

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2019

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Martha Stowe

Ron Foulk

Doug Gadd

Ryan Schrift

Richard Turner

OFFICIALS

Adrian Miller, City Manager

Michelle Wood, Finance Director

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CITY OF BELMONT, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	16-17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
	Proprietary Fund:	
G	Statement of Net Position - Proprietary Fund	21
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	22
I	Statement of Cash Flows - Proprietary Fund	23
	Notes to the Financial Statements	24-64

CITY OF BELMONT, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability	65
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll	66
A-3	Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios	67
A-4	Local Governmental Employees' Retirement System - City of Belmont's Proportionate Share of Net Pension Liability (Asset)	68
A-5	Local Governmental Employees' Retirement System - City of Belmont's Contributions	69
	Supplementary Information:	
	General Fund:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70-76
	Nonmajor Governmental Funds:	
2	Combining Balance Sheet	77
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	78
	Stormwater Fund:	
4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
	Techworks Project:	
5	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	80
	Belmont Rail Trail Project:	
6	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81

CITY OF BELMONT, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Supplementary Information: (Continued)	
	Capital Reserve Fund:	
7	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	82
	Water and Sewer Fund:	
8	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	83-86
	Automated Meter Infrastructure Program	
	Capital Project Fund:	
9	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	87
	Public Works Renovation Enterprise	
	Capital Project Fund:	
10	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	88
	Water and Sewer Capital Reserve Fund:	
11	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	89
	Belmont Tourism Development Authority:	
12	Balance Sheet	90
13	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
	Other Supplemental Schedules:	
14	Schedule of Ad Valorem Taxes Receivable	92
15	Analysis of Current Tax Levy	93

CITY OF BELMONT, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Compliance Section:

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	94-95
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act	96-97
Schedule of Findings, Responses, and Questioned Costs	98-103
Corrective Action Plan	104-106
Summary Schedule of Prior Year's Audit Findings	107
Schedule of Expenditures of Federal and State Awards	108

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Belmont
Belmont, North Carolina

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Belmont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for 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 Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and City Contributions 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 City of Belmont's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 statements 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, other schedules, and the

Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019 on our consideration of the City of Belmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City of Belmont's 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 the City of Belmont's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 20, 2019

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Management's Discussion and Analysis

As management of the City of Belmont, we offer readers of the City of Belmont's Financial Statements this narrative overview and analysis of the financial activities of the City of Belmont 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 City's financial statements, which follow this narrative.

Financial Highlights

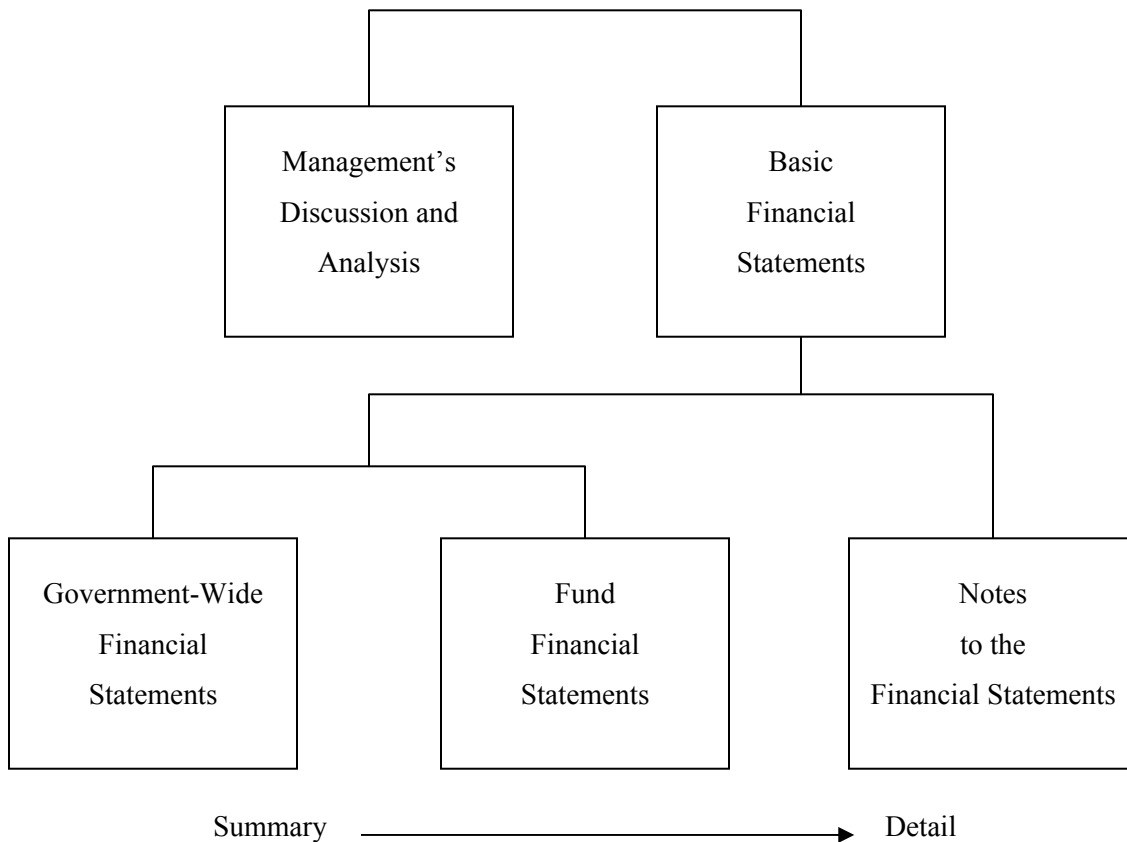
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$56,561,996 (net position).
- The government's total net position increased by \$6,307,823 mostly due to an increase in business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$6,404,737, with an overall decrease of \$27,642. Approximately 16.88% of this total amount, or \$1,081,038, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,976,994, or 29.42%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding increased by \$3,561,840 (31.67%), during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Belmont's basic Financial Statements. The City'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 City 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 City of Belmont.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City'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 City's individual funds. Budgetary information required by the 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 City'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 City's financial status as a whole.

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

The government-wide statements are divided into two categories: governmental activities and business-type activities. The governmental activities include most of the City's basic services, such as general government, public safety, transportation, public works, environmental protection, and cultural and recreational. Property taxes and State-collected local taxes finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer offered by the City of Belmont.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City'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 City of Belmont, 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 City's budget ordinance. All of the funds of the City of Belmont 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 City'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*, which 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 City's programs. The relationship between governmental 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 City of Belmont 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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 City of Belmont 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 City of Belmont uses enterprise funds to account for its water and sewer activity. 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 are on pages 24-64 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Belmont's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 8,130,975	\$ 8,157,011	\$ 15,783,439	\$ 13,821,843	\$ 23,914,414	\$ 21,978,854
Capital assets	17,477,420	15,627,554	37,776,261	26,663,016	55,253,681	42,290,570
Total assets	25,608,395	23,784,565	53,559,700	40,484,859	79,168,095	64,269,424
 Total deferred outflows	 1,564,516	 878,384	 567,272	 340,298	 2,131,788	 1,218,682
Liabilities:						
Long-term liabilities	10,087,782	10,406,696	11,009,088	6,417,128	21,096,870	16,823,824
Other liabilities	1,634,283	1,688,521	1,012,791	1,150,656	2,647,074	2,839,177
Total liabilities	11,722,065	12,095,217	12,021,879	7,567,784	23,743,944	19,663,001
 Total deferred inflows	 748,344	 369,443	 245,599	 86,721	 993,943	 456,164
Net Position:						
Net investment in						
capital assets	12,083,247	9,397,733	31,197,687	21,645,938	43,280,934	31,043,671
Restricted	1,015,931	1,078,693	-	-	1,015,931	1,078,693
Unrestricted	1,603,324	1,721,863	10,661,807	11,524,714	12,265,131	13,246,577
Total net position	\$ 14,702,502	\$ 12,198,289	\$ 41,859,494	\$ 33,170,652	\$ 56,561,996	\$ 45,368,941

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 City of Belmont exceeded liabilities and deferred inflows by \$56,561,996 as of June 30, 2019. The City's net position increased by \$6,307,823 for the fiscal year ended June 30, 2019. However, the largest portion (76.5%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Belmont uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City of Belmont's net position, \$1,015,931 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,265,131 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental and business-type net position:

- General Fund revenues were approximately \$1,500,061, or 13%, higher than the previous fiscal year. The majority of this increase was generated by higher Ad Valorem Taxes and Charges for Services.
- General Fund expenditures were approximately \$713,205, or 6.31%, higher than the previous fiscal year. Much of this overall increase reflected higher capital-related expenditures and investments in the City's cultural and recreation programs and facilities.
- Water and sewer operating revenues were approximately \$3,088,251, or 32%, higher than the previous fiscal year. Operating revenue was \$1,720,227 less than the previous fiscal year, primarily due to decreased system development fees paid by new development projects. The overall increase in operating revenues is supported by \$4,766,207 in donated water line contributions.
- Water and sewer operating expenses were approximately \$2,172,057, or 32%, higher than the previous fiscal year. The primary increase in the expenses was due to increased capital expenditures to upgrade the water and sewer system.

City of Belmont's Changes in Net Position

Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2019</u>	<u>Business-Type</u> <u>Activities</u> <u>2019</u>	<u>Total</u> <u>2019</u>	<u>Governmental</u> <u>Activities</u> <u>2018</u>	<u>Business-Type</u> <u>Activities</u> <u>2018</u>	<u>Total</u> <u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,306,625	\$ 7,921,501	\$ 9,228,126	\$ 813,373	\$ 9,641,728	\$ 10,455,101
Operating grants and contributions	853,779	-	853,779	909,966	-	909,966
Capital grants and contributions	-	4,766,207	4,766,207	-	9,596,862	9,596,862
General revenues:						
Property taxes	7,540,341	-	7,540,341	6,515,256	-	6,515,256
Other taxes	3,811,098	-	3,811,098	3,521,817	-	3,521,817
Other	904,963	63,002	967,965	748,779	20,731	769,510
Total revenues	<u>14,416,806</u>	<u>12,750,710</u>	<u>27,167,516</u>	<u>12,509,191</u>	<u>19,259,321</u>	<u>31,768,512</u>
Expenses:						
General government	285,665	-	285,665	1,209,806	-	1,209,806
Public safety	4,815,667	-	4,815,667	4,965,838	-	4,965,838
Transportation	1,015,324	-	1,015,324	1,062,182	-	1,062,182
Environmental protection	1,294,966	-	1,294,966	1,005,758	-	1,005,758
Cultural and recreation	3,061,608	-	3,061,608	1,977,953	-	1,977,953
Economic and physical development	1,324,586	-	1,324,586	818,216	-	818,216
Water and sewer	-	8,947,100	8,947,100	-	6,775,043	6,775,043
Interest	114,777	-	114,777	159,635	-	159,635
Total expenses	<u>11,912,593</u>	<u>8,947,100</u>	<u>20,859,693</u>	<u>11,199,388</u>	<u>6,775,043</u>	<u>17,974,431</u>
Transfers	-	-	-	21,305	(21,305)	-
Change in net position	<u>2,504,213</u>	<u>3,803,610</u>	<u>6,307,823</u>	<u>1,331,108</u>	<u>12,462,973</u>	<u>13,794,081</u>
Net Position:						
Beginning of year, as previously stated - July 1	12,198,289	33,170,652	45,368,941	11,948,684	21,150,600	33,099,284
Restatement	<u>-</u>	<u>4,885,232</u>	<u>4,885,232</u>	<u>(1,081,503)</u>	<u>(442,921)</u>	<u>(1,524,424)</u>
Beginning of year, as restated	<u>12,198,289</u>	<u>38,055,884</u>	<u>50,254,173</u>	<u>10,867,181</u>	<u>20,707,679</u>	<u>31,574,860</u>
End of year - June 30	<u>\$ 14,702,502</u>	<u>\$ 41,859,494</u>	<u>\$ 56,561,996</u>	<u>\$ 12,198,289</u>	<u>\$ 33,170,652</u>	<u>\$ 45,368,941</u>

Governmental Activities. Governmental activities increased the City's net position by \$2,504,213, thereby accounting for 39.70% of the increase in net position of the City of Belmont. Key elements of this increase are as follows:

- Revenues increase significantly primarily due to an increase of \$1,025,085 in property taxes collected.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$3,803,610, accounting for 60.30% of the change in the government's net position. Key elements of this increase are as follows:

- Capital contributions were \$4,766,207.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Belmont's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Belmont's financing requirements. Specifically, available 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 City of Belmont. At the end of the current fiscal year, fund balance available in the General Fund was \$4,177,101, while total fund balance reached \$5,053,720. The City currently has an available fund balance of 30.90% of General Fund expenditures, while total fund balance represents 37.39% of the same amount.

At June 30, 2019, the governmental funds of the City of Belmont reported a combined fund balance of \$6,404,737, with an overall decrease of \$27,642.

General Fund Budgetary Highlights. During the fiscal year, the City 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.

Proprietary Funds. The City of Belmont'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 \$10,661,807. The total changes in net position for the Water and Sewer Fund were \$3,803,610. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Belmont's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Belmont's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$55,253,681 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

The major additions included recording donated water lines for annexed new developments that was taken over by the city in this fiscal year in the business-type activities.

Additional information on the City's capital assets can be found beginning on page 38 of this report.

**City of Belmont's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2019	2019	2019	2018	2018	2018
Land	\$ 3,164,369	\$ 75,890	\$ 3,240,259	\$ 3,164,369	\$ 75,890	\$ 3,240,259
Buildings	3,891,596	3,304,643	7,196,239	4,020,538	3,418,660	7,439,198
Other improvements	2,841,661	140,378	2,982,039	2,654,320	162,722	2,817,042
Machinery and equipment	969,806	3,573,418	4,543,224	711,580	2,877,776	3,589,356
Vehicles and motorized equipment	1,603,941	-	1,603,941	942,684	-	942,684
Infrastructure	3,411,140	-	3,411,140	3,562,393	-	3,562,393
Distribution systems	-	28,302,799	28,302,799	-	19,989,186	19,989,186
Other non-depreciable items	5,687	28,911	34,598	5,687	28,911	34,598
Natural gas fill station	-	137,642	137,642	-	109,871	109,871
Construction in progress	1,589,220	2,212,580	3,801,800	565,983	-	565,983
Total	\$ 17,477,420	\$ 37,776,261	\$ 55,253,681	\$ 15,627,554	\$ 26,663,016	\$ 42,290,570

Long-Term Debt. As of June 30, 2019, the City of Belmont had total debt outstanding of \$14,808,739. Of this amount, \$9,414,566 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

**City of Belmont's Outstanding Debt
Long-Term Obligations**

Figure 5

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2019	2019	2019	2018	2018	2018
Capitalized leases	\$ 254,538	\$ -	\$ 254,538	\$ 289,215	\$ -	\$ 289,215
Notes payable	5,139,635	9,414,566	14,554,201	5,940,606	5,017,078	10,957,684
Total	\$ 5,394,173	\$ 9,414,566	\$ 14,808,739	\$ 6,229,821	\$ 5,017,078	\$ 11,246,899

The City of Belmont's total debt increased by \$3,561,840, or 31.67%, during the past fiscal year. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Belmont is \$101,178,011.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 56 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

In the past year, Belmont has continued to experience additional improvement in its overall economic indicators. In regards to housing, the City staff issued 215 new single-family residential permits, which is a 21% increase from the 177 permits issued during the previous year. These 215 single-family residential permits are the highest number of permits issued since at least 2007. The previous high mark for single-family permits issued was 182 permits issued in 2007, just before the Great Recession. The total value of these new houses is \$50,888,925, which is \$11 million more than the previous year. In addition to these new houses, the staff issued other permits with a combined valuation of \$5,103,200. The central business district continued to add new locally owned businesses and create jobs, and there was new commercial construction along the major commercial corridor of Wilkinson Boulevard. Overall, the tax base for Belmont is estimated to increase 3% to \$1.32 billion.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Based on the actual results from this fiscal year, moderate growth is again anticipated in some of the major General Fund revenues in the coming fiscal year. Overall, total General Fund revenues are projected to increase by 12% over the adopted FY 2018-2019 budget total. An important component of this overall revenue growth is the increase projected again this coming year for the two of the largest General Fund revenues – Current Year Ad Valorem Taxes (+28% due to a 23% increase in taxable property valuation and 5% growth in the tax base) and Local Option Sales Taxes (+4%) – which, together, account for 81% of total General Fund revenues.

In line with revenues, budgeted expenditures in the General Fund for the coming fiscal year are also projected to increase by 12% from the prior fiscal year. This increase is due to the city council's emphasis on investing in the City's parks and infrastructure and its budgeting of \$400,000 to be put into the fund balance.

Business-Type Activities: Water and sewer rates remained flat for FY 2019-2020 after five years of increases and one year of no increase. The rates will allow the City to continue implementing the top priorities of the Capital Improvement Program (CIP) for the Water & Sewer Fund. The overall budget for the Water & Sewer Fund will increase by 42% over the previous adopted budget, but the vast majority of this increase is a budgeted amount of \$3,354,602 from the capital reserve to be spent on system improvements. Continued emphasis will be given to moving ahead with the highest priority capital projects from the CIP.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Director of Finance, City of Belmont, 115 North Main Street, Belmont, North Carolina 28012.

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CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 5,577,241	\$ 11,367,269	\$ 16,944,510	\$ 79,485
Taxes receivables, net	63,272	-	63,272	-
Accounts receivable, net	101,978	1,246,336	1,348,314	9,779
Due from other governments	764,108	-	764,108	-
Prepaid items	104	-	104	-
Inventories	65,003	165,882	230,885	-
Total current assets	6,571,706	12,779,487	19,351,193	89,264
Restricted assets:				
Cash and cash equivalents	1,559,269	3,003,952	4,563,221	-
Capital assets:				
Non-depreciable	4,759,276	2,317,381	7,076,657	-
Depreciable, net of accumulated depreciation	12,718,144	35,458,880	48,177,024	-
Total capital assets	17,477,420	37,776,261	55,253,681	-
Total assets	25,608,395	53,559,700	79,168,095	89,264
Deferred Outflows of Resources:				
OPEB deferrals	18,595	7,595	26,190	-
Pension deferrals	1,545,921	559,677	2,105,598	-
Total deferred outflows of resources	1,564,516	567,272	2,131,788	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	212,365	817,934	1,030,299	-
Payable from restricted assets:				
Customer deposits	-	167,960	167,960	-
Performance bond deposits	1,359,162	-	1,359,162	-
Accrued interest	62,756	26,897	89,653	-
Long-term liabilities, due within one year	1,550,233	5,482,287	7,032,520	-
Total current liabilities	3,184,516	6,495,078	9,679,594	-
Long-term liabilities:				
Net pension liability- LGERS	1,730,346	706,761	2,437,107	-
Total pension liability- LEOSSA	733,997	-	733,997	-
Total OPEB liability	1,805,661	737,523	2,543,184	-
Long-term liabilities, due in more than one year	4,267,545	4,082,517	8,350,062	-
Total long-term liabilities	8,537,549	5,526,801	14,064,350	-
Total liabilities	11,722,065	12,021,879	23,743,944	-
Deferred Inflows of Resources:				
OPEB deferrals	563,051	229,979	793,030	-
Pension deferrals	185,293	15,620	200,913	-
Total deferred inflows of resources	748,344	245,599	993,943	-
Net Position:				
Net investment in capital assets	12,083,247	31,197,687	43,280,934	-
Restricted for:				
Stabilization by state statute	815,824	-	815,824	-
Streets	200,107	-	200,107	-
Tourism	-	-	-	89,264
Unrestricted	1,603,324	10,661,807	12,265,131	-
Total net position	\$ 14,702,502	\$ 41,859,494	\$ 56,561,996	\$ 89,264

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Programs:				
Governmental Activities:				
General government	\$ 285,665	\$ 717,691	\$ 36,324	\$ -
Public safety	4,815,667	33,100	12,511	-
Transportation	1,015,324	-	310,530	-
Environmental protection	1,294,966	427,507	-	-
Cultural and recreational	3,061,608	128,327	494,414	-
Economic and physical development	1,324,586	-	-	-
Interest on long-term debt	114,777	-	-	-
Total governmental activities	<u>11,912,593</u>	<u>1,306,625</u>	<u>853,779</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>8,947,100</u>	<u>7,921,501</u>	<u>-</u>	<u>4,766,207</u>
Total primary government	<u>\$ 20,859,693</u>	<u>\$ 9,228,126</u>	<u>\$ 853,779</u>	<u>\$ 4,766,207</u>
Component Unit:				
Belmont Tourism Development Authority	<u>\$ 102,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Net Revenue (Expense) and Changes in Net Position			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Function/Programs:				
Governmental Activities:				
General government	\$ 468,350	\$ -	\$ 468,350	\$ -
Public safety	(4,770,056)	-	(4,770,056)	-
Transportation	(704,794)	-	(704,794)	-
Environmental protection	(867,459)	-	(867,459)	-
Cultural and recreational	(2,438,867)	-	(2,438,867)	-
Economic and physical development	(1,324,586)	-	(1,324,586)	-
Interest on long-term debt	(114,777)	-	(114,777)	-
Total governmental activities	(9,752,189)	-	(9,752,189)	-
Business-Type Activities:				
Water and sewer	-	3,740,608	3,740,608	-
Total primary government	(9,752,189)	3,740,608	(6,011,581)	-
Component Unit:				
Belmont Tourism Development Authority				(102,687)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	7,540,341	-	7,540,341	-
Other taxes	3,811,098	-	3,811,098	97,229
Unrestricted investment earnings	145,715	63,002	208,717	-
Miscellaneous	759,248	-	759,248	-
Total general revenues	12,256,402	63,002	12,319,404	97,229
Change in net position	2,504,213	3,803,610	6,307,823	(5,458)
Net Position:				
Beginning of year - July 1	12,198,289	33,170,652	45,368,941	94,722
Restatement	-	4,885,232	4,885,232	-
Beginning of year, as restated	12,198,289	38,055,884	50,254,173	94,722
End of year - June 30	\$ 14,702,502	\$ 41,859,494	\$ 56,561,996	\$ 89,264

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 4,187,608	\$ 1,389,633	\$ 5,577,241
Taxes receivable, net	63,272	-	63,272
Accounts receivable, net	64,283	37,695	101,978
Due from other funds	41,177	-	41,177
Due from other governments	764,108	-	764,108
Prepaid items	104	-	104
Inventory	60,691	4,312	65,003
Cash, restricted	1,559,269	-	1,559,269
Total assets	<u>\$ 6,740,512</u>	<u>\$ 1,431,640</u>	<u>\$ 8,172,152</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 210,614	\$ 1,751	\$ 212,365
Liabilities payable from restricted assets:			
Performance bond deposits	1,359,162	-	1,359,162
Due to other funds	-	41,177	41,177
Total liabilities	<u>1,569,776</u>	<u>42,928</u>	<u>1,612,704</u>
Deferred Inflows of Resources:			
Property taxes receivable	63,272	-	63,272
Other receivables	53,744	37,695	91,439
Total deferred inflows of resources	<u>117,016</u>	<u>37,695</u>	<u>154,711</u>
Fund Balances:			
Non-spendable:			
Prepaid items	104	-	104
Inventories	60,691	4,312	65,003
Restricted:			
Stabilization by state statute	815,824	-	815,824
Streets	200,107	-	200,107
Committed	-	795,147	795,147
Assigned	-	592,735	592,735
Unassigned	3,976,994	(41,177)	3,935,817
Total fund balances	<u>5,053,720</u>	<u>1,351,017</u>	<u>6,404,737</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,740,512</u>	<u>\$ 1,431,640</u>	<u>\$ 8,172,152</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	<u>Total</u>
Reconciliation of the Balance Sheet to the Statement of Net Position:	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance - governmental funds	\$ 6,404,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,477,420
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	154,711
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(62,756)
Compensated absences	(423,605)
Net pension liability - LGERS	(1,730,346)
Total pension liability - LEOSSA	(733,997)
Total OPEB liability	(1,805,661)
Deferred outflows of resources related to OPEB	18,595
Deferred outflows of resources related to pensions	1,545,921
Deferred inflows of resources related to OPEB	(563,051)
Deferred inflows of resources related to pensions	(185,293)
Note payable	(5,139,635)
Capital leases payable	<u>(254,538)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 14,702,502</u>

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

CITY OF BELMONT, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 7,540,341	\$ -	\$ 7,540,341
Other taxes and licenses	285,692	-	285,692
Unrestricted intergovernmental	3,525,406	-	3,525,406
Restricted intergovernmental	359,365	494,414	853,779
Permits and fees	114,518	-	114,518
Sales and services	764,600	427,507	1,192,107
Investment earnings	106,817	38,898	145,715
Other general revenues	331,102	428,146	759,248
Total revenues	<u>13,027,841</u>	<u>1,388,965</u>	<u>14,416,806</u>
Expenditures:			
Current:			
General government	1,363,489	-	1,363,489
Public safety	5,169,159	-	5,169,159
Transportation	1,480,665	-	1,480,665
Environmental protection	943,330	336,498	1,279,828
Cultural and recreational	564,042	41,177	605,219
Economic and physical development	342,526	982,060	1,324,586
Debt service:			
Principal	1,279,800	161,848	1,441,648
Interest and other charges	108,711	11,334	120,045
Capital outlay	2,265,809	-	2,265,809
Total expenditures	<u>13,517,531</u>	<u>1,532,917</u>	<u>15,050,448</u>
Revenues over (under) expenditures	<u>(489,690)</u>	<u>(143,952)</u>	<u>(633,642)</u>
Other Financing Sources (Uses):			
Long-term debt issued	606,000	-	606,000
Transfers to other funds	(59,500)	-	(59,500)
Transfers from other funds	-	59,500	59,500
Total other financing sources (uses)	<u>546,500</u>	<u>59,500</u>	<u>606,000</u>
Net change in fund balances	56,810	(84,452)	(27,642)
Fund Balances:			
Beginning of year - July 1	<u>4,996,910</u>	<u>1,435,469</u>	<u>6,432,379</u>
End of year - June 30	<u>\$ 5,053,720</u>	<u>\$ 1,351,017</u>	<u>\$ 6,404,737</u>

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

CITY OF BELMONT, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ (27,642)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these 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.	3,066,078
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,216,212)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	50,576
The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not have any effect on net position.	(606,000)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	1,441,648
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 the governmental funds.	
Accrued interest payable	5,268
Compensated absences	6,685
OPEB plan expense	(108,123)
Pension expense - LGERS	(95,608)
Pension expense - LEOSSA	<u>(12,457)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 2,504,213</u>

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

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 7,166,946	\$ 7,425,185	\$ 7,540,341	\$ 115,156
Other taxes and licenses	263,000	276,050	285,692	9,642
Unrestricted intergovernmental	3,202,000	3,458,635	3,525,406	66,771
Restricted intergovernmental	343,500	328,120	359,365	31,245
Permits and fees	110,000	108,000	114,518	6,518
Sales and services	748,530	776,269	764,600	(11,669)
Investment earnings	19,000	105,000	106,817	1,817
Miscellaneous	90,124	355,613	331,102	(24,511)
Total revenues	<u>11,943,100</u>	<u>12,832,872</u>	<u>13,027,841</u>	<u>194,969</u>
Expenditures:				
Current:				
General government	1,391,257	1,400,719	1,363,489	37,230
Environmental protection	915,573	943,500	943,330	170
Public safety	4,895,847	5,186,820	5,169,159	17,661
Transportation	1,632,266	1,494,356	1,480,665	13,691
Cultural and recreation	558,111	591,815	564,042	27,773
Economic and physical development	312,829	340,812	342,526	(1,714)
Debt service:				
Principal	1,339,981	1,282,338	1,279,800	2,538
Interest and other charges	141,485	107,016	108,711	(1,695)
Capital outlay	<u>1,205,751</u>	<u>2,461,190</u>	<u>2,265,809</u>	<u>195,381</u>
Total expenditures	<u>12,393,100</u>	<u>13,808,566</u>	<u>13,517,531</u>	<u>291,035</u>
Revenues over (under) expenditures	<u>(450,000)</u>	<u>(975,694)</u>	<u>(489,690)</u>	<u>486,004</u>
Other Financing Sources (Uses):				
Long-term debt issued	450,000	606,000	606,000	-
Transfers to other funds	-	(171,496)	(59,500)	111,996
Appropriated fund balance	<u>-</u>	<u>541,190</u>	<u>-</u>	<u>(541,190)</u>
Total other financing sources (uses)	<u>450,000</u>	<u>975,694</u>	<u>546,500</u>	<u>(429,194)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>56,810</u>	<u>\$ 56,810</u>
Fund Balance:				
Beginning of year - July 1			<u>4,996,910</u>	
End of year - June 30			<u>\$ 5,053,720</u>	

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 11,367,269
Accounts receivable (net)	1,246,336
Inventories	<u>165,882</u>
Total current assets	<u>12,779,487</u>
Restricted assets:	
Cash and cash equivalents	<u>3,003,952</u>
Non-current assets:	
Capital assets:	
Non-depreciable	2,317,381
Depreciable, net of accumulated depreciation	<u>35,458,880</u>
Total non-current assets	<u>37,776,261</u>
Total assets	<u>53,559,700</u>
Deferred Outflows of Resources:	
OPEB deferrals	7,595
Pension deferrals	<u>559,677</u>
Total deferred outflows of resources	<u>567,272</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	817,934
Accrued interest	26,897
Current portion of compensated absences	60,095
Current portion of long-term debt	5,422,192
Payable from restricted assets:	
Customer deposits	<u>167,960</u>
Total current liabilities	<u>6,495,078</u>
Non-current liabilities:	
Net pension liability	706,761
Compensated absences	90,143
Total OPEB liability	737,523
Non-current portion of long-term debt	<u>3,992,374</u>
Total non-current liabilities	<u>5,526,801</u>
Total liabilities	<u>12,021,879</u>
Deferred Inflows of Resources:	
OPEB deferrals	229,979
Pension deferrals	<u>15,620</u>
Total deferred inflows of resources	<u>245,599</u>
Net Position:	
Net investment in capital assets	31,197,687
Unrestricted	<u>10,661,807</u>
Total net position	<u>\$ 41,859,494</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 6,930,473
Other operating revenues	<u>991,028</u>
Total operating revenues	<u>7,921,501</u>
Operating Expenses:	
Water administration and distribution	3,387,869
Water treatment plant	1,459,627
Waste collection and treatment	1,718,799
Depreciation	<u>2,236,364</u>
Total operating expenses	<u>8,802,659</u>
Operating income (loss)	<u>(881,158)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	63,002
Loss on sale of capital assets	(6,396)
Interest and other charges	<u>(138,045)</u>
Total non-operating revenues (expenses)	<u>(81,439)</u>
Income (loss) before capital contributions	(962,597)
Capital Contributions:	
Contributed capital - donated water lines	<u>4,766,207</u>
Change in net position	<u>3,803,610</u>
Net Position:	
Beginning of year - July 1	33,170,652
Restatement	<u>4,885,232</u>
Beginning of year, as restated	<u>38,055,884</u>
End of year - June 30	<u>\$ 41,859,494</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 7,769,505
Cash paid for goods and services	(3,596,614)
Cash paid to or on behalf of employees for services	(2,976,679)
Customer deposits, net	<u>10,556</u>
Net cash provided (used) by operating activities	<u>1,206,768</u>
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(3,704,566)
Proceeds from long-term debt	4,890,342
Principal paid on long-term debt	(492,854)
Interest paid on long-term debt	<u>(142,301)</u>
Net cash provided (used) in capital and related financing activities	<u>550,621</u>
 Cash Flows from Investing Activities:	
Interest on investments	<u>63,002</u>
Net increase (decrease) in cash and cash equivalents	1,820,391
 Cash and Cash Equivalents:	
Beginning of year - July 1	<u>12,550,830</u>
 End of year - June 30	<u>\$ 14,371,221</u>
 Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ (881,158)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,236,364
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(151,996)
Increase (decrease) in deferred inflows of resources for pensions	(19,516)
Increase (decrease) in net pension liability	282,684
Increase (decrease) in total OPEB liability	(128,270)
(Increase) decrease deferred outflows of resources for pensions	(224,116)
Increase (decrease) in deferred inflows of resources for OPEB	178,394
(Increase) decrease deferred outflows of resources for OPEB	(2,858)
(Increase) decrease in inventories	10,791
Increase (decrease) in accounts payable and accrued liabilities	(144,165)
Increase (decrease) in compensated absences payable	40,058
Increase (decrease) in customer deposits	<u>10,556</u>
Total adjustments	<u>2,087,926</u>
Net cash provided (used) by operating activities	<u>\$ 1,206,768</u>
 Non-Cash Transactions:	
Capital contributions	<u>\$ 4,766,207</u>

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

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CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Significant Accounting Policies

The accounting policies of the City of Belmont (the “City”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The City is a municipal corporation, which is governed by an elected Mayor and a five-member Council.

Belmont Tourism Development Authority

The Tourism Development Authority (the “TDA”) was established to promote travel, tourism, and conventions in the City, and to sponsor tourist-related events and activities in the City of Belmont, North Carolina under Session Law 2005-220. The six members of this Board are appointed by the City Council. At least two-thirds of the proceeds derived from the occupancy tax, levied and collected by the City, remitted to the Tourism Development Authority, must be used to promote tourism in the City of Belmont, with the remainder used for tourism-related expenditures. The Belmont Tourism Development Authority, which has a June 30 year-end, is presented as if it were a governmental fund type. The budget and actual schedule of the Tourism Development is also presented after the Enterprise Fund supplementary information. The City is financially accountable for the Belmont Tourism Development Authority, which is reported as a discrete component unit separate from the financial information of the primary government. The Authority did not issue separate financial statements.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the City and its component unit. 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 City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among the program revenues are reported instead as general revenues.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Fund Financial Statements. The fund financial statements provide information about the City'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. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, transportation, environmental protection, culture and recreation, economic and physical development, and general government services.

The City reports the following nonmajor governmental funds:

Capital Reserve Fund. The Capital Project Capital Reserve Fund is established to be used for future General Fund capital project expenditures.

Stormwater Fund. The Stormwater Special Revenue Fund is established to account for the Stormwater fees and program expenditures.

Techworks Project Fund. The project was established for a Community Development Block Grant to create a high-tech business incubator utilizing Gigabit speed internet. The project will be located at 52 Ervin Street in downtown Belmont.

Belmont Rail Trail Project Fund. The project was established for design and engineering of a 1.5 mile long greenway running from Glenway Street in downtown Belmont north to Woodlawn Avenue. The project will be located along the Belmont Spur of the NCDOT Rail corridor.

The City reports the following major Enterprise Fund:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the City's water and sewer operations. The Water and Sewer Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Projects have been included in the supplemental information.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City 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 and 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized as revenues in the fiscal year for which the taxes are levied. Revenue from grant entitlements and donations are 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 from 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 City's enterprise funds are charges to customers for sales and services. Operating expenses for the 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City 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 City, are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Gaston County and then remitted to and distributed by the state. Most 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 City 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 positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. Interest on investments is recorded as earned since it is both measurable and available. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for interest on general long-term debt and non-current portion of accrued vacation payable which is recognized when due. Inventory decreases, capital expenditures, and payments of principal on long-term debt are considered to be expenditures.

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

D. Budgetary Data

As required by the North Carolina Budget and Fiscal Control Act, the City Council adopts an annual budget ordinance for all governmental and proprietary fund types except funds authorized by project ordinance. All annual appropriations lapse at the fiscal year-end. All budget ordinances are prepared on the modified accrual basis of accounting as required by the Act. During the year ended June 30, 2019, several amendments to the original budget were necessary.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. 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.

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

Deposits and Investments

All deposits of the City and the TDA are made in Board-designated official depositories and are secured as required by state law [G.S. 159-31]. The City and the TDA may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and the TDA 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 City and the TDA 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 City's investments are reported at fair value. Non-participating investment contracts are reported at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market fund, is valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The City pools monies 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 to be cash and cash equivalents.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Restricted Assets

Governmental Activities:

General Fund:

Restricted for streets - Powell Bill \$ 200,107

Performance bond deposits 1,359,162

Total governmental activities \$ 1,559,269

Business-Type Activities:

Water and Sewer Fund:

Customer deposits \$ 167,960

Public Works Renovation Enterprise Capital Project Fund:

Unspent debt proceeds 2,835,992

Total business-type activities \$ 3,003,952

Powell Bill funds are classified as restricted assets, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Performance bond deposits held by the City are restricted until such time the performance of the contract has been satisfied. Unexpended debt proceeds are classified as restricted assets because the use is completely restricted to the purpose for which the debt was originally issued.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These 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, 2018.

Allowance 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.

Inventory and Prepaid Items

Inventories are valued at cost (first-in, first-out), which approximates market. The inventories of the City's General Fund and enterprise funds consist of supplies and materials held for subsequent use. The cost of these inventories is recorded as an expense when used.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. General infrastructure assets, which were acquired after July 1, 2003, include roads, bridges, sidewalks, traffic signals, etc. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Capital assets are depreciated using the straight-line method. Interest expense is capitalized on construction in progress to the extent that it exceeds income.

The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	10-25
Vehicles	3-5
Furniture and equipment	5-15
Computer equipment	3
Infrastructure and distribution systems	25-40

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 City currently has two items matching these criteria – pension deferrals and OPEB deferrals. In addition to liabilities, the Statement of Net 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 future period and so will not be recognized as revenues until then. The City has several items that meet these criteria – property taxes receivable, other receivables, pension deferrals, and OPEB deferrals.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Long-Term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental 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.

Compensated Absences

The vacation policy of the City provides for the accumulation of up to 30 days of earned vacation leave to full-time employees based upon the number of years of service, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and salary related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws, 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The governmental fund types classify fund balance as follows:

Non-Spendable 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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items – portion of fund balance that is not an available resource because it represents the balance in prepaids, which are not spendable resources.

Restricted Fund Balance

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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.

Committed Fund Balance

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Belmont's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires action by the governing body. 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 revise the limitation.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Committed for Capital Reserve Fund – portion of fund balance in the amount of \$753,970 that has been budgeted by the Board for use in the Capital Reserve Fund.

Assigned Fund Balance

Assigned Fund Balance – portion of fund balance that the City of Belmont intends to use for specific purposes. City Council has the responsibility for assigning fund balance by majority vote.

Assigned for Stormwater Fund – portion of fund balance in the amount of \$592,735 that has been budgeted by the Board for use in the Stormwater Fund.

Unassigned Fund Balance

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes of other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The City of Belmont has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, following in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Belmont has adopted a formal fund balance policy for the available fund balance at the close of each fiscal year should be no less than 25% of the City's total annual operating budget, with a target policy equal to 30%. The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 5,053,720
Less:	
Inventories	60,691
Prepaid items	104
Restricted for stabilization by state statute	815,824
Restricted for streets	200,107
Working capital/fund balance policy	<u>3,452,142</u>
Remaining fund balance	<u><u>\$ 524,853</u></u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, the 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 on which the contributions are due. The City of Belmont's employer contributions are recognized when due and the City of Belmont 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.

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Years' Budget Ordinance

For the fiscal year ended June 30, 2019, the City has a fund balance deficit in the Belmont Rail Trails Capital Project of \$41,177, which is due to timing of transfers from the Capital Reserve Fund. This will be transferred in the subsequent year.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the City's General Fund exceeded authorized appropriations made by the governing board for public safety and economic and physical development activities by \$2,343 and \$1,714, respectively. These over-expenditures occurred because of underestimated accrued payroll and late collections/remittances of occupancy tax revenues. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2019, the expenditures made in the Water and Sewer Fund exceeded authorized appropriations made by the governing board for impact fees class action lawsuit by \$728,296 and for water treatment plant expenditures by \$4,837. Management and the Board will more closely review the budget reports to ensure compliance in future years.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Lack of Approved Budget

For the fiscal year ended June 30, 2019, the City's Capital Reserve lacked an approved budget ordinance. Management and the Board will more closely review the budget reports to ensure compliance in future years.

3. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the City and the TDA 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 City's or TDA's agents in these unit's 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 City and the TDA, these deposits are considered to be held by the City's and the TDA'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 City, the TDA or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and 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 City has no 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 City 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 City's deposits, had a carrying amount of \$10,006,832 and a bank balance of \$10,249,629. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$9,499,629 was covered by collateral held under the Pooling Method. At June 30, 2019, the City's petty cash totaled \$900.

At June 30, 2019, the carrying amount of deposits for the TDA was \$79,485.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Investments

At June 30, 2019, the City's investment balances were as follows:

Investments by Type	Valuation	Book Value at	Maturity	Rating
	Measurement Method	6/30/2019		
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 7,122,546	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,377,453	.11 years	Unrated
Total		<u>\$ 11,499,999</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to values securities based on the securities' benchmark quoted prices.

Interest rate risk. The City has no formal policy regarding interest rate risk.

Credit risk. The City has no formal policy regarding credit risk.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Receivables

Receivables at Exhibit A at June 30, 2019 were as follows:

Funds	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 64,283	\$ 115,279	\$ 764,108	\$ 943,670
Other governmental	<u>45,997</u>	<u>-</u>	<u>-</u>	<u>45,997</u>
Total receivables	110,280	115,279	764,108	989,667
Allowance for doubtful accounts	<u>(8,302)</u>	<u>(52,007)</u>	<u>-</u>	<u>(60,309)</u>
Total governmental activities	<u>\$ 101,978</u>	<u>\$ 63,272</u>	<u>\$ 764,108</u>	<u>\$ 929,358</u>
Business-Type Activities:				
Water and Sewer	\$ 1,431,878	\$ -	\$ -	\$ 1,431,878
Allowance for doubtful accounts	<u>(185,542)</u>	<u>-</u>	<u>-</u>	<u>(185,542)</u>
Total business-type activities	<u>\$ 1,246,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,246,336</u>

The due from other governments that is owed to the City consists of the following:

	Governmental Activities
Local option sales tax	\$ 552,515
Sales tax	210,686
Other	<u>907</u>
Total	<u>\$ 764,108</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

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

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 3,164,369	\$ -	\$ -	\$ 3,164,369
Other	5,687	-	-	5,687
Construction in progress	565,983	1,023,237	-	1,589,220
Total non-depreciated capital assets	<u>3,736,039</u>	<u>1,023,237</u>	<u>-</u>	<u>4,759,276</u>
Depreciable Capital Assets:				
Buildings	5,792,419	-	-	5,792,419
Other improvements	3,718,778	489,704	-	4,208,482
Equipment	3,822,270	563,453	-	4,385,723
Infrastructure	3,900,406	11,200	-	3,911,606
Vehicles and motorized equipment	3,850,665	978,484	152,621	4,676,528
Total depreciable capital assets	<u>21,084,538</u>	<u>2,042,841</u>	<u>152,621</u>	<u>22,974,758</u>
Less Accumulated Depreciation:				
Buildings	1,771,881	128,942	-	1,900,823
Other improvements	1,064,458	302,363	-	1,366,821
Equipment	3,110,690	305,227	-	3,415,917
Infrastructure	338,013	162,453	-	500,466
Vehicles and motorized equipment	2,907,981	317,227	152,621	3,072,587
Total accumulated depreciation	<u>9,193,023</u>	<u>\$ 1,216,212</u>	<u>\$ 152,621</u>	<u>10,256,614</u>
Total depreciable capital assets, net	<u>11,891,515</u>			<u>12,718,144</u>
Governmental activities capital assets, net	<u>\$ 15,627,554</u>			<u>\$ 17,477,420</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Depreciation was charged to functions/programs of the City as follows:

General government	\$ 62,818
Public safety	453,989
Transportation	425,762
Cultural and recreational	264,826
Stormwater	<u>8,817</u>
Total	<u><u>\$ 1,216,212</u></u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2019.

	<u>July 1, 2018</u>	<u>Restatement</u>	<u>July 1, 2018 as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Business-Type Activities:						
Non-Depreciable Capital Assets:						
Land	\$ 75,890	\$ -	\$ -	\$ -	\$ -	\$ 75,890
Right of ways	28,911	-	-	-	-	28,911
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,212,580</u>	<u>-</u>	<u>2,212,580</u>
Total non-depreciable capital assets	<u>104,801</u>	<u>-</u>	<u>-</u>	<u>2,212,580</u>	<u>-</u>	<u>2,317,381</u>
Depreciable Capital Assets:						
Buildings	10,905,908	-	10,905,908	153,616	-	11,059,524
Improvements other than buildings	276,742	-	276,742	-	-	276,742
Distribution systems	29,690,109	5,113,024	34,803,133	4,371,209	-	39,174,342
Machinery and equipment	10,115,051	-	10,115,051	1,695,684	217,420	11,593,315
Natural gas fill station	<u>220,658</u>	<u>-</u>	<u>220,658</u>	<u>37,684</u>	<u>-</u>	<u>258,342</u>
Total depreciable capital assets	<u>51,208,468</u>	<u>5,113,024</u>	<u>56,321,492</u>	<u>6,258,193</u>	<u>217,420</u>	<u>62,362,265</u>
Less Accumulated Depreciation:						
Buildings	7,487,248	-	7,487,248	267,633	-	7,754,881
Improvements other than buildings	114,020	-	114,020	22,344	-	136,364
Distribution systems	9,700,923	227,792	9,928,715	942,828	-	10,871,543
Machinery and equipment	7,237,275	-	7,237,275	993,646	211,024	8,019,897
Natural gas fill station	<u>110,787</u>	<u>-</u>	<u>110,787</u>	<u>9,913</u>	<u>-</u>	<u>120,700</u>
Total accumulated depreciation	<u>24,650,253</u>	<u>\$ 227,792</u>	<u>\$ 24,878,045</u>	<u>\$ 2,236,364</u>	<u>\$ 211,024</u>	<u>26,903,385</u>
Total depreciable capital assets, net	<u>26,558,215</u>					<u>35,458,880</u>
Business-type activities capital assets, net	<u>\$ 26,663,016</u>					<u>\$ 37,776,261</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 17,477,420	\$ 37,776,261
Long-term debt	(5,139,635)	(9,414,566)
Capital lease	(254,538)	-
Unspent debt proceeds	-	2,835,992
Net investment in capital assets	<u>\$ 12,083,247</u>	<u>\$ 31,197,687</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 123,231	\$ 2,805,707	\$ 1,569,776
Other governmental	-	1,751	1,751
Total	<u>\$ 123,231</u>	<u>\$ 2,807,458</u>	<u>\$ 1,571,527</u>
Business-Type Activities:			
Water and sewer	<u>\$ 754,059</u>	<u>\$ 63,875</u>	<u>\$ 817,934</u>

Construction Commitments

The government has active construction projects as of June 30, 2019. At June 30, 2019, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Rail Trail Project	<u>\$ 69,286</u>	<u>\$ 83,714</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Belmont 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 LGERS 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 27699-1410, 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 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 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, 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 City were \$521,593 for the year ended June 30, 2019.

Refunds of Contributions. City 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 City reported a liability of \$2,437,107 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 City's proportion of the net pension liability was based on a projection of the City'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 LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.10273%, which was an increase of 0.00701% from its proportion measured as of June 30, 2017.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the City recognized pension expense of \$656,252. At June 30, 2019, the City 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	\$ 375,988	\$ 12,616
Changes of assumptions	646,714	-
Net difference between projected and actual earnings on pension plan investments	334,542	-
Changes in proportion and differences between City contributions and proportionate share of contributions	51,082	41,250
City contributions subsequent to the measurement date	521,593	-
Total	<u>\$ 1,929,919</u>	<u>\$ 53,866</u>

\$521,593 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2020	\$ 640,540
2021	422,902
2022	93,066
2023	197,952
2024	-
Total	<u>\$ 1,354,460</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 return 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 3.0%. All rates of return and inflation are annualized.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contribution 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City'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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 5,854,142</u>	<u>\$ 2,437,107</u>	<u>\$ (418,221)</u>

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.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City of Belmont administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City'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 .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 G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>33</u>
Total	<u>38</u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City 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 following criteria which are outlined in GASB Statements 73.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five - year period ending December 31, 2014.

Deaths after Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Deaths after Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The City paid \$47,056 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$733,997. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$59,936.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,237	\$ 113,628
Changes of assumptions	22,914	33,419
City benefit payments made subsequent to the measurement date	23,528	-
Total	<u>\$ 175,679</u>	<u>\$ 147,047</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$23,528 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2020	\$ (5,597)
2021	(5,597)
2022	(5,597)
2023	7,248
2024	14,647
Total	<u>\$ 5,104</u>

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City'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%)
Total pension liability	<u>\$ 797,460</u>	<u>\$ 733,997</u>	<u>\$ 676,343</u>

Schedule of Changes in Total Pension Liability **Law Enforcement Officers' Special Separation Allowance**

	2019
Beginning balance	\$ 588,626
Service cost	47,253
Interest on the total pension liability	17,857
Differences between expected and actual experience in the measurement of the total pension liability	157,030
Changes of assumptions or other inputs	(29,713)
Benefit payments	(47,056)
Ending balance of the total pension liability	<u>\$ 733,997</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.16% at December 31, 2017 to 3.64% at December 31, 2018.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 656,252	\$ 59,936	\$ 716,188
Pension liability	2,437,107	733,997	3,171,104
Proportionate share of the net pension liability	0.10273%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 375,988	\$ 129,237	\$ 505,225
Changes of assumptions	646,714	22,914	669,628
Net difference between projected and actual earnings on plan investments	334,542	-	334,542
Changes in proportion and differences between contributions and proportionate share of contributions	51,082	-	51,082
Benefit payments and administrative costs paid subsequent to the measurement date	521,593	23,528	545,121

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ 12,616	\$ 113,628	\$ 126,244
Changes of assumptions	-	33,419	33,419
Changes in proportion and differences between contributions and proportionate share of contributions	41,250	-	41,250

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a board of trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The City made contributions of \$78,931 for the reporting year. No amounts were forfeited.

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the City administers a single-employer defined benefit Healthcare Benefits Plan. Under the terms of a City resolution, the City has elected to provide healthcare benefits to retirees of the City who retire before age 65 and have at least 25 years of service with the North Carolina Local Governmental Employees' Retirement System and at least ten years of service with the City with which they receive health insurance until they reach age 65. Such insurance is provided until the retiree becomes eligible for Medicare. The City pays 100% of the retiree premium costs. Retirees can purchase life insurance, dental, and vision coverage and coverage for their dependents at the City's group rates. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan. The City Council may amend the benefit provision.

Coverage will continue until the retiree becomes Medicare eligible at which time the City's subsidized retiree healthcare benefits will end. Retirees not qualifying for the City's subsidized health insurance plan may continue coverage for themselves and their dependents at their expense. The retiree may continue dependent coverage and pay the full cost of this coverage if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates when the dependent reaches the age of 65.

No assets are accumulated in a trust that meets the criteria in paragraph 14 of GASB Statement 75.

Membership of the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	2
Active plan members	128
Total	<u>130</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Total OPEB Liability

The City's total OPEB liability of \$2,543,184 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General Employees	3.50 to 7.75 percent
Firefighters	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bind Index Rate:	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Healthcare cost trend rates:	
Pre-Medicare, Medical and Prescription Drug	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	<u>\$ 2,985,493</u>
Changes for the year:	
Service cost	184,638
Interest	105,867
Differences between expect and actual experience	(693,954)
Changes in assumptions or other inputs	(15,248)
Benefit payments	<u>(23,612)</u>
Net changes	<u>(442,309)</u>
 Balance at June 30, 2019	 <u><u>\$ 2,543,184</u></u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by the Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables, 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City'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 discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	<u>\$ 2,867,235</u>	<u>\$ 2,543,184</u>	<u>\$ 2,256,590</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 2,178,243</u>	<u>\$ 2,543,184</u>	<u>\$ 2,986,418</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$202,117. At June 30, 2019, the City 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	\$ 295	\$ 622,998
Changes of assumptions	-	170,032
Benefit payments and administrative costs made subsequent to the measurement date	25,895	-
Total	<u>\$ 26,190</u>	<u>\$ 793,030</u>

\$25,895 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2020	\$ (94,009)
2021	(94,009)
2022	(94,009)
2023	(94,009)
2024	(94,009)
Thereafter	<u>(322,690)</u>
Total	<u>\$ (792,735)</u>

Other Employment Benefits

The City has also 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. 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 death, but the benefit may not exceed \$50,000 or be less than \$25,000. The City has

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City considers these contributions to be immaterial.

Deferred Outflows/Inflows of Resources

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

Source	Amount
Differences between expected and actual experience- OPEB	\$ 295
Differences between expected and actual experience- (LGERS & LEOSSA)	505,225
Changes of assumptions (LGERS & LEOSSA)	669,628
Changes in proportion and differences between City contributions and proportionate share of contributions (LGERS & LEOSSA)	51,082
Net difference between projected and actual earnings on pension plan investments (LGERS & LEOSSA)	334,542
Benefit payments paid subsequent to the measurement date (LEOSSA & LGERS)	545,121
Benefit payments and administrative costs made subsequent to the measurement date (OPEB)	25,895
Total	<u>\$ 2,131,788</u>

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

Source	Amount
Differences between expected and actual experience- OPEB	\$ 622,998
Differences between expected and actual experience (LEOSSA & LGERS)	126,244
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	41,250
Changes of assumptions (OPEB)	170,032
Changes of assumptions (LEOSSA)	33,419
Taxes receivable, net	63,272
Stormwater receivables	37,695
Solid waste receivable	53,744
Total deferred inflows	<u>\$ 1,148,654</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are re-insured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

The City carries employee health insurance through Blue Cross Blue Shield with unlimited lifetime maximum coverage.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City carries flood insurance through the IRFFNC insurance pool administered by the North Carolina League of Municipalities. This coverage provides flood insurance for properties located in flood zones B, C, and X up to \$5,000,000, with a \$50,000 deductible. There is no flood coverage for properties in any other flood zone through IRFFNC.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000 for employee dishonesty and forgery or alteration and \$5,000 for theft of money and securities.

Belmont Tourism Development Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions. In accordance with G.S. 159-29, the TDA employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond shared with the City. The Director of Finance for the TDA is bonded for \$50,000, separately from the City's bond. The remaining employees that have access to funds are bonded under the City's blanket bond. All bonded amounts are set by the Council.

Claims and Judgments

The City periodically is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if any, will not have a material adverse effect on the financial position of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Long-Term Obligations

Capital Leases

The City entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

An agreement was executed on August 7, 2005 to lease a building and requires a one-time payment of \$131,089 by July 15, 2008 and sixteen annual payments of \$56,085 through July 15, 2024 after that. Title passes to the City at the end of the lease term.

The following is an analysis of the assets recorded under capital leases by the City at June 30, 2019:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	<u>\$ 600,000</u>	<u>\$ 120,000</u>	<u>\$ 480,000</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2020	\$ 56,085
2021	56,085
2022	56,085
2023	56,085
2024	56,085
2025	<u>56,085</u>
Total minimum lease payments	336,510
Less: amount representing interest	<u>(81,972)</u>
Present value of minimum lease payments	<u>\$ 254,538</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Notes Payable

Serviced by General Fund:

2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in 30 semi-annual installments of \$53,457 through July 30, 2024; including interest at 4.09%	\$ 567,748
2012 Note payable to bank for the Brook Street Soccer Park Capital Project, to be repaid in 24 semi-annual installments of \$53,125 through March 4, 2025; including interest at 2.36%	637,500
2015 Note payable to bank for the Riverfront Park, to be repaid in 30 semi-annual installments of \$50,000 through September 2, 2030; including interest at 2.89%	1,150,000
2016 Note payable to bank for installment financing for paving project, to be repaid in 10 semi-annual installments of \$104,464 through May 31, 2021; including interest at 1.604%	409,610
2016 Note payable to bank for miscellaneous equipment, to be repaid in 10 semi-annual installments of \$47,464 through December 29, 2020; including interest at 1.96%	185,349
2017 Note payable to bank for miscellaneous equipment, to be repaid in 10 semi-annual installments of \$47,236 through December 27, 2021; including interest at 1.83%	229,799
2016 Note payable to bank for Street Sweeper, to be repaid in 10 semi-annual installments of \$25,129 through June 30, 2020; including interest at 1.57%	122,738
2017 Note payable to bank for Storm Drainage agreement, to be repaid in 10 semi-annual installments of \$48,404 through June 30, 2022; including interest at 1.88%	281,175
2018 Note payable to bank for Street Lighting, to be repaid in 6 semi-annual installments of \$54,039 through July 28, 2020; including interest at 1.664%	159,457
2018 Note payable to bank for Vehicles and Equipment, to be repaid in 10 semi-annual installments of \$51,444 through August 15, 2022; including interest at 1.84%	347,168
2018 Note payable to bank for Fire Truck, to be repaid in 10 semi-annual installments of \$69,802 through December 26, 2022; including interest at 2.29%	530,517
2019 Note payable to bank for equipment, to be repaid in 6 semi-annual installments of \$78,543 through August 30, 2021; including interest at 2.67%	377,464
2019 Note payable to bank for police radios, to be repaid in 10 semi-annual installments of \$16,942 through August 28, 2023; including interest at 3.156%	141,110
Total	<u>\$ 5,139,635</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City has outstanding notes from direct placements related to governmental activities totaling \$567,748, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$567,748 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$637,500, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$637,500 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$1,150,000, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$1,150,000 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$409,610, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$409,610 contain provisions that an event of default would result in (1) declare the unpaid principal components and all accrued interest and other charges of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$185,349, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$185,349 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

The City has outstanding notes from direct placements related to governmental activities totaling \$229,799, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$229,799 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

The City has outstanding notes from direct placements related to governmental activities totaling \$122,738, which are secured by the equipment. The City's outstanding notes from direct placements related to governmental activities of \$122,738 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$281,175, which are secured by the equipment. The City's outstanding notes from direct placements related to governmental activities of \$281,175 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments; (4) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$159,457, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$159,457 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City has outstanding notes from direct placements related to governmental activities totaling \$347,168, which are secured by vehicles and equipment. The City's outstanding notes from direct placements related to governmental activities of \$347,168 contain provisions that an event of default would result in (1) termination of any services and of licenses for the licensed software; (2) waive any claim against the licensor.

The City has outstanding notes from direct placements related to governmental activities totaling \$530,517, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$530,517 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$377,494, which are secured by the equipment and all additions. The City's outstanding notes from direct placements related to governmental activities of \$377,464 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) take possession of the equipment; (3) release or sell any or all of the equipment; (4) require copies of all books and records pertaining to the equipment; (5) avail itself of all available remedies under applicable laws.

The City has outstanding notes from direct placements related to governmental activities totaling \$141,110, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$141,110 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2019 used to finance the construction of facilities utilized in the operations of the Water and Sewer System and to finance the purchase of a water treatment plant are comprised of the following:

2008 Note payable to bank for construction of South Outfall Project, to be repaid in 14 semi-annual installments of \$45,030, with a final payment of \$63,350 on January 17, 2023; plus interest at 3.58%	\$ 480,913
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in 30 semi-annual installments of \$77,420 through July 30, 2024; including interest at 4.09%	446,088
2012 Note payable to NCDENR for construction of West Outfall Project, to be repaid in 20 annual installments of \$45,096 through May 1, 2032; plus interest at 2.22%	581,899
2014 Note payables to NCDENR for the meter replacement project, to be repaid in 20 annual installments of \$24,980 through May 1, 2034; interest-free	374,647
2017 Note payable to bank for the Clean Water State Revolving Loan project, to be repaid in 20 semiannual installments of \$67,099 through March 4, 2025; including interest at 2.21%	1,140,677
2017 Note payable to bank for the AMI project, to be repaid in 20 semiannual installments of \$100,000 through June 30, 2027; including interest at 1.93%	1,500,000
2019 Note payable to bank for renovation of the Public Works Facility, to be repaid on or before October 25, 2020. The note payable is an interim financing loan for the renovation, to be financed through USDA at the completion of the project.	<u>4,890,342</u>
Total	<u>\$ 9,414,566</u>

The City's outstanding notes from direct placements related to business-type activities of \$480,913, which are secured by the equipment, contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses; (4) terminate the contract and use, operate, lease or hold all or any part of the equipment in its discretion; (5) take possession of any proceeds of the equipment, including net proceeds; (6) pursue any other remedy available at law or equity to the bank.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City has outstanding notes from direct placements related to business-type activities totaling \$446,088, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to business-type activities of \$446,088 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

The City's outstanding notes from direct borrowing related to business-type activities of \$581,899 contain provisions that an event of default would result in immediate prepayment of loan in whole and any further commitment of funds may be withdrawn.

The City's outstanding notes from direct borrowing related to business-type activities of \$374,647 contain provisions that an event of default would result in immediate prepayment of loan in whole and any further commitment of funds may be withdrawn.

The City's outstanding notes from direct borrowing related to business-type activities of \$1,140,677 contain provisions that an event of default would result in the prepayment of the note in whole and any further commitment of funds may be withdrawn.

The City has outstanding notes from direct placements related to business-type activities totaling \$1,500,000, which are secured by the equipment. The City's outstanding notes from direct placements related to business-type activities of \$1,500,000 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding payments; (4) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to business-type activities totaling \$4,890,342, which are secured by the mortgaged property. The City's outstanding notes from direct borrowings related to business-type activities of \$4,890,342 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) remit any balance remaining in the Project Fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure as provided in the financing agreement, and recovery of attorneys' fees and other expenses.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The following tables summarize the annual requirements to amortize notes payable to maturity:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,344,106	\$ 121,368	\$ 5,422,192	\$ 99,734
2021	1,310,847	90,654	535,964	85,966
2022	820,521	62,905	540,227	72,049
2023	530,142	43,918	544,644	50,514
2024	326,155	30,881	417,943	40,766
2025-2029	657,864	64,349	1,224,738	118,430
2030-2034	150,000	4,335	594,661	42,537
2035-2039	-	-	134,197	4,449
Total	<u>\$ 5,139,635</u>	<u>\$ 418,410</u>	<u>\$ 9,414,566</u>	<u>\$ 514,445</u>

At June 30, 2019, the City of Belmont had a legal debt margin of \$101,178,011.

Changes in Long-Term Liabilities:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current Maturities</u>
Governmental Activities:					
Notes from direct placements	\$ 5,940,606	\$ 606,000	\$ 1,406,971	\$ 5,139,635	\$ 1,344,106
Capitalized leases	289,215	-	34,677	254,538	36,685
Total pension liability (LEOSSA)	588,626	145,371	-	733,997	-
Net pension liability (LGERS)	1,038,259	692,087	-	1,730,346	-
Total OPEB liability	2,119,700	-	314,039	1,805,661	-
Compensated absences	<u>430,290</u>	<u>218,454</u>	<u>225,139</u>	<u>423,605</u>	<u>169,442</u>
Governmental activities long-term liabilities	<u>10,406,696</u>	<u>1,661,912</u>	<u>1,980,826</u>	<u>10,087,782</u>	<u>1,550,233</u>
Business-Type Activities:					
Notes from direct borrowings and direct placements	5,017,078	4,890,342	492,854	9,414,566	5,422,192
Net pension liability (LGERS)	424,077	282,684	-	706,761	-
Total OPEB liability	865,793	-	128,270	737,523	-
Compensated absences	<u>110,180</u>	<u>134,476</u>	<u>94,418</u>	<u>150,238</u>	<u>60,095</u>
Business-type activities long-term liabilities	<u>6,417,128</u>	<u>5,307,502</u>	<u>715,542</u>	<u>11,009,088</u>	<u>5,482,287</u>
Total	<u>\$ 16,823,824</u>	<u>\$ 6,969,414</u>	<u>\$ 2,696,368</u>	<u>\$ 21,096,870</u>	<u>\$ 7,032,520</u>

Compensated absences, pension liabilities, and OPEB liabilities for governmental activities have typically been liquidated in the General Fund.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

The City 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.

5. Interfund Activity

Due To/From Other Funds

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

<u>From</u>	<u>To</u>	<u>Amount</u>
Rail Trail Project Fund	General Fund	<u>\$ 41,177</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The transfers to/from other funds during the year ended June 30, 2019 were for the purpose of funding capital projects and consist of the following:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Techworks Project Fund	To transfer funds for current year activity	<u>\$ 59,500</u>

6. Restatement

During the fiscal year ended June 30, 2019, the City determined that certain capital assets were not properly added in the year of acquisition. Beginning capital asset balances and related net position balances have been adjusted for that reporting error in the amount of \$4,885,232 for business-type activities.

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CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS*

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 588,626	\$ 714,819	\$ 712,996
Service cost	47,253	34,339	37,788
Interest on the total pension liability	17,857	26,707	24,681
Differences between expected and actual experience in the measurement of the total pension liability	157,030	(177,108)	-
Changes of assumptions or other inputs	(29,713)	35,716	(17,341)
Benefit payments	(47,056)	(45,847)	(43,305)
Ending balance of the total pension liability	<u>\$ 733,997</u>	<u>\$ 588,626</u>	<u>\$ 714,819</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS***

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 733,997	\$ 588,626	\$ 714,819
Covered payroll	1,649,950	1,543,775	1,484,384
Total pension liability as a percentage of covered payroll	44.49%	38.13%	48.16%

Notes to the Schedules:

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

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TWO FISCAL YEARS

	Other Post-Employment Benefits	
	2019	2018
Service cost	\$ 184,638	\$ 200,505
Interest	105,867	87,672
Differences between expected and actual experience	(693,954)	377
Changes of assumptions or other inputs	(15,248)	(199,413)
Benefit payments	(23,612)	(32,420)
Net change in total OPEB liability	(442,309)	56,721
Total OPEB liability - beginning	2,985,493	2,928,772
Total OPEB liability - ending	<u>\$ 2,543,184</u>	<u>\$ 2,985,493</u>
Covered payroll	\$ 5,636,067	\$ 4,525,106
Total OPEB liability as a percentage of covered payroll	45.12%	65.98%

Notes to the Required Schedules:

Changes of 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:

Fiscal Year	Rate
2018	3.56%
2019	3.89%

Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2027.

CITY OF BELMONT, NORTH CAROLINA

CITY OF BELMONT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

	Local Governmental Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
City of Belmont's proportion of the net pension liability (asset) (%)	0.10273%	0.09572%	0.08532%	0.09595%	0.09515%	0.09800%
City of Belmont's proportion of the net pension liability (asset) (\$)	\$ 2,437,107	\$ 1,462,336	\$ 1,810,776	\$ 430,618	\$ (561,144)	\$ 1,181,276
City of Belmont's covered payroll	\$ 5,983,685	\$ 5,568,457	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058	\$ 4,608,158
City of Belmont's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.73%	26.26%	37.18%	8.76%	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

CITY OF BELMONT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS

Local Governmental Employees' Retirement System						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 521,593	\$ 460,668	\$ 415,241	\$ 330,554	\$ 479,664	\$ 346,813
Contributions in relation to the contractually required contribution	<u>521,593</u>	<u>460,668</u>	<u>415,241</u>	<u>330,554</u>	<u>479,664</u>	<u>346,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Belmont's covered payroll	\$ 6,557,305	\$ 5,983,685	\$ 5,568,457	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058
Contributions as a percentage of covered payroll	7.95%	7.70%	7.46%	6.79%	9.75%	7.13%

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 7,284,500	\$ 7,394,216	\$ 109,716	\$ 6,380,624
Prior years	128,685	131,032	2,347	119,000
Penalties and interest	12,000	15,093	3,093	15,632
Total ad valorem taxes	<u>7,425,185</u>	<u>7,540,341</u>	<u>115,156</u>	<u>6,515,256</u>
Other Taxes and Licenses:				
Lease vehicle tax	26,050	31,268	5,218	33,128
Occupancy tax	105,000	106,714	1,714	104,536
Vehicle license tax	145,000	147,710	2,710	143,565
Total other taxes and licenses	<u>276,050</u>	<u>285,692</u>	<u>9,642</u>	<u>281,229</u>
Unrestricted Intergovernmental:				
Local option sales tax	2,480,000	2,546,715	66,715	2,289,767
Utility franchise tax	921,485	921,485	-	895,301
Solid waste disposal tax	7,900	7,936	36	7,543
Beer and wine tax	49,250	49,270	20	47,977
Total unrestricted intergovernmental	<u>3,458,635</u>	<u>3,525,406</u>	<u>66,771</u>	<u>3,240,588</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	310,500	310,530	30	307,521
Wellness funds	-	-	-	4,203
Unauthorized substance tax	11,300	12,511	1,211	14,573
State grants	1,320	1,324	4	4,795
Other grants	5,000	35,000	30,000	75,000
Total restricted intergovernmental revenues	<u>328,120</u>	<u>359,365</u>	<u>31,245</u>	<u>406,092</u>
Permits and Fees:				
Zoning permits	<u>108,000</u>	<u>114,518</u>	<u>6,518</u>	<u>243,742</u>
Sales and Services:				
Recreation department fees	130,000	128,327	(1,673)	123,385
Sale of cemetery lots	-	(50)	(50)	11,160
Cemetery interment fees	4,300	3,625	(675)	2,875
Technology fees	2,500	2,826	326	-
Engineering review fees	22,600	24,512	1,912	12,605
Solid waste fees	584,280	572,260	(12,020)	315,430
Fire protection services	599	599	-	609
Sale of surplus property	30,850	31,401	551	326
Facility usage fees	-	-	-	20
Alarm registration fee	1,140	1,100	(40)	923
Total sales and services	<u>776,269</u>	<u>764,600</u>	<u>(11,669)</u>	<u>467,333</u>

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	105,000	106,817	1,817	36,280
Other General Revenues:				
Miscellaneous	242,603	217,753	(24,850)	263,829
SRO contribution	108,000	108,000	-	69,400
Special police funds	5,010	5,349	339	4,031
Total other general revenues	355,613	331,102	(24,511)	337,260
Total revenues	12,832,872	13,027,841	194,969	11,527,780
Expenditures:				
General Government:				
Mayor and Council:				
Fees	30,063	30,801	(738)	30,062
Group insurance	25,731	25,621	110	25,731
Travel and training	-	2,706	(2,706)	5,018
Supplies	1,550	2,153	(603)	1,357
Dues and memberships	11,775	9,265	2,510	11,773
Miscellaneous	9,988	6,450	3,538	4,968
Total	79,107	76,996	2,111	78,909
Administration and Finance:				
Salaries	199,732	199,341	391	210,656
Employee benefits	54,976	53,910	1,066	67,908
Professional services	199,028	195,209	3,819	205,199
Telephone	4,900	4,796	104	8,619
Heating	1,325	1,315	10	1,319
Travel and training	12,000	12,621	(621)	13,213
Equipment maintenance	100	316	(216)	2,731
Equipment rental	781	586	195	805
Building repairs	900	815	85	4,554
Advertisement	200	241	(41)	1,578
Postage	500	803	(303)	392
Office supplies	1,000	928	72	1,395
Supplies	11,700	12,948	(1,248)	9,397
Car allowance	4,800	4,400	400	4,800
Subscriptions	1,744	1,914	(170)	1,288
Insurance and bonds	23,118	23,108	10	26,389

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Building cleaning service	1,000	1,004	(4)	-
Miscellaneous expense	83,900	88,800	(4,900)	455,110
Community promotion	27,400	21,872	5,528	12,910
Bank charges	35,500	33,063	2,437	66,183
Water and sewer fees	1,200	1,073	127	1,540
Stormwater fees	288	252	36	252
Electricity	8,000	6,847	1,153	7,203
Capital outlay	-	225	(225)	-
Total	674,092	666,387	7,705	1,103,441
City Attorney:				
Fees	9,000	8,250	750	9,750
Special compensation	90,000	90,568	(568)	59,580
Travel and training	650	671	(21)	628
Telephone	350	342	8	-
Total	100,000	99,831	169	69,958
Planning and Zoning:				
Salaries	312,500	314,107	(1,607)	293,341
Employee benefits	99,193	98,111	1,082	86,982
Professional services	70,000	43,951	26,049	10,834
Travel and training	7,500	7,037	463	5,383
Telephone	5,500	5,307	193	5,816
Advertisement	2,000	1,532	468	2,959
Miscellaneous	28,275	28,004	271	14,778
Supplies	5,300	5,330	(30)	3,218
Vehicle maintenance	200	162	38	1,144
Office supplies	2,900	3,045	(145)	4,661
Gas and lubricants	600	504	96	497
Water and sewer fees	450	506	(56)	445
Storm water fees	216	216	-	216
Subscriptions and dues	1,500	1,096	404	695
Insurance	9,827	9,826	1	8,186
Equipment maintenance	400	367	33	-
Equipment rentals	659	659	-	5,654
Building repairs	500	515	(15)	2,085
Total	547,520	520,275	27,245	446,894
Total general government	1,400,719	1,363,489	37,230	1,699,202

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Public Safety:				
Police:				
Salaries	2,115,650	2,122,275	(6,625)	1,876,556
Employee benefits	477,500	475,418	2,082	440,257
Professional services	109,000	95,880	13,120	90,664
Retirement	174,010	173,133	877	147,488
Separation allowance	47,056	47,056	-	47,056
Mandated	99,900	99,508	392	83,537
Special compensation	7,100	7,099	1	6,515
Telephone	50,500	51,726	(1,226)	62,050
Heating	2,100	2,104	(4)	2,550
Travel and training	11,000	14,403	(3,403)	6,863
Building repairs	14,615	14,822	(207)	9,524
Radio equipment maintenance	100	87	13	705
Equipment maintenance	22,500	22,137	363	13,050
Vehicle maintenance	37,750	45,462	(7,712)	43,522
Equipment rental	86	85	1	-
Gas and lubricants	83,600	83,599	1	80,540
Water and sewer fees	1,250	1,328	(78)	1,265
Stormwater fees	828	828	-	828
Electricity	20,000	19,313	687	18,886
Miscellaneous	31,900	32,930	(1,030)	12,581
Postage	1,600	1,238	362	1,128
Unemployment	412	412	-	-
Office supplies	2,800	3,401	(601)	3,681
Supplies	26,000	23,489	2,511	33,269
Uniforms	27,000	28,835	(1,835)	25,920
Subscriptions and dues	500	490	10	525
Insurance	135,850	135,838	12	125,432
K-9 supplies	1,200	1,192	8	1,636
Undercover operations	9,600	9,553	47	20,710
Capital outlay	700	809	(109)	-
Total	3,512,107	3,514,450	(2,343)	3,156,738
Fire:				
Salaries	1,017,000	1,022,366	(5,366)	967,315
Employee benefits	327,696	325,970	1,726	322,770
Special compensation	27,650	27,641	9	33,638
Professional services	5,110	5,799	(689)	6,427
Telephone	2,500	2,281	219	2,965
Postage	250	350	(100)	173

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Heating	2,500	2,539	(39)	2,460
Travel and training	6,700	6,705	(5)	5,657
Building maintenance	42,765	42,850	(85)	11,570
Equipment maintenance	14,000	14,307	(307)	12,185
Vehicle maintenance	70,000	62,446	7,554	104,874
Gas and lubricants	15,500	15,379	121	12,369
Water and sewer fees	3,000	2,140	860	2,584
Stormwater fees	252	252	-	252
Electricity	6,000	5,907	93	5,961
Office supplies	1,200	1,126	74	463
Supplies	12,500	13,944	(1,444)	10,763
Uniforms	28,353	11,860	16,493	22,815
Insurance and bonds	51,325	51,719	(394)	27,237
Subscriptions	4,500	4,567	(67)	3,721
Gaston County Radio Agreement	500	447	53	1,596
South Point VFD contract	35,412	34,114	1,298	17,228
Total	<u>1,674,713</u>	<u>1,654,709</u>	<u>20,004</u>	<u>1,575,023</u>
Total public safety	<u>5,186,820</u>	<u>5,169,159</u>	<u>17,661</u>	<u>4,731,761</u>
Transportation:				
Streets:				
Salaries	478,000	480,132	(2,132)	493,265
Employee benefits	177,960	177,258	702	178,960
Professional services	38,000	41,484	(3,484)	44,888
Telephone	8,577	8,577	-	10,996
Travel and training	4,000	3,761	239	1,905
Building repair	-	2,782	(2,782)	1,949
Equipment maintenance	22,000	22,951	(951)	16,480
Vehicle maintenance	25,000	26,862	(1,862)	26,527
Gas and lubricants	20,000	21,040	(1,040)	20,665
Equipment rental	22,500	22,734	(234)	12,448
Electricity street lights	193,500	190,862	2,638	209,400
Water and sewer fees	3,208	3,491	(283)	4,165
Office supplies	450	380	70	1,424
Materials and supplies	50,000	48,488	1,512	44,493
State fees	778	778	-	1,021
Contracted street repairs	15,000	14,740	260	495
Routine street repairs	61,000	60,650	350	67,887
Insurance and bonds	72,112	67,252	4,860	80,753
Employee uniforms	12,000	11,905	95	9,551

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Contracted services - cemetery	33,300	33,295	5	33,753
Contracted mowing	162,471	162,470	1	151,508
Beautification projects	32,000	21,194	10,806	34,219
Rail crossing guards	1,500	-	1,500	1,329
Grant match	-	-	-	16,798
Improvements	61,000	57,579	3,421	38,768
Total transportation	1,494,356	1,480,665	13,691	1,503,647
Environmental Protection:				
Sanitation:				
Professional services	943,500	943,330	170	779,548
Total environmental protection	943,500	943,330	170	779,548
Cultural and Recreational:				
Parks and Recreation:				
Salaries	230,500	231,123	(623)	198,531
Employee benefits	79,128	78,362	766	68,455
Professional services	12,000	12,493	(493)	8,346
Special compensation	27,300	17,692	9,608	26,903
Telephone	5,000	5,465	(465)	11,226
Building repairs	2,500	2,461	39	197
Equipment maintenance	5,300	3,771	1,529	3,533
Vehicle maintenance	5,000	5,895	(895)	1,347
Heating	1,400	1,333	67	1,415
Travel and training	3,625	3,769	(144)	2,620
Uniforms	50	426	(376)	162
Miscellaneous	600	724	(124)	480
Water and sewer fees	36,500	34,324	2,176	28,162
Gas and lubricants	1,200	1,019	181	841
Equipment rental	745	744	1	1,278
Land usage	13,915	11,400	2,515	11,400
Electricity	37,000	38,728	(1,728)	35,031
Advertisement	800	1,226	(426)	1,665
Postage	200	280	(80)	38
Office supplies	1,000	1,339	(339)	2,348

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Supplies	67,000	44,372	22,628	44,018
Subscriptions	540	684	(144)	172
Insurance and bonds	15,512	15,341	171	12,632
Community events	45,000	51,071	(6,071)	41,994
Total cultural and recreational	591,815	564,042	27,773	502,794
Economic and Physical Development:				
Tourism development	105,000	106,714	(1,714)	104,536
Economic development	235,812	235,812	-	157,484
Total economic and physical development	340,812	342,526	(1,714)	262,020
Capital Outlay:				
Capital purchases	2,461,190	2,265,809	195,381	1,399,840
Debt Service:				
Principal retirement	1,282,338	1,279,800	2,538	1,207,656
Interest and fees	107,016	108,711	(1,695)	141,188
Total debt service	1,389,354	1,388,511	843	1,348,844
Total expenditures	13,808,566	13,517,531	291,035	12,227,656
Revenues over (under) expenditures	(975,694)	(489,690)	486,004	(699,876)
Other Financing Sources (Uses):				
Transfers to other funds:				
Safe Routes to Schools Grant Fund	(111,996)	-	111,996	-
Techworks Project Fund	(59,500)	(59,500)	-	-
Long-term debt issued	606,000	606,000	-	1,461,000
Transfer from Safe Routes to School Grant Fund	-	-	-	5,438
Appropriated fund balance	541,190	-	(541,190)	-
Total other financing sources (uses)	975,694	546,500	(429,194)	1,466,438
Net change in fund balance	\$ -	56,810	\$ 56,810	766,562
Fund Balance:				
Beginning of year - July 1		4,996,910		4,230,348
End of year - June 30		\$ 5,053,720		\$ 4,996,910

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2019

	Special Revenue Funds	Capital Project Funds		
	Stormwater Fund	Rail Trail Project Fund	Capital Reserve Fund	Total
Assets:				
Cash and cash equivalents	\$ 594,486	\$ -	\$ 795,147	\$ 1,389,633
Accounts receivable, net	37,695	-	-	37,695
Inventories	4,312	-	-	4,312
Total assets	<u>\$ 636,493</u>	<u>\$ -</u>	<u>\$ 795,147</u>	<u>\$ 1,431,640</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,751	\$ -	\$ -	\$ 1,751
Due to other funds	-	41,177	-	41,177
Total liabilities	<u>1,751</u>	<u>41,177</u>	<u>-</u>	<u>42,928</u>
Deferred Inflows of Resources	<u>37,695</u>	<u>-</u>	<u>-</u>	<u>37,695</u>
Fund Balances:				
Non-spendable:				
Inventory	4,312	-	-	4,312
Restricted:				
Committed for Capital Reserve	-	-	795,147	795,147
Assigned	592,735	-	-	592,735
Unassigned	-	(41,177)	-	(41,177)
Total fund balances	<u>597,047</u>	<u>(41,177)</u>	<u>795,147</u>	<u>1,351,017</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 636,493</u>	<u>\$ -</u>	<u>\$ 795,147</u>	<u>\$ 1,431,640</u>

CITY OF BELMONT, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds		Capital Project Funds		
	Stormwater Fund	Techworks Project Fund	Belmont Rail Trail Capital Project Fund	Capital Reserve Fund	Total
Revenues:					
Sales and services	\$ 427,507	\$ -	\$ -	\$ -	\$ 427,507
Grant proceeds	-	494,414	-	-	494,414
Miscellaneous revenues	-	428,146	-	-	428,146
Investment earnings	-	-	-	38,898	38,898
Total revenues	<u>427,507</u>	<u>922,560</u>	<u>-</u>	<u>38,898</u>	<u>1,388,965</u>
Expenditures:					
Cultural and recreational	-	-	41,177	-	41,177
Environmental protection	336,498	-	-	-	336,498
Economic and physical development	-	982,060	-	-	982,060
Debt service:					
Principal	161,848	-	-	-	161,848
Interest and fees	<u>11,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,334</u>
Total expenditures	<u>509,680</u>	<u>982,060</u>	<u>41,177</u>	<u>-</u>	<u>1,532,917</u>
Revenues over (under) expenditures	(82,173)	(59,500)	(41,177)	38,898	(143,952)
Other Financing Sources (Uses):					
Transfer from General Fund	<u>-</u>	<u>59,500</u>	<u>-</u>	<u>-</u>	<u>59,500</u>
Net change in fund balances	(82,173)	-	(41,177)	38,898	(84,452)
Fund Balances:					
Beginning of year - July 1	<u>679,220</u>	<u>-</u>	<u>-</u>	<u>756,249</u>	<u>1,435,469</u>
End of year - June 30	<u>\$ 597,047</u>	<u>\$ -</u>	<u>\$ (41,177)</u>	<u>\$ 795,147</u>	<u>\$ 1,351,017</u>

CITY OF BELMONT, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 515,187	\$ 427,507	\$ (87,680)	\$ 430,333
Interest earned	-	-	-	31
Miscellaneous revenues	-	-	-	52
Total revenues	<u>515,187</u>	<u>427,507</u>	<u>(87,680)</u>	<u>430,416</u>
Expenditures:				
Environmental protection:				
Salaries	109,200	109,395	(195)	114,487
Employee benefits	37,312	36,823	489	35,321
Professional services	66,955	65,108	1,847	36,003
Telephone	800	811	(11)	1,734
Travel and training	210	210	-	60
Gas and lubricants	6,400	6,981	(581)	10,720
Office supplies	1,200	1,023	177	762
Supplies	112,813	111,220	1,593	38,255
Utilities	2,400	2,377	23	1,799
Subscriptions and dues	3,000	2,550	450	157
Capital outlay	-	-	-	331,390
Debt service:				
Principal	161,850	161,848	2	157,721
Interest and fees	13,047	11,334	1,713	16,100
Total expenditures	<u>515,187</u>	<u>509,680</u>	<u>5,507</u>	<u>744,509</u>
Net change in fund balance	\$ -	(82,173)	\$ (82,173)	(314,093)
Fund Balance:				
Beginning of year - July 1		<u>679,220</u>		<u>993,313</u>
End of year - June 30		<u>\$ 597,047</u>		<u>\$ 679,220</u>

CITY OF BELMONT, NORTH CAROLINA

TECHWORKS PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2019

		<u>Actual</u>			
	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Over/Under</u>
Revenues:					
Restricted intergovernmental - CDBG 16-E-2938	\$ 998,289	\$ 503,874	\$ 494,414	\$ 998,288	\$ (1)
Private revenue	<u>462,150</u>	<u>34,000</u>	<u>428,146</u>	<u>462,146</u>	<u>(4)</u>
Total revenues	<u>1,460,439</u>	<u>537,874</u>	<u>922,560</u>	<u>1,460,434</u>	<u>(5)</u>
Expenditures:					
Construction - CDBG 16-E-2938	998,289	503,874	494,414	998,288	1
Construction	<u>521,650</u>	<u>34,000</u>	<u>487,646</u>	<u>521,646</u>	<u>4</u>
Total expenditures	<u>1,519,939</u>	<u>537,874</u>	<u>982,060</u>	<u>1,519,934</u>	<u>5</u>
Revenues over (under) expenditures	(59,500)	-	(59,500)	(59,500)	-
Other Financing Sources (Uses):					
Transfer from General Fund	<u>59,500</u>	<u>-</u>	<u>59,500</u>	<u>59,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

CITY OF BELMONT, NORTH CAROLINA

BELMONT RAIL TRAIL CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2019

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Expenditures:					
Design	\$ 153,000	\$ 28,109	\$ 41,177	\$ 69,286	\$ 83,714
Revenues over (under) expenditures	(153,000)	(28,109)	(41,177)	(69,286)	83,714
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	153,000	28,109	-	28,109	(124,891)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(41,177)	<u>\$ (41,177)</u>	<u>\$ (41,177)</u>
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (41,177)</u>		

CITY OF BELMONT, NORTH CAROLINA

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 38,898	\$ 38,898	\$ 13,120
Other Financing Sources (Uses):				
Transfer to Riverfront Park Project Fund	-	-	-	(631,548)
Transfer to Belmont Rail Trail Capital Project Fund	-	-	-	(28,109)
Transfer from Brooks Street Soccer Park Project Fund	-	-	-	34,846
Total other financing sources (uses)	-	-	-	(624,811)
Net change in fund balance	\$ -	38,898	\$ 38,898	(611,691)
Fund Balance:				
Beginning of year, July 1		756,249		1,367,940
End of year - June 30		\$ 795,147		\$ 756,249

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 3,550,000	\$ 3,738,031	\$ 188,031	\$ 3,494,052
Sewer charges	3,190,000	3,192,306	2,306	3,132,609
Water and sewer taps	68,928	69,153	225	97,311
Reconnections	45,000	47,030	2,030	37,871
Service connection fees	34,000	37,162	3,162	37,475
Penalties	95,000	93,986	(1,014)	94,273
Pretreatment fees	10,605	11,539	934	10,535
Impact fees	9,075	58,311	49,236	752,329
Inspection fees	36,575	38,736	2,161	213,072
System development fees	231,050	241,756	10,706	820,926
Maintenance fees	237,769	273,871	36,102	261,915
Hydrant revenues	-	-	-	586,416
Miscellaneous revenues	98,810	119,620	20,810	102,828
Total operating revenues	<u>7,606,812</u>	<u>7,921,501</u>	<u>314,689</u>	<u>9,641,612</u>
Non-Operating Revenues:				
Interest income	<u>1,600</u>	<u>2,089</u>	<u>489</u>	<u>807</u>
Total revenues	<u>7,608,412</u>	<u>7,923,590</u>	<u>315,178</u>	<u>9,642,419</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	1,121,000	1,118,994	2,006	986,961
Employee benefits	375,969	383,774	(7,805)	329,786
Professional services	237,686	213,633	24,053	142,644
Telephone	15,000	13,530	1,470	19,840
Travel and training	13,125	15,243	(2,118)	14,294
Equipment maintenance	30,000	30,641	(641)	24,315
Vehicle maintenance	24,000	25,312	(1,312)	33,062
Gas and lubricants	32,066	33,497	(1,431)	26,239
Equipment rental	30,000	24,464	5,536	29,233
Postage	26,000	25,548	452	25,990
Electricity	19,500	19,970	(470)	20,518
Heating	-	60	(60)	-
Advertisements	-	1,638	(1,638)	48
Office supplies	3,100	3,096	4	3,581
Supplies	146,000	147,354	(1,354)	118,188

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Expenditures (continued):				
Water Administration and				
Distribution (continued):				
Materials	87,000	85,155	1,845	63,971
Uniforms	17,000	16,750	250	13,442
Contracted repairs	56,294	56,293	1	33,699
Utility cuts and repairs	75,000	80,063	(5,063)	80,063
Subscriptions and dues	28,000	27,580	420	27,515
State/federal mandate	1,800	1,756	44	1,209
Wastewater services	2,508	2,569	(61)	3,463
Insurance and bonds	26,287	26,251	36	34,230
Software	31,520	31,520	-	-
Impact fees	50,000	792,460	(742,460)	-
Total water administration and distribution	2,448,855	3,177,151	(728,296)	2,032,291
Water Treatment Plant:				
Salaries	637,000	644,130	(7,130)	555,218
Employee benefits	232,863	232,638	225	187,497
Professional services	12,000	11,276	724	18,036
Telephone	5,000	5,110	(110)	8,791
Postage	1,500	347	1,153	2,975
Heating	6,500	6,455	45	1,544
Travel and training	9,025	10,441	(1,416)	6,563
Plant repairs	115,000	108,554	6,446	44,228
Equipment maintenance	29,000	30,188	(1,188)	20,174
Vehicle maintenance	4,630	4,669	(39)	2,007
Gas lubricants	3,525	3,519	6	3,828
State fees	5,858	5,858	-	4,771
Materials	7,500	7,473	27	6,136
Contract services	66,000	62,059	3,941	62,917
Electricity	110,000	114,549	(4,549)	105,219
Office supplies	2,000	2,016	(16)	2,014
Supplies	5,000	15,865	(10,865)	4,686
Water treatment	115,648	106,893	8,755	113,733
Lab supplies	18,000	19,027	(1,027)	15,511
Uniforms	8,650	8,941	(291)	6,301

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Water Treatment Plant (continued):				
Subscriptions and dues	6,500	6,451	49	6,923
Insurance and bonds	29,674	29,251	423	23,786
Total water treatment plant	1,430,873	1,435,710	(4,837)	1,202,858
Waste Collection and Treatment:				
Salaries	530,000	524,977	5,023	489,522
Employee benefits	202,455	198,542	3,913	179,972
Professional services	24,215	22,795	1,420	22,995
Telephone	15,000	15,557	(557)	15,141
Postage	200	301	(101)	475
Travel and training	7,500	6,959	541	3,524
Sludge disposal	18,650	18,648	2	127,839
Mills pre-treatment testing	8,200	8,391	(191)	8,231
Lab testing	64,000	66,707	(2,707)	65,409
Plant repairs	100,000	104,922	(4,922)	66,968
Equipment maintenance	65,000	72,090	(7,090)	59,564
Vehicle maintenance	7,500	7,658	(158)	2,549
State fees	4,470	4,470	-	5,950
Gas and lubricants	17,244	17,280	(36)	10,037
Electricity	316,000	317,243	(1,243)	318,677
Wastewater services	112,756	96,282	16,474	121,765
Advertisements	850	840	10	636
Office supplies	210	2,094	(1,884)	2,563
Supplies	6,350	7,325	(975)	10,039
Uniforms	8,505	8,922	(417)	6,638
Subscriptions and dues	700	686	14	631
Lab supplies	152,510	162,465	(9,955)	79,829
Equipment rental	12,500	12,491	9	967
Insurance bonds	24,600	24,947	(347)	15,621
Soutfork area W&S extensions	15,130	-	15,130	-
Total waste collection and treatment	1,714,545	1,702,592	11,953	1,615,542
Debt Service:				
Interest and fees	142,241	142,301	(60)	120,167
Principal retirement	492,915	492,854	61	524,048
Total debt service	635,156	635,155	1	644,215

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Capital Outlay	<u>1,993,801</u>	<u>1,785,470</u>	<u>208,331</u>	<u>1,509,927</u>
Total expenditures	<u>8,223,230</u>	<u>8,736,078</u>	<u>(512,848)</u>	<u>7,004,833</u>
Revenues over (under) expenditures	(614,818)	(812,488)	(197,670)	2,637,586
Other Financing Sources (Uses):				
Transfer from Water and Sewer Capital Reserve Fund	<u>614,818</u>	<u>-</u>	<u>(614,818)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (812,488)</u>	<u>\$ (812,488)</u>	<u>\$ 2,637,586</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ (812,488)</u>		<u>\$ 2,637,586</u>
Reconciling items:				
Payment of debt principal		492,854		524,048
Amount included in capital outlay not capitalized		(135,254)		(89,425)
Capital outlay		1,785,470		1,509,927
Change in accrued vacation pay		(40,058)		9,578
Change in OPEB liability		128,270		(25,851)
Capital contributions - donated water lines		4,766,207		9,596,862
AMI Project - interest		-		17
Public Works Renovation Project - interest		326		-
Capital Reserve Fund - interest		60,587		20,024
Interest expense accrual		4,253		4,194
Depreciation and amortization		(2,236,364)		(1,683,717)
Change in deferred outflows of resources - pensions		224,116		(121,020)
Change in net pension liability		(282,684)		101,048
Change in deferred inflows of resources - pensions		19,516		17,603
Change in deferred outflows of resources - OPEB		2,858		4,737
Change in deferred inflows of resources - OPEB		(178,394)		(51,585)
Loss on disposal of assets		(6,396)		-
Change in inventory		<u>10,791</u>		<u>15,813</u>
Total reconciling items		<u>4,616,098</u>		<u>9,825,387</u>
Change in net position (Exhibit H)		<u>\$ 3,803,610</u>		<u>\$ 12,462,973</u>

CITY OF BELMONT, NORTH CAROLINA

AUTOMATED METER INFRASTRUCTURE PROGRAM CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2019

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Non-Operating Revenues:					
Interest income	\$ -	\$ 134	\$ -	\$ 134	\$ 134
Expenditures:					
Economic and physical development:					
Design, installment, and administration	2,090,000	2,085,294	-	2,085,294	4,706
Revenues over (under) expenditures	(2,090,000)	(2,085,160)	-	(2,085,160)	4,840
Other Financing Sources (Uses):					
Transfer from Water and Sewer Capital Reserve Fund	90,000	90,000	-	90,000	-
Installment financing agreement	2,000,000	2,000,000	-	2,000,000	-
Total other financing sources (uses)	2,090,000	2,090,000	-	2,090,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 4,840	\$ -	\$ 4,840	\$ 4,840

CITY OF BELMONT, NORTH CAROLINA

PUBLIC WORKS RENOVATION ENTERPRISE CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Interest earned on investments	\$ -	\$ -	\$ 326	\$ 326	\$ 326
Expenditures:					
Economic and physical development:					
Construction	4,890,342	-	2,054,350	2,054,350	2,835,992
Revenues over (under) expenditures	(4,890,342)	-	(2,054,024)	(2,054,024)	2,836,318
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	252,446	-	-	-	(252,446)
Transfer from General Fund	252,446	-	-	-	(252,446)
Loan proceeds	4,385,450	-	4,890,342	4,890,342	504,892
Total other financing sources (uses)	4,890,342	-	4,890,342	4,890,342	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 2,836,318	\$ 2,836,318	\$ 2,836,318

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 60,587	\$ 60,587	\$ 20,024
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(614,818)	-	614,818	-
Transfer to Automated Meter Infrastructure Program Capital Project Fund	-	-	-	(90,000)
Transfer to Water Main Replacement Enterprise Capital Project Fund	-	-	-	(1,147)
Transfer from West Outfall Enterprise Capital Project Fund	-	-	-	8,608
Appropriated fund balance	614,818	-	(614,818)	-
Total other financing sources (uses)	-	-	-	(82,539)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 60,587	\$ 60,587	\$ (62,515)

CITY OF BELMONT, NORTH CAROLINA
BELMONT TOURISM DEVELOPMENT AUTHORITY
COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2019
Assets:

Cash and cash equivalents	\$ 79,485
Accounts receivable, net	<u>9,779</u>
Total assets	<u>\$ 89,264</u>

Fund Balance:

Restricted for tourism	<u>\$ 89,264</u>
Total liabilities and fund balance	<u>\$ 89,264</u>

Reconciliation of the Balance Sheet to the Statement of Net Position:

There are no reconciling items.

CITY OF BELMONT, NORTH CAROLINA

BELMONT TOURISM DEVELOPMENT AUTHORITY

COMPONENT UNIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Occupancy tax	\$ 105,000	\$ 97,229	\$ (7,771)	\$ 113,569
Expenditures:				
Economic and physical development:				
Tourism program	105,000	102,687	2,313	91,396
Net change in fund balance	\$ -	(5,458)	\$ (5,458)	22,173
Fund Balance:				
Beginning of year - July 1		94,722		72,549
End of year - June 30		<u>\$ 89,264</u>		<u>\$ 94,722</u>

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance July 01, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 7,466,647	\$ 7,440,636	\$ 26,011
2017-2018	34,173	-	19,066	15,107
2016-2017	15,485	-	4,952	10,533
2015-2016	10,214	-	1,210	9,004
2014-2015	12,104	-	727	11,377
2013-2014	10,510	-	638	9,872
2012-2013	10,486	-	975	9,511
2011-2012	8,963	-	652	8,311
2010-2011	8,046	-	340	7,706
2009-2010	8,511	-	664	7,847
2008-2009	6,959	-	6,959	-
Total	<u>\$ 125,451</u>	<u>\$ 7,466,647</u>	<u>\$ 7,476,819</u>	115,279
Less allowance for uncollectible ad valorem taxes receivable				<u>(52,007)</u>
Ad valorem taxes receivable, net				<u>\$ 63,272</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)			\$ 7,540,341	
Less penalties and interest collected			(15,093)	
Taxes written off and refunded			6,959	
Miscellaneous			<u>(55,388)</u>	
Total collections and credits			<u>\$ 7,476,819</u>	

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	<u>\$ 1,427,189,903</u>	\$ 0.515	<u>\$ 7,350,028</u>	<u>\$ 6,712,210</u>	<u>\$ 637,818</u>
Discoveries - Current Year Taxes	<u>30,241,165</u>	0.515	<u>155,742</u>	<u>155,455</u>	<u>287</u>
Abatements	<u>(7,596,699)</u>	0.515	<u>(39,123)</u>	<u>(39,123)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,449,834,369</u></u>				
Net Levy			7,466,647	6,828,542	638,105
Uncollected taxes at June 30, 2019			<u>(26,011)</u>	<u>(26,011)</u>	<u>-</u>
Current Year's Taxes Collected			<u><u>\$ 7,440,636</u></u>	<u><u>\$ 6,802,531</u></u>	<u><u>\$ 638,105</u></u>
Current Levy Collection Percentage			<u>99.65%</u>	<u>99.62%</u>	<u>100.00%</u>

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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 City Council
City of Belmont
Belmont, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Belmont's basic financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Belmont'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 City of Belmont's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2019-005.

City of Belmont's Responses to Findings

The City of Belmont's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 20, 2019

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Belmont, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Belmont, North Carolina's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Belmont's major federal programs for the year ended June 30, 2019. The City of Belmont's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Belmont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Belmont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Belmont's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Belmont complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Belmont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Belmont's internal control over compliance with the requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Belmont's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
November 20, 2019

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Community Facilities Loans and Grants Cluster	10.766
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements

Material Weakness

Finding 2019-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting. This includes identifying all necessary adjustments to the City's general ledger to conform to accounting principles generally accepted in the United States of America and generally accepted governmental accounting standards.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the City's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Effect: Errors could occur in financial reporting.

Cause: There are limited City resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-001.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost versus benefit of improving the internal control system to prevent the adjustments in the future, given the City's available resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

Name of Contact Person: Michelle Wood, Finance Director

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Material Weakness

Finding 2019-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by City personnel with regard to drafting full accrual, full disclosure year-end financial statements. Although management of the city does not possess expertise to draft full accrual, full disclosure financial statements, they do accept responsibility for the preparation and fair presentation of the financial statements and they possess the skills and knowledge to adequately oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the City.

Effect: Errors in financial reporting could occur.

Cause: There are limited City resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-002.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the City should exercise due care in overseeing drafting services, reconciling, and reviewing the financial statements drafted by the external auditor, as the City is responsible for the accuracy of the audited financial statements.

Name of Contact Person: Michelle Wood, Finance Director

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Material Weakness

Finding 2019-003

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Controls over payroll have been designed but not properly implemented. We noted one occurrence of an employee's merit increase not being updated in the system and one occurrence of an employee's hire date that did not match the client's records.

Effect: Lack of proper implementation of control policies greatly increases the risk of an error or irregularity going undetected and can result in improper financial reporting.

Cause: The City's Finance Department does not have adequate safeguards in place to monitor internal control over the payroll system.

Recommendation: Management should strengthen internal controls over the payroll system.

Name of Contact Person: Michelle Wood, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Material Weakness

Finding 2019-004

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: During the fiscal year ended June 30, 2019, the City determined that certain capital assets were not properly added in the year of acquisition. Beginning capital asset balances and related net position balances have been adjusted for that reporting error for business-type activities.

Effect: For the statements affected, the prior year financial statements were misstated.

Cause: Incomplete capital asset listings for prior year.

Recommendation: Annual review of capital asset listing should be completed annually by department heads, finance officer, and city manager for accuracy and completeness to prevent prior period adjustments in the future.

Name of Contact Person: Michelle Wood, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Material Weakness

Material Non-Compliance

Finding 2019-005

Criteria: Per G.S. 159-8, all money received and expended by a local government should be included in the budget ordinance. The statutes require that funds be appropriated before incurring the obligation of funds and that amounts be pre-audited prior to disbursements being made. Per G.S. 159-13(b)(2), the full amount of any deficit in each fund shall be appropriated in the budgeting process. Per G.S. 159-13(a), the budget ordinance shall authorize all financial transactions of the local government or public authority except those explicitly exempt within the statute.

Condition: During the fiscal year ended June 30, 2019, there were violations of the G.S. 159-8 by the City with regard to expenditures exceeding appropriations in the General Fund and Water and Sewer Fund, and, therefore, a failure in the pre-audit requirement. Additionally, there were violations of the G.S. 159-13(b)(2) and G.S. 159-13(a) by the City with regard to deficit fund balance in the Belmont Rail Trail Capital Project and lack of an approved budget for the Capital Reserve Fund, respectively.

Effect: The City was in violation of North Carolina State Statutes.

Cause: Lack of budget monitoring by management. The City expended more than what had been appropriated because budget amendments were not made for those items. Additionally, the City did not adopt a balanced budget for one fund. Also, one fund currently has a deficit balance.

Recommendation: Management and the Board should ensure that amounts are pre-audited prior to disbursement of funds, budgets are approved as required by statutes, and funds do not have deficit fund balances at year end.

Name of Contact Person: Michelle Wood, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

Material Weakness

Finding 2019-001:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: Management is aware that year-end audit adjustments are typically required. The City will continue to enhance the capabilities of its internal staff by ensuring additional training and educational opportunities are made available and attended so as to allow staff, while still limited in number, to assume additional responsibilities for financial reporting. The Finance Director and Assistant will work with the auditors in the spring of 2020 to review and train on doing the year-end audit adjustments in the future.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2019-002:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: Due to the cost benefit analysis, the City will continue to rely on the external auditor to draft the year-end financial statements. The City will exercise due care in reviewing the financial statements drafted by the external auditor. The City acknowledges and accepts responsibility for the accuracy of the audited financial statements.

Proposed Completion Date: Immediately.



City of Belmont

115 N. MAIN STREET
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BELMONT, N.C. 28012
PHONE (704) 825-5586

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

Material Weakness

Finding 2019-003:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: Once payroll is uploaded and updated in the new Paycor system a preliminary pay grid is printed and reviewed by the Human Resource Director to review any pay rate changes and calculations. It is then previewed a 2nd time by the Finance Director to assure pay rates are calculated correctly. Both the Human Resource Director and the Finance Director sign off on the pay grid. A report is ran at each payroll with all payroll changes and reviewed by the City Manager and Human Resource Director verifying all hire dates are entered in the payroll system correctly.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2019-004:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The Finance Director and City Manager will meet with the City Engineer to review all information obtained to determine if donated lines are to be capitalized each fiscal year. The report will then be sent to the Planning Director for a second review to ensure everything is accurate to then be added to the City's capital assets.

Proposed Completion Date: Immediately.



City of Belmont

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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

Material Weakness

Material Non-Compliance

Finding 2019-005:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The City is aware of G.S. 159-8 and G.S. 159-13. The Finance Director will ensure amounts are pre-audited prior to disbursement of funds and proper budget amendments are approved to prevent expenditures exceeding appropriations and deficit balances in Capital Projects. The City also acquired a new Financial Software to help monitor budgeting to prevent violation in G.S. 159-8 and G.S. 159-13.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Finding: 2018-001
Status: Repeated as Finding 2019-001

Finding: 2018-002
Status: Repeated as Finding 2019-002

Finding: 2018-003
Status: Corrected

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>Federal Assistance</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Office of Community Planning and Development Passed through the N.C. Department of Commerce: Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	16-E-2938	\$ 494,414	\$ -	\$ -
Total U.S. Department of Housing and Urban Development			494,414	-	-
<u>U.S. Department of Agriculture</u>					
Rural Housing Service Community Facilities Loans and Grants Cluster: Direct Program: Community Facilities Loans and Grants	10.766		2,054,350	-	-
Total Community Facilities Loans and Grants Cluster			2,054,350	-	-
Total Federal Assistance			3,043,178	-	-
<u>State Assistance</u>					
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4	-	290,485	-
Total State Assistance			-	290,485	-
Total Federal and State Awards			\$ 3,043,178	\$ 290,485	\$ -

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Belmont under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Belmont, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Belmont.

Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Belmont has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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