALHOUN STREET
POST OFFICE BOX 1406
ANDERSON, SC 29622-1406
TELEPHONE (864) 226-7202
FAX (864) 226-4631
EMAIL: admin@argocpa.com
www.argocpa.com

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

To the City Council and Mayor
Belton, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Belton, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Belton, South Carolina's basic financial statements, and have issued our report thereon dated July 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Argo and Associates, L.L.P.

Anderson, South Carolina
July 10, 2014