
Town of Belhaven

North Carolina

Audit Report

June 30, 2019

TOWN OF BELHAVEN

BELHAVEN, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Ricky Credle

Town Commissioners

Robert Wilkins

Ricky Radcliffe

Mary Cox

Amos Wilson

Brenda Cherry

Administrative and Financial Staff

Lynn Davis- Town Manager

Mimi van Nortwick- Finance Officer

Town of Belhaven, North Carolina
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 June 30, 2019

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Belhaven, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Belhaven'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 the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven, North Carolina as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 50 and 51, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability Asset and Contributions on pages 51 and 52, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability on page 53 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 general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Belhaven, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates 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 the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules 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 October 29, 2019 on our consideration of Town of Belhaven's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements, and other matters. The purpose of the 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 Town of Belhaven's internal control over financial reporting and compliance.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Belhaven, we offer readers of the Town of Belhaven's financial statements this narrative overview and analysis of the financial activities of the Town of Belhaven for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

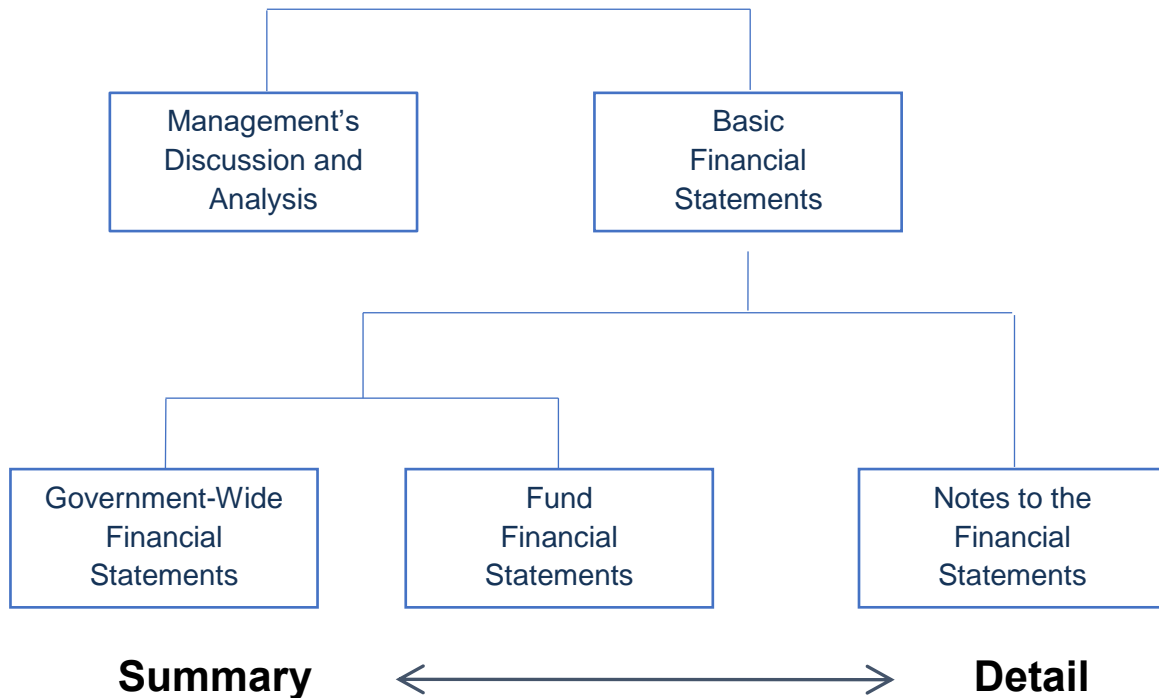
- The assets and deferred outflows of resources of the Town of Belhaven exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,819,483 (net position).
- The government's total net position increased by \$179,252 primarily due to decreases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Belhaven's governmental funds reported combined ending fund balances of \$1,318,909 with a net increase of \$132,364 in fund balance. Approximately 70.42% of this total amount, or \$928,831, is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$928,831, or 55.24% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Reserves of \$192,173.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Belhaven's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Belhaven.

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits A-3 through A-8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide financial statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer electric services offered by the Town of Belhaven.

The government-wide financial statements are on Exhibits A-1 and A-2 of this report.

Fund financial statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Belhaven, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Belhaven can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Belhaven adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget

document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds: The Town of Belhaven has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Belhaven uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

The Town of Belhaven's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$1,478,860	\$1,449,704	\$1,182,341	\$ 731,739	\$ 2,661,201	\$ 2,181,443
Capital assets	5,187,416	5,236,877	7,835,199	8,228,250	13,022,615	13,465,127
Deferred outflows of resources	223,069	252,068	66,899	79,521	289,968	331,589
Total assets and deferred outflows of resources	6,889,345	6,938,649	9,084,439	9,039,510	15,973,784	15,978,159
Current liabilities	110,073	122,497	639,326	606,183	749,399	728,680
Noncurrent liabilities	675,614	565,310	172,590	2,981,463	848,204	3,546,773
Deferred inflows of resources	61,999	19,456	15,029	7,502	77,028	26,958
Total liabilities and deferred inflow of resources	847,686	707,263	826,945	3,595,148	1,674,631	4,302,411
Net investment in capital assets	5,152,214	5,188,877	5,206,819	5,164,163	10,359,033	10,353,040
Restricted	390,078	509,662	-	-	390,078	509,662
Unrestricted	435,968	532,847	634,404	280,199	1,070,372	813,046
Total net position	\$5,978,260	\$6,231,386	\$5,841,223	\$5,444,362	\$11,819,483	\$ 11,675,748

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Belhaven exceeded liabilities and deferred inflows by \$11,819,483 as of June 30, 2019. The Town's net position increased by \$179,252 for the fiscal year ended June 30, 2019. However, the largest portion \$10,359,033 or 87.64% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Belhaven uses these capital

Management's Discussion and Analysis
Town of Belhaven

assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Belhaven's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Belhaven's net position \$390,078 (0.07%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,070,372 (40.73%) is unrestricted.

The decrease in net position is due to the lack of operating grants and contributions for governmental activities as well as a decrease in capital grants and contributions for business type activities.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 89.65%. The Town of Belhaven contracts with Beaufort County to collect their taxes. Beaufort County has a tax collection rate of 97.39% which is comparable to the statewide collection rate of 98.87%. The disparity between the County's collection rate and The Town's rate may stem from the fact that Belhaven is one of the most economically distressed locations in Beaufort County and there are many absentee property owners.

Town of Belhaven's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 175,992	\$ 210,927	\$3,464,239	\$3,446,623	\$ 3,640,231	\$ 3,657,550
Operating grants and contributions	74,671	78,816	-	-	74,671	78,816
General revenues:						
Property taxes	642,506	651,132			642,506	651,132
Other taxes	483,347	561,330			483,347	561,330
Unrestricted intergovernmental	137,602	1,916		1	137,602	1,917
Investment earnings	8,280	-	73	-	8,353	-
Other	298,971	12,464	-	-	298,971	12,464
Total revenues	<u>1,821,369</u>	<u>1,516,585</u>	<u>3,464,312</u>	<u>3,446,624</u>	<u>5,285,681</u>	<u>4,963,209</u>
Expenses:						
General government	601,596	336,359			601,596	336,359
Public safety	556,432	607,124			556,432	607,124
Transportation	321,991	201,287			321,991	201,287
Environmental protection	146,408	156,339			146,408	156,339
Culture and recreation	192,534	145,668			192,534	145,668
Interest on long-term debt	1,146	2,324			1,146	2,324
Water and sewer			1,193,942	1,074,077	1,193,942	1,074,077
Electric			2,092,380	2,186,326	2,092,380	2,186,326
Total expenses	<u>1,820,107</u>	<u>1,449,101</u>	<u>3,286,322</u>	<u>3,260,403</u>	<u>5,106,429</u>	<u>4,709,504</u>
Increase in Net Position before transfers	1,262	67,484	177,990	186,221	179,252	253,705
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	<u>1,262</u>	<u>67,484</u>	<u>177,990</u>	<u>186,221</u>	<u>179,252</u>	<u>253,705</u>
Net Position at Beginning of Period, restated	<u>5,976,998</u>	<u>6,163,902</u>	<u>5,663,233</u>	<u>5,258,141</u>	<u>11,640,231</u>	<u>11,422,043</u>
Net Position, June 30, restated	<u>\$ 5,978,260</u>	<u>\$ 6,231,386</u>	<u>\$5,841,223</u>	<u>\$5,444,362</u>	<u>\$11,819,483</u>	<u>\$ 11,675,748</u>

Governmental activities: Governmental activities increased the Town's net position by \$1,262, thereby accounting for 0.18% of the total increase in the net assets of the Town of Belhaven. Key elements of this increase are as follows:

- A increase of 14% in other taxes
- An increase of 0.19% for general government expenses

Business-type activities: Business-type activities increased the Town of Belhaven's net position by \$177,990, accounting for 2.00% of the total increase in the government's net position. Key elements of this increase are as follows:

- The Water and Sewer fund and the Electric fund collectively had a \$177,990 increase in net position. However, the Water and Sewer Fund showed a increase in net position of \$2,889 while the Electric Fund showed an increase in net position of \$175,101.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Belhaven uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Belhaven's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Belhaven's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Belhaven. At the end of the current fiscal year, the Town of Belhaven's fund balance available in the General Fund was \$928,831 while total fund balance reached \$1,318,909. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 55.24% of total General Fund expenditures.

As of June 30, 2019, the governmental funds of the Town of Belhaven reported a combined fund balance of \$1,318,909 with a net increase of \$132,364 over last year. Included in this change in fund balance are a substantial increase in Ad Valorem taxes and moderate decreases in sanitation and street expenditures.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Small adjustments were made to the budget to account for more exact information being available after the original budget was adopted.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$56,862) and those for the Electric Fund amounted to \$691,266. The increase in net position for the Water and Sewer Fund was \$2,889 and the increase in net position for the Electric Fund was \$175,101. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Belhaven's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totaled \$10,359,033 (net of accumulated depreciation). These assets include buildings, land, machinery, wastewater treatment, equipment, and vehicles.

Major capital asset transactions during the year include no significant demolitions or disposals.

Town of Belhaven's
(Net of Accumulated Depreciation)
Figure 4

Additional information on the Town's capital assets can be found in note III-3 of the Basic Financial Statements.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 2,009,376	\$ 2,009,376	\$ 37,770	\$ 37,770	\$ 2,047,146	\$ 2,047,146
Construction in Progress	1,457,188	1,457,188	-	-	1,457,188	1,457,188
Buildings and Improvements	2,240,673	2,240,673	-	-	2,240,673	2,240,673
Other Improvements	1,093,637	1,093,637	-	-	1,093,637	1,093,637
Machinery and Equipment	839,991	836,335	747,828	747,828	1,587,819	1,584,163
Plant and distribution systems	-	-	11,245,260	11,245,260	11,245,260	11,245,260
Substations, lines, related equipment	-	-	564,152	564,152	564,152	564,152
Vehicles	987,418	987,418	254,309	254,310	1,241,727	1,241,728
Subtotal	8,628,283	8,624,627	12,849,319	12,849,320	21,477,602	21,473,947
Accumulated depreciation	(3,440,868)	(3,340,563)	(5,014,119)	(4,828,969)	(8,454,987)	(8,169,532)
Capital assets, net	\$ 5,187,415	\$ 5,284,064	\$ 7,835,200	\$ 8,020,351	\$ 13,022,615	\$ 13,304,415

Debt - The Town's debt is as follows:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Installment Purchases	\$ 35,202	\$ 48,000	\$ 881,881	\$ 1,229,587	\$ 917,083	\$ 1,277,587
General Obligation Bonds	-	-	1,746,500	1,834,500	1,746,500	\$ 1,834,500
Compensated Absences	34,864	17,075	9,244	18,289	44,108	\$ 35,364
Pension Related Debt	675,614	511,670	172,590	121,427	848,204	\$ 633,097
Total	\$ 745,680	\$ 576,745	\$ 2,810,215	\$ 3,203,803	\$ 3,555,895	\$ 3,780,548

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- As of June 30, 2019 the Town of Belhaven had an estimated population of 1,588.
- The Town of Belhaven is located in Beaufort County. The county had an unemployment rate at June 30, 2019 of 4.9% compared to a state rate of 4.7%.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time. Electric revenues and expenditures are expected to remain constant so no increase or decrease in rate is being considered at this time.

Governmental Activities: Property taxes will remain constant in revenues and permits and fees are expected to be very modest. The Town will use these revenues to cover costs of expenses in material, supplies, and labor. These revenues will also be used to finance programs currently in place.

Management's Discussion and Analysis
Town of Belhaven

Budgeted revenues in the General Fund are expected to increase by 6% to \$97,491. This increase is due to a varying increase and decrease in sanitation charges, county sales tax refund, and miscellaneous revenue. Budgeted expenditures are expected to remain constant with prior year spending.

Sanitation fees will remain constant at \$10.00 per month per household.

Budgeted revenues in the Street Fund are expected to remain constant at \$56,000.

Business — type Activities:

Adopted budgets for the Electric, Water, Sewer are \$2,268,472, \$517,577, and \$ 774,477 respectively.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the:

Town Manager
P.O. Box 220
Belhaven, NC 27810

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENT

Town of Belhaven, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 973,235	\$ 538,597	\$ 1,511,832
Taxes receivable, net	56,545	--	56,545
Accounts receivable, net	197,905	463,511	661,416
Restricted cash and cash equivalents	192,173	239,235	431,408
Internal Balances	59,002	(59,002)	--
Total Current Assets	1,478,860	1,182,341	2,661,201
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	3,466,564	37,770	3,504,334
Other capital assets, net of depreciation	1,720,852	7,797,429	9,518,281
Total Assets	6,666,276	9,017,540	15,683,816
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	223,069	66,899	289,968
Total Deferred Outflows of Resources	223,069	66,899	289,968
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	103,406	178,738	282,144
Customer deposits	--	239,235	239,235
Current portion of long-term debt	6,667	221,353	228,020
Total Current Liabilities	110,073	639,326	749,399
<i>Noncurrent Liabilities</i>			
Due in more than one year	28,535	2,407,027	2,435,562
Total pension liability - LEO	122,709	--	122,709
Net pension liability	270,533	83,420	353,953
Net OPEB liability	282,372	89,170	371,542
Compensated absences	34,864	9,244	44,108
Total Liabilities	849,086	3,228,187	4,077,273
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	61,999	15,029	77,028
Total Deferred Inflows of Resources	61,999	15,029	77,028
NET POSITION			
Net investment in capital assets	5,152,214	5,206,819	10,359,033
<i>Restricted for:</i>			
Stabilization by State Statue	197,905	--	197,905
Streets	192,173	--	192,173
<i>Unrestricted</i>	435,968	634,404	1,070,372
Total Net Position	\$ 5,978,260	\$ 5,841,223	\$ 11,819,483

The accompanying notes are an integral part of this financial statement.

**Town of Belhaven, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 601,596	\$ 10,231	\$ --	\$ --	\$ (591,365)	\$ --	\$ (591,365)
Public safety	556,432	6,908	17,216	--	(532,308)	--	(532,308)
Transportation	321,991	--	57,455	--	(264,536)	--	(264,536)
Environmental protection	146,408	137,978	--	--	(8,430)	--	(8,430)
Cultural and recreational	192,534	20,875	--	--	(171,659)	--	(171,659)
Interest and other charges	1,146	--	--	--	(1,146)	--	(1,146)
Total Governmental Activities	1,820,107	175,992	74,671	--	(1,569,444)	--	(1,569,444)
Business-type Activities:							
Water & Sewer Fund	1,193,942	1,196,831	--	--	--	2,889	2,889
Electric Fund	2,092,380	2,267,408	--	--	--	175,028	175,028
Total Business-type Activities	3,286,322	3,464,239	--	--	--	177,917	177,917
Total Primary Government	\$ 5,106,429	\$ 3,640,231	\$ 74,671	\$ --	\$ (1,569,444)	\$ 177,917	\$ (1,391,527)

General Purpose Revenues and Transfers:

Revenues

Ad valorem taxes	642,506	--	642,506
Unrestricted intergovernmental	137,602	--	137,602
Other taxes and licenses	483,347	--	483,347
Miscellaneous Income	58,598	--	58,598
Investment earnings	8,280	73	8,353
Sale of Capital Assets	28,093	--	28,093
Insurance recovery	212,280	--	212,280

Transfers

Total General Revenues and Transfers	1,570,706	73	1,570,779
Change in Net Position	1,262	177,990	179,252
<i>Net Position, beginning, as previously reported</i>	6,177,919	5,731,482	11,909,401
Restatement	(200,921)	(68,249)	(269,170)
<i>Net Position, beginning, as restated</i>	5,976,998	5,663,233	11,640,231
Net Position at End of Period	\$ 5,978,260	\$ 5,841,223	\$ 11,819,483

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

**Town of Belhaven, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 973,235
Taxes receivable, net	56,545
Accounts receivable, net	197,905
Restricted cash and cash equivalents	192,173
Due from other funds	59,002
Total Assets	1,478,860
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	\$ 1,478,860
LIABILITIES	
Accounts payable and accrued liabilities	\$ 103,406
Total Liabilities	103,406
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	56,545
Total Liabilities and Deferred Inflows of Resources	159,951
FUND BALANCE	
Restricted	
Stabilization by State Statue	197,905
Streets	192,173
Unassigned	928,831
Total Fund Balance	1,318,909
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,478,860

The accompanying notes are an integral part of this financial statement.

Town of Belhaven, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds	\$	1,318,909
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,187,416
Tax receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		(173,057)
Net Pension Liability		(283,771)
Net pension assets/liabilities resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.		(122,709)
Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds.		(129,004)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		(37,139)
Deferred outflows of resources related to pensions are not reported in the funds		223,069
Deferred inflows of resources related to pensions are not reported in the funds		(61,999)
Earned revenues considered deferred inflows of resources in fund statements.		56,545
Total Net Position-Governmental Funds	\$	<u>5,978,260</u>

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

Town of Belhaven, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund
	General Fund
Revenues	
Ad valorem taxes	\$ 634,866
Other taxes and licenses	483,347
Unrestricted intergovernmental	137,602
Restricted intergovernmental	81,278
Charges for services	169,385
Investment earnings	8,280
Miscellaneous Income	58,598
Total Revenues	1,573,356
Expenditures	
Principal	6,486
Interest and other charges	1,146
General government	524,092
Public safety	521,391
Transportation	303,882
Environmental protection	146,408
Cultural and recreational	177,960
Total Expenditures	1,681,365
Excess of Revenues Over	
(Under) Expenditures	(108,009)
Other Financing Sources (Uses)	
Sale of Capital Assets	28,093
Insurance recovery	212,280
Net Other Financing Sources (Uses)	240,373
Net Change in Fund Balance	132,364
<i>Fund Balance at Beginning of Period</i>	<i>1,186,545</i>
Fund Balance at End of Period	\$ 1,318,909

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

Town of Belhaven, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$	132,364
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		6,486
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(94,584)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. (change in earned vacation pay, change in accrued interest expense)		(24,016)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		7,641
Pension expense		(26,629)
Changes in Net Position-Governmental Funds	\$	<u>1,262</u>

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

Town of Belhaven, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 640,000	\$ 640,033	\$ 634,866	\$ (5,167)
Other taxes and licenses	430,000	474,482	483,347	8,865
Unrestricted intergovernmental	161,500	161,500	137,852	(23,648)
Restricted intergovernmental	90,275	101,485	81,278	(20,207)
Charges for Sales & Services	168,810	176,788	168,745	(8,043)
Investment Earnings	425	8,026	8,280	254
Miscellaneous Income	32,500	47,275	29,710	(17,565)
Total Revenues	<u>1,523,510</u>	<u>1,609,589</u>	<u>1,544,078</u>	<u>(65,511)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>1,523,510</u>	<u>1,609,589</u>	<u>1,544,078</u>	<u>(65,511)</u>
Expenditures				
General government	313,305	601,912	524,092	77,820
Public safety	492,448	524,935	521,391	3,544
Transportation	353,570	353,046	303,882	49,164
Environmental protection	143,000	146,409	146,408	1
Cultural and recreational	164,020	187,414	177,960	9,454
Principal	7,300	7,300	6,486	814
Interest and other charges	1,200	1,200	1,146	54
Total Expenditures	<u>1,474,843</u>	<u>1,822,216</u>	<u>1,681,365</u>	<u>140,851</u>
Other Financing Uses				
Sale of capital assets	(5,000)	(28,093)	(28,093)	--
Insurance recovery	(2,500)	(241,558)	(241,558)	--
Transfers to other funds	56,167	57,024	--	57,024
Total Expenditures and Other Financing Uses	<u>1,523,510</u>	<u>1,609,589</u>	<u>1,411,714</u>	<u>197,875</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>132,364</u>	<u>\$ 132,364</u>
<i>Fund Balance at Beginning of Period</i>			<u>1,186,545</u>	
Fund Balance at End of Period			<u>\$ 1,318,909</u>	

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

Town of Belhaven, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Electric Fund	Total Enterprise Funds
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 75	\$ 538,522	\$ 538,597
Accounts receivable, net	176,753	286,758	463,511
Restricted cash and cash equivalents	57,899	181,336	239,235
Due from other funds	--	(59,002)	(59,002)
Total Current Assets	234,727	947,614	1,182,341
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	14,041	23,729	37,770
Other capital assets, net of depreciation	7,633,724	163,705	7,797,429
Total Assets	7,882,492	1,135,048	9,017,540
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	39,142	27,757	66,899
Total Deferred Outflows of Resources	39,142	27,757	66,899
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	163,230	15,508	178,738
Customer deposits	57,899	181,336	239,235
Current portion of long-term debt	221,353	--	221,353
Total Current Liabilities	442,482	196,844	639,326
<i>Noncurrent Liabilities</i>			
Due in more than one year	2,407,027	--	2,407,027
Net pension liability	48,808	34,612	83,420
Net OPEB liability	52,016	37,154	89,170
Compensated absences	--	9,244	9,244
Total Liabilities	2,950,333	277,854	3,228,187
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	8,778	6,251	15,029
Total Deferred Inflows of Resources	8,778	6,251	15,029
NET POSITION			
Net investment in capital assets	5,019,386	187,434	5,206,819
<i>Unrestricted</i>	(56,862)	691,266	634,404
Total Net Position	\$ 4,962,523	\$ 878,700	\$ 5,841,223

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

Town of Belhaven, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water & Sewer Fund</u>	<u>Electric Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Charges for services	\$ 1,196,831	\$ 2,267,408	\$ 3,464,239
Investment earnings	--	73	73
Total Operating Revenues	<u>1,196,831</u>	<u>2,267,481</u>	<u>3,464,312</u>
Operating Expenses			
Electrical operations	--	726,474	726,474
Electrical power purchases	--	1,355,993	1,355,993
Water and sewer operations	915,539	--	915,539
Depreciation	175,238	9,913	185,151
Total Operating Expenses	<u>1,090,777</u>	<u>2,092,380</u>	<u>3,183,157</u>
Operating Income (Loss)	<u>106,054</u>	<u>175,101</u>	<u>281,155</u>
Non-Operating Revenues (Expenses)			
Interest and other charges	(103,165)	--	(103,165)
Change In Net Position	2,889	175,101	177,990
<i>Net Position, beginning, as previously reported</i>	4,995,022	736,460	5,731,482
Restatement	(35,388)	(32,861)	(68,249)
<i>Net Position, beginning, as restated</i>	4,959,634	703,599	5,663,233
Net Position at End of Period	<u>\$ 4,962,523</u>	<u>\$ 878,700</u>	<u>\$ 5,841,223</u>

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

Town of Belhaven, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit A-10

	Major Enterprise Funds		
	Water & Sewer Fund	Electric Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,218,521	\$ 2,202,782	3,421,303
Cash paid for goods and services	(585,157)	(2,073,943)	(2,659,100)
Cash paid to/on behalf of employees	(230,007)	(152,267)	(382,274)
Customer deposits, net	663	100	763
Net cash provided (used) by operating activities	\$ 404,020	(23,328)	380,692
Cash Flows from Noncapital Financing Activities:			
Transfers to (from) other funds	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Sale of fixed assets			-
Acquisition and construction of capital assets			-
Principal repaid on long-term debt	(218,853)		(218,853)
Interest paid on long-term debt	(103,165)		(103,165)
Net cash provided (used) by capital and related financing activities	(322,018)	-	(322,018)
Cash Flows from Investing Activities:			
Investment income received	-	73	73
Net increase (decrease) in cash and cash equivalents	82,002	(23,255)	58,747
Cash and Cash Equivalents - Beginning of Year	(24,028)	743,113	719,085
Cash and Cash Equivalents - End of Year	\$ 57,974	\$ 719,858	\$ 777,832
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	106,054	\$ 175,101	281,155
Depreciation	175,238	9,913	185,151
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	21,690	(64,626)	(42,936)
Increase (decrease) in accounts payable and accrued liabilities	85,433	(145,843)	(60,410)
Increase (decrease) in accrued vacation	(11,432)	(2,387)	(13,819)
Increase (decrease) in customer deposits	663	(100)	563
Increase in net pension liabilities	14,570	8,603	23,173
Increase in deferred outflows of resources for pensions	11,839	10,137	21,976
Decrease in deferred inflows of resources for pensions	(35)	(25)	(60)
Total adjustments	\$ 404,020	\$ (23,328)	\$ 380,692

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

Notes To The Financial Statements

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Belhaven conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Belhaven is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category — *governmental and proprietary* — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There are no remaining governmental and enterprise funds reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Governmental Funds. Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds).

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, street maintenance, and sanitation services.

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric fund operations.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Belhaven because the tax is levied by Beaufort County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and each of the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. Non-participating interest earning contracts are accounted for at cost. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) external investment pool, is measured at amortized cost, money market mutual fund are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Board considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

Restricted Cash Schedule:

Governmental Activities:		
General Fund		
Streets	\$	192,173
Debt service		-
Total governmental activities		192,173
Water and Sewer Fund		
Customer deposits		57,899
Electric Fund		
Customer deposits		181,336
Total Business-type Activities		239,235
Total Restricted Cash		431,408

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2007. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory & Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using

**Town of Belhaven, North Carolina
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Year Ended June 30, 2019**

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30 years
Buildings	50 years
Improvements	25 years
Furniture and equipment	10 years
Computers	3 years

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

10. *Compensated Absences*

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accrued compensation is paid to an employee at time of termination. Any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

11. *Net Position/Fund Balances*

Net Position

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has no nonspendable fund balance.

Restricted Fund Balance — This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets—Powell Bill — portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Debt Service — funds restricted by USDA debt agreements to payment of principal and interest due on the debt.

Committed Fund Balance — This classification includes the portion of fund balance that can only be

Town of Belhaven, North Carolina
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used for specific purposes imposed by majority vote by quorum of the Town of Belhaven's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or otherwise revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Capital Projects - portion of fund balance assigned by the Board for capital asset acquisition.

Assigned Fund Balance — This classification includes the portion of fund balance that the Town of Belhaven intends to use for specific purposes. The Town has no assigned fund balance.

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance — The classification includes the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Belhaven has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to / deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Belhaven employer contributions are recognized when due and the Town of Belhaven has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Material Violations of Finance-Related Legal and Contractual Provisions

- 1. Noncompliance with North Carolina General Statutes**
NONE

- 2. Contractual Violations**
NONE

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

3. Deficit in Fund Balance or Net Position of Individual Funds
NONE

4. Excess of Expenditures over Appropriations
NONE

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,806,614 and a bank balance of \$1,853,076. Of the bank balance, \$444,082 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$700.

2. Investments

At June 30, 2019, the Town of Belhaven had \$136,226 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has a policy regarding credit risk.

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

3. Receivables — Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 50,000
Total General Fund	50,000
Enterprise Fund:	
Water and Sewer Fund	176,523
Electric Fund	359,131
Total Enterprise Fund	535,654
Total	\$585,654

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

General Fund Capital	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:	Assets			
Land	\$2,009,376	\$ -	\$ -	\$2,009,376
Construction in Progress	1,457,188	-	-	1,457,188
Total capital assets not being depreciated	3,466,564	-	-	3,466,564
Capital assets being depreciated:				
Buildings	2,240,673	-	-	2,240,673
Other improvements	1,093,637	-	-	1,093,637
Equipment	836,335	5,720	2,064	839,991
Vehicles	987,418	-	-	987,418
Total capital assets being depreciated	5,158,063	5,720	2,064	5,161,719
Less accumulated depreciation for:				
Buildings	1,323,050	29,079	-	1,352,129
Other improvements	308,967	44,159	-	353,126
Equipment	761,796	18,934	-	780,730
Vehicles	946,749	8,133	-	954,882
Total accumulated depreciation	3,340,562	\$ 100,305	\$ -	3,440,867
Total capital assets being depreciated, net	1,817,501			1,720,852
Governmental activity capital assets, net	\$5,284,065			\$5,187,416

Town of Belhaven, North Carolina
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$	42,456
Public Safety		25,166
Transportation		18,109
Cultural & Recreation		14,575
Total	\$	100,305

Enterprise Funds Capital asset activity for the Enterprise Fund for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 23,729	\$ -	\$ -	\$ 23,729
Total capital assets not being depreciated	23,729	-	-	23,729
Capital assets being depreciated:				
Substations, lines, and related equipment	564,152	-	-	564,152
Equipment	226,278	-	-	226,278
Vehicles	166,972	-	-	166,972
Total capital assets being depreciated	957,402	-	-	957,402
Less accumulated depreciation for:				
Substations, lines, and related equipment	391,214	9,573	-	400,787
Equipment	225,598	340	-	225,938
Vehicles	166,972	-	-	166,972
Total accumulated depreciation	783,784	\$ 9,913	\$ -	793,697
Total capital assets being depreciated, net	173,618			163,705
Business-type activity capital assets, net	\$ 197,347			\$ 187,434

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

Water and Sewer Fund Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 14,041	\$ -	\$ -	\$ 14,041
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>14,041</u>	<u>-</u>	<u>-</u>	<u>14,041</u>
Capital assets being depreciated:				
Distribution system	11,245,260	-	-	11,245,260
Equipment	521,550	-	-	521,550
Vehicles	87,337	-	-	87,337
Total capital assets being depreciated	<u>11,854,147</u>	<u>-</u>	<u>-</u>	<u>11,854,147</u>
Less accumulated depreciation for:				
Distribution system	3,490,488	165,361	-	3,655,849
Equipment	467,359	9,877	-	477,236
Vehicles	87,338	-	-	87,338
Total accumulated depreciation	<u>4,045,185</u>	<u>\$ 175,238</u>	<u>\$ -</u>	<u>4,220,423</u>
Total capital assets being depreciated, net	<u>7,808,962</u>			<u>7,633,724</u>
Water and Sewer Business-type activities capital assets, net	<u>7,823,003</u>			<u>7,647,765</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Belhaven is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement

Town of Belhaven, North Carolina
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benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Belhaven employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Belhaven's contractually required contribution rate for the year ended June 30, 2019, was 7.15% of compensation for law enforcement officers and 6.73% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Belhaven were \$86,230 for the year ended June 30, 2019.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$353,953 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating

Town of Belhaven, North Carolina
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LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.01492%, which was a decrease of 0.00249% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$88,616. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,607	\$ 1,832
Changes of assumptions	93,926	-
Net difference between projected and actual earnings on pension plan investments	48,587	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	24,103
Employer contributions subsequent to the measurement date	86,230	-
Total	\$ 283,350	\$ 25,935

\$283,350 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	86,664
2020	54,593
2021	4,956
2022	24,970
2023	-
Thereafter	-
	\$ 171,183

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Town of Belhaven, North Carolina
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The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

Sensitivity of the net pension liability (asset) to changes in the discount rate Unit's proportionate share	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	850,227	353,953	(60,740)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Belhaven administers a public employee retirement system (the "Separation Allowance"), which is a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of GS Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time county law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

	Law Enforcement Officers
Retirees and dependents receiving benefits	-
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	6
Total	6

**Town of Belhaven, North Carolina
Notes to the Financial Statements
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2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 Percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 Percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$8,537 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a total pension liability of \$268,708. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update

Town of Belhaven, North Carolina
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procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$10,032.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,162
Changes of assumptions and other inputs	6,127	6,777
Benefit payments and administrative expenses subsequent to measurement date	-	-
Total	\$ 6,127	\$ 13,939

\$6,127 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 1,307
2021	1,307
2022	1,307
2023	1,307
2024	899
Thereafter	-
	\$ 6,127

\$8,437 paid as benefits came due and \$100 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the net pension liability (asset)	\$ 135,424	\$ 122,709	\$ 111,351

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant

**Town of Belhaven, North Carolina
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portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2019**

	2019
Beginning balance	\$ 118,954
Service Cost	8,792
Interest on the total pension liability	3,759
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,872)
Changes of assumptions or other inputs	(5,924)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 122,709

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provide retirement benefit to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

c. Other Post-Employment Benefit

Healthcare Benefits

Plan Description. According to a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and: have at least 25 years of service with the Town and is at least age 62, or is at least 55 with 10 years of LGERS service and five years of service with the Town.

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

The Town pays the full cost of coverage until the retiree is eligible for Medicare if the retiree is at least age 62 with a minimum of 25 years of service with the Town. The Town will pay the full cost of coverage for 6 months or until the retiree is eligible for Medicare, whichever occurs first, if the retiree is at least at 55 with 10 years of LGERS service and 5 years of service with the Town. Retirees are eligible to continue benefits after the Town's coverage have stopped, but the full cost of coverage is the responsibility of the retiree. Also, dependent coverage is available but must be paid entirely by the retiree. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

The following summarizes the membership of the Plan as June 30, 2017 Valuation Date.

Inactive employees or beneficiaries currently receiving benefits	1
Inactive members entitled to but not yet receiving benefits	-
Actives employees	<u>28</u>
Total Membership	<u>29</u>

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2019, the Town made no payments for post-employment health benefit premiums.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

Total OPEB Liability

The Town's OPEB liability of \$371,543 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

The TOL (Total OPEB Liability) was determined by an actuarial valuation as of June 30, 2017 using the following key actuarial assumptions and other inputs:

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

Inflation	2.50%
Real Wage Growth	100.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior measurement date	3.56%
Measurement date	3.89%
Health Care Cost Trends	
Pre-Medicare medical and prescription drug	7.50% to 2017 decreasing to rate of .5.00% by 2023

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality rates, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010- December 31, 2014, adopted by the LGERS.

Changes in Total OPEB Liability

Balance at July 1, 2018	\$ 354,124
Changes for the year	
Service cost	29,695
Interest	12,460
Changes of benefit terms	-
Differences between expected and actual experience	237
Changes in assumptions or other inputs	(16,669)
Benefit payments	(8,304)
Net Changes	<u>17,419</u>
Balance at June 30, 2019	<u>\$ 371,543</u>

Sensitivity of the Town's OPEB liability to changes in the discount rate. The following presents the Town's total OPEB liability calculated using the discount rate of 3.89 percent, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current rate:

	<u>1% Decrease</u> <u>2.89%</u>	<u>Discount</u> <u>Rate 3.89%</u>	<u>1% Increase</u> <u>4.89%</u>
Total OPEB Liability	\$ 424,625	\$ 371,543	\$ 325,720

Sensitivity of the Town's OPEB liability to changes in the health care cost trend rates. The following presents the Town's total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

than the current rate:

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 310,723	\$ 371,543	\$ 447,851

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2019, the Town recognized OPEB expenses of \$38,272. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 491	\$ -
Changes of assumptions	-	37,154
Total	\$ 491	\$ 37,154

\$491 reported as deferred outflows of resources related to differences between expected and actual experience will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to the OPEB liability will be recognized as follows:

Year Ended June 30;		
2019	\$	(3,883)
2020		(3,883)
2021		(3,883)
2022		(3,883)
2023		(3,883)
Thereafter		(17,248)
Total	\$	(36,663)

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer state-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's his/her death, but the benefit may not be less than \$25,000 and no more than \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

Source	Amount
Pension deferrals - OPEB	\$ 491
Pension deferrals - LEO	6,127
Pension deferrals - LGERS	283,350
Total	<u>\$ 289,968</u>

Deferred inflows of resources at year-end is comprised of the following:

Pension deferrals - OPEB	\$ 37,154
Pension deferrals - LEO	13,939
Pension deferrals - LGERS	25,935
Property taxes receivable	56,545
Total	<u>\$ 133,573</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. The Town has property, general liability and auto liability through Argonaut Great Central Insurance Co. They carry workmen's compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town has elected not to carry additional flood insurance. During the flood of 1999 the Town Properties were not damaged by flooding.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town officials that have access to funds are bonded under a blanket bond for \$25,000. The finance officer is individually bonded for \$50,000.

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

4. Long-Term Obligations

a. Installment Purchases

Serviced by the General Fund:

General Fund installment loans notes payable at June 30, 2019 are comprised of the following notes:

On March 2, 2017, the Town entered into an agreement to finance two police vehicles. The financing contract requires principal payments beginning in the fiscal year 2019 with an interest rate of 2.75%.

\$ 35,202

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	6,667	968	7,635
2021	6,847	785	7,632
2022	7,035	597	7,632
2023	7,229	403	7,632
2024	7,424	204	7,628
Total	<u>\$ 35,202</u>	<u>\$ 11,084</u>	<u>\$ 43,222</u>

b. Serviced by the Water and Sewer Fund:

Installment Purchases:

In December 1998, the Town entered into an agreement to finance samitary sewer project. The financing contract requires principal payments beginning in the fiscal year 2001 with interest rate of 2.6%.

\$ 119,389

In September, 2013, the Town entered into an agreement to finance Sewer WWTP upgrades. The financing contract requires principal payments beginning in the fiscal year 2014 with interest rate of 2.0%. The Town will receive \$896,169 as principal forgiveness.

762,490

Total

\$ 881,879

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	173,853	18,294	192,147
2021	54,464	14,160	68,624
2022	54,464	13,072	67,536
2023	54,464	11,982	66,446
2024-2028	272,318	43,570	315,888
2029-2033	272,318	16,340	288,658
Total	<u>\$ 881,879</u>	<u>\$ 117,418</u>	<u>\$ 999,298</u>

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

General Obligation Bonds:

Bonds payable at June 30, 2019 are composed of the following individual issues:

Services by the Water and Sewer Fund:

\$2,225,000 Water and Sewer serial bonds issues in 2003, due in annual installments of varying amounts through year ended 2042; interest at 4.5%.

\$ 1,746,500

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	47,500	78,593	126,093
2021	49,000	76,455	125,455
2022	51,000	74,250	125,250
2023	53,000	71,955	124,955
2024-2028	307,000	321,390	628,390
2029-2033	380,000	246,128	626,128
2034-2038	467,000	152,550	619,550
2039-2042	392,000	44,100	436,100
Total	<u>\$ 1,746,500</u>	<u>\$ 1,065,420</u>	<u>\$ 2,811,920</u>

c. Changes in Long-Term Debt:

The following is a summary of charges in the Town's activities in long-term debt:

Governmental Activities	Balance	Additions	Retirements	Balance	Current
	July 1, 2018			June 30, 2019	Maturities
Installment purchase	\$ 41,688	\$ -	\$ 6,486	\$ 35,202	\$ 6,667
Compensated Absences	12,912	21,952	-	34,864	-
Net pension liability (LGRS)	203,291	67,242	-	270,533	
Total pension liability (LEO)	118,954	3,755	-	122,709	
Other Postemployment Benefits	269,135	13,237	-	282,372	
Total Long Term Liabilities	<u>\$ 645,980</u>	<u>\$ 106,186</u>	<u>\$ 6,486</u>	<u>\$ 745,680</u>	<u>\$ 6,667</u>

Business Type Activities	Balance	Additions	Retirements	Balance	Current
	July 1, 2018			June 30, 2019	Maturities
Installment purchase	\$ 1,055,734	\$ -	\$ 173,853	\$ 881,881	\$ 173,853
General obligation bonds	1,791,500	-	45,000	1,746,500	47,500
Compensated Absences	25,004	-	15,760	9,244	
Net pension liability (LGRS)	62,686	20,734	-	83,420	
Other Postemployment Benefits	84,989	4,181	-	89,170	
Total Long Term Liabilities	<u>\$ 3,019,913</u>	<u>\$ 24,915</u>	<u>\$ 234,613</u>	<u>\$ 2,810,215</u>	<u>\$ 221,353</u>

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019**

5. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Electric Fund (allocation of lease payment due)	\$ 59,002
Total		<u>\$ 59,002</u>

6. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 5,187,416	\$ 7,835,199
Less: long-term debt	(35,202)	(2,628,380)
Net investment in capital assets	<u>\$ 5,152,214</u>	<u>\$ 5,206,819</u>

7. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriations:

Total Fund Balance-General Fund	\$ 1,318,909
Less:	
Stabilization by State Statute	197,905
Streets-Powell Bill	192,173
Working Capital / Fund Balance Policy	
Remaining Fund Balance	928,831

The Town of Belhaven has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

C. Commitments

The Town entered into a contract with NC Eastern Municipal Power Agency to purchase electricity for the Town which runs indefinitely. Under the contract, the Town is committed to purchase power at variable rates each year.

NOTE V — SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2019

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE VI —RESTATEMENTS

The Town has determined a restatement to beginning net position was required in the Town's governmental activities, water and sewer fund, and the electric fund for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires retroactive reporting of opening balances. The effect of the restatement resulted in a change to beginning net position of the governmental activities, water and sewer Fund, and electric fund are as follows: Governmental Activities decreased by \$200,921, Water and Sewer Fund decreased by \$35,338, and the Electric Fund decreased by \$32,861, respectively.

NOTE VII —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

Subsequent events have been evaluated through October 29, 2019 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Belhaven, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2019

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service Cost	\$ 29,695	\$ 32,460
Interest	12,460	10,289
Changes of benefit terms	-	-
Differences between expected and actual experience	237	335
Changes of assumptions	(16,669)	(26,846)
Benefit payments	(8,304)	(7,838)
Net change in total OPEB liability	<u>17,419</u>	<u>8,400</u>
Total OPEB liability - beginning	<u>354,124</u>	<u>345,724</u>
Total OPEB liability - ending	<u>\$ 371,543</u>	<u>\$ 354,124</u>
Covered payroll	1,001,853	1,001,853
Total OPEB liability as a percentage of covered payroll	37.09%	35.35%

Notes to Schedule:

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

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.18%
2018	3.09%

Schedule 2

Town of Belhaven, North Carolina
Town of Belhaven Proportiate Share of Net Pension Liability (Assets)
Required Supplementary Information
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.0149%	0.1741%	0.01917%	0.01946%	0.02013%	0.02110%
Proportion of the net pension liability (asset) (\$)	\$ 353,953	\$ 265,977	\$ 406,850	\$ 87,335	\$ (118,716)	\$ 254,336
Covered-employee payroll	\$ 1,032,043	\$ 952,085	\$ 996,056	\$ 1,143,272	\$ 1,106,856	\$ 1,106,856
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	34.30%	27.94%	40.85%	7.64%	10.38%	22.98%
Plan fiduciary net positon as a percentage of the total pension liability	96.15%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Belhaven, North Carolina
Town of Belhaven Contributions
Require Supplementary Information'
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 86,230	\$ 79,612	\$ 71,141	\$ 78,535	\$ 82,851	\$ 81,787
Contributions in relation to the contractually required contribuitions	<u>86,230</u>	<u>79,612</u>	<u>71,141</u>	<u>78,535</u>	<u>82,851</u>	<u>81,787</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,080,513	\$ 1,032,043	\$ 952,085	\$ 996,056	\$ 1,143,272	\$ 1,106,856
Contributions as apercentage of covered-employee payroll	7.98%	7.71%	7.47%	7.88%	7.25%	7.39%

Schedule 4

**Town of Belhaven, North Carolina
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officer's Special Separation Allowance
 June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 118,954	\$ 104,630	\$ 96,503
Service Cost	8,792	8,292	7,797
Interest on the total pension liability	3,759	4,039	3,445
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,872)	(6,748)	-
Changes of assumptions or other inputs	(5,924)	8,741	(3,115)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 122,709</u>	<u>\$ 118,954</u>	<u>\$ 104,630</u>

Schedule 5

Town of Belhaven, North Carolina
Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 122,709	\$ 118,954	\$ 104,630
Covered Payroll	269,620	314,319	309,912
Total pension liability as a percentage of covered payroll	41.37%	37.84%	33.76%

Notes to the schedules:

The town of Belhaven has no assets accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement 73 to pay related benefits.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes		634,866	
Total	<u>640,033</u>	<u>634,866</u>	<u>(5,167)</u>
Other Taxes and Licenses			
Local option sales taxes		463,613	
Fire and rescue taxes		19,734	
Total	<u>474,482</u>	<u>483,347</u>	<u>8,865</u>
Unrestricted Intergovernmental Revenues			
Utility franchise tax		83,471	
Beer & wine tax		6,913	
Telecommunications tax		20,406	
Video programming		6,734	
Solid waste disposal tax		1,121	
ABC Reveue		957	
Payment in lieu of taxes		18,250	
Total	<u>161,500</u>	<u>137,852</u>	<u>(23,648)</u>
Restricted Intergovernmental Revenues			
Powell Bill allocation		57,455	
Grants		23,823	
Total	<u>101,485</u>	<u>81,278</u>	<u>(20,207)</u>
Sales and Services			
Refuse collections fees		137,978	
Rents and concessions		5,695	
Recreation fees		17,020	
Dockage revenue		4,146	
Cemetery services		2,715	
Miscellaneous		1,191	
Total	<u>176,788</u>	<u>168,745</u>	<u>(8,043)</u>

Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment Earnings			
Interest		8,280	
Total	8,026	8,280	254
Miscellaneous Income			
Other income		58,988	
	76,553	58,988	(17,565)
Total Revenues	\$ 1,638,867	\$ 1,573,356	(65,511)
Expenditures			
General Government			
Salaries and benefits		360,054	
Utilities		39,783	
Professional services		53,531	
Dues & subscriptions		7,022	
Auto expenses		8,868	
Telephone		6,397	
Insurance & bonds		186,861	
Travel		7,732	
Repairs & maintenance		238,567	
Supplies		31,016	
Other operating expenses		72,930	
Reimbursement from other funds		488,670	
Total	601,912	524,091	77,821

**Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Salaries and benefits		519,899	
Auto		28,696	
Professional services		3,286	
Utilities		16,239	
Telephone		7,379	
EMS		61,976	
Other operating expenses		102,166	
Reimbursement from other funds		218,250	
Total	<u>524,935</u>	<u>521,391</u>	<u>3,544</u>
Transportation			
Salaries and benefits		241,465	
Vehicle maintenance		10,819	
Street maintenance		48,790	
Repairs and maintenance		23,036	
Utilities		14,344	
Other operating expenses		6,128	
Reimbursement from other funds		40,700	
Total	<u>353,046</u>	<u>303,882</u>	<u>49,164</u>
Environmental Protection			
Contracted services		110,749	
Landfill		35,659	
Total	<u>146,409</u>	<u>146,408</u>	<u>1</u>
Culture and recreational			
Salaries and benefits		57,803	
Fourth of July		21,692	
Belhaven Memorial Museum		6,460	
BHM Regional Library		7,100	
Belhave Public Library		7,776	
Boys & Girls Club		5,700	
Belhaven Chamber of Commerce		10,000	
Senior Center		8,253	
Wilkinson Center		5,000	
Other operating expenses		48,176	
Total	<u>187,414</u>	<u>177,960</u>	<u>9,454</u>
Debt Service			
Principal retirement		6,486	
Interest and other charges		1,146	
Total	<u>8,500</u>	<u>7,632</u>	<u>868</u>

**Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total Expenditures	1,822,216	1,681,364	140,852
Revenue over (under) expenditures	(183,349)	(108,008)	75,341
Other Financing Sources (Uses)			
Sales of capital assets		28,093	
Insurance recovery		212,279	
Transfers to other funds		-	
Total	<u>183,349</u>	<u>240,372</u>	<u>57,023</u>
Net change in fund balance	<u>\$ -</u>	<u>132,364</u>	<u>\$ 132,364</u>
Fund balance - July 1		<u>1,186,545</u>	
Fund balance - June 30		<u>\$ 1,318,909</u>	

Town of Belhaven, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ -	\$ 446,183	\$ -
Total	<u>466,500</u>	<u>446,183</u>	<u>20,317</u>
Sewer Charges			
Sewer charges		750,648	
Total	<u>735,223</u>	<u>750,648</u>	<u>(15,425)</u>
Total revenues	<u>1,201,723</u>	<u>1,196,831</u>	<u>\$ 4,892</u>
Expenditures:			
Water and sewer operations			
Salaries and benefits		233,395	
Administrative costs for services from other funds		287,000	
Utilities		138,660	
Repairs and maintenance		65,932	
Supplies		88,691	
Telephone		4,865	
Contracted services		26,646	
Sludge disposal		8,079	
Other operating expenditures		59,831	
Total	<u>928,928</u>	<u>913,100</u>	<u>15,828</u>
Debt service:			
Interest and fees		103,165	
Principal retirement		218,853	
	<u>323,685</u>	<u>322,018</u>	<u>1,667</u>
Total expenditures	<u>1,252,613</u>	<u>1,235,118</u>	<u>17,495</u>

Town of Belhaven, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenue over(under) expenditures	\$ (50,890)	\$ (38,287)	\$ 12,603
Other financing sources (uses)			
Appropriation	50,890	-	\$ 50,890
Total other financing sources	\$ 50,890	\$ -	50,890
Revenues and other sources over (under)			
expenditures and other uses	\$ -	\$ (38,287)	\$ (38,287)

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over (under)			
expenditures and other uses		\$ (38,287)	
Reconciling items:			
Depreciation		(175,238)	
Principal retirement		218,853	
Increase in net pension liabilities		9,692	
Decrease in deferred inflows of resources - pensions		35	
Decrease in deferred outflows of resources - pensions		(11,839)	
Pension expense		(327)	
Total reconciling items		41,176	
Changes in Net Position, GAAP basis		\$ 2,889	

Town of Belhaven, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 2,267,408	\$ -
Total		2,267,408	
 Nonoperating revenues			
Interest earnings		73	
Total revenues	\$ 2,372,519	2,267,481	(105,038)
 Expenditures:			
Salaries and benefits		152,267	
Electricity purchases		1,355,993	
Contracted services		28,355	
Administrative costs		460,000	
Telephone		371	
Auto		2,829	
Supplies		18,358	
Repairs and maintenance		48,323	
Office		7,777	
Utilities		1,376	
Other operating expenditures		5,076	
Total	2,372,519	2,080,725	291,794
 Revenues over (under)			
expenditures	\$ -	186,756	\$ 186,756
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(9,913)	
Increase in net pension liabilities		(10,345)	
Decrease in deferred outflows of resources - pensions		8,395	
Decrease in deferred inflows of resources - pensions		208	
Total reconciling items		\$ (11,655)	
Changes in Net Position, GAAP basis		175,101	

OTHER SCHEDULES

Schedule 8

**Town of Belhaven, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019		\$ 635,904	611,352	\$ 24,552
2019	28,957		12,168	16,789
2017	12,446		981	11,465
2016	10,405		1,865	8,540
2015	7,618		353	7,265
2014	8,268		291	7,977
2013	8,150		413	7,737
2012	7,109		275	6,834
2011	6,175		247	5,928
2010	5,026		138	4,888
2009	4,753		183	4,570
	<u>98,907</u>	<u>635,904</u>	<u>628,266</u>	<u>106,545</u>

Less: Allowance for Uncollectible Accounts	<u>50,000</u>
Ad Valorem Taxes Receivables, Net	<u>\$ 56,545</u>

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 634,826
Reconciling items:	
Interest collected	(8,000)
Releases and adjustments	1,440
Total Collections and Credits	<u>\$ 628,266</u>

**Town of Belhaven, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	<u>\$ 107,780,371</u>	<u>0.59</u>	<u>\$ 635,904</u>	<u>\$ 584,826</u>	<u>\$ 51,078</u>
Total Net Levy for Current Year	<u>\$ 107,780,371</u>				
Net levy			635,904	584,826	51,078
Less uncollected taxes at June 30, 2018			<u>24,552</u>	<u>24,552</u>	<u>-</u>
Current year's taxes collected			<u>\$ 611,352</u>	<u>\$ 560,274</u>	<u>\$ 51,078</u>
Current levy collection percentage			<u>96.14%</u>	<u>95.80%</u>	<u>100.00%</u>

COMPLIANCE SECTION

LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Belhaven, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Belhaven's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Belhaven's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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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 result 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.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 29, 2019

Summary Schedule of Prior Audit Findings and Responses

Section II. Financial Statement Findings

Schedule 10

Significant Deficiency

2018-01 Budget - Based upon review of financial statements. *Completed*