



**Darrell L. Keller, CPA, PA**

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**TOWN OF BELWOOD, NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**(704) 739-0771**

**Town of Belwood, North Carolina**  
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**June 30, 2019**

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## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Town Council  
Town of Belwood  
Belwood, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Belwood, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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. 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Belwood, North Carolina, as of June 30, 2019, and the respective changes in financial position 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

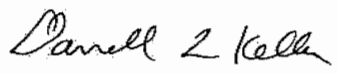
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my 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 Town of Belwood, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

 , CPA, PA

Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina  
December 22, 2019

## **Town of Belwood**

### **Management's Discussion and Analysis**

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

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Belwood exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$288,681 (*net position*).
- The government's total net position increased by \$41,727.
- As of the close of the current fiscal year, the Town of Belwood's governmental fund reported ending fund balance of \$84,527 an increase of \$21,164 in comparison with the prior year. Approximately 90.3 percent of this total amount, or \$76,367, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$76,367, or 93.4 percent of total general fund expenditures for the fiscal year.

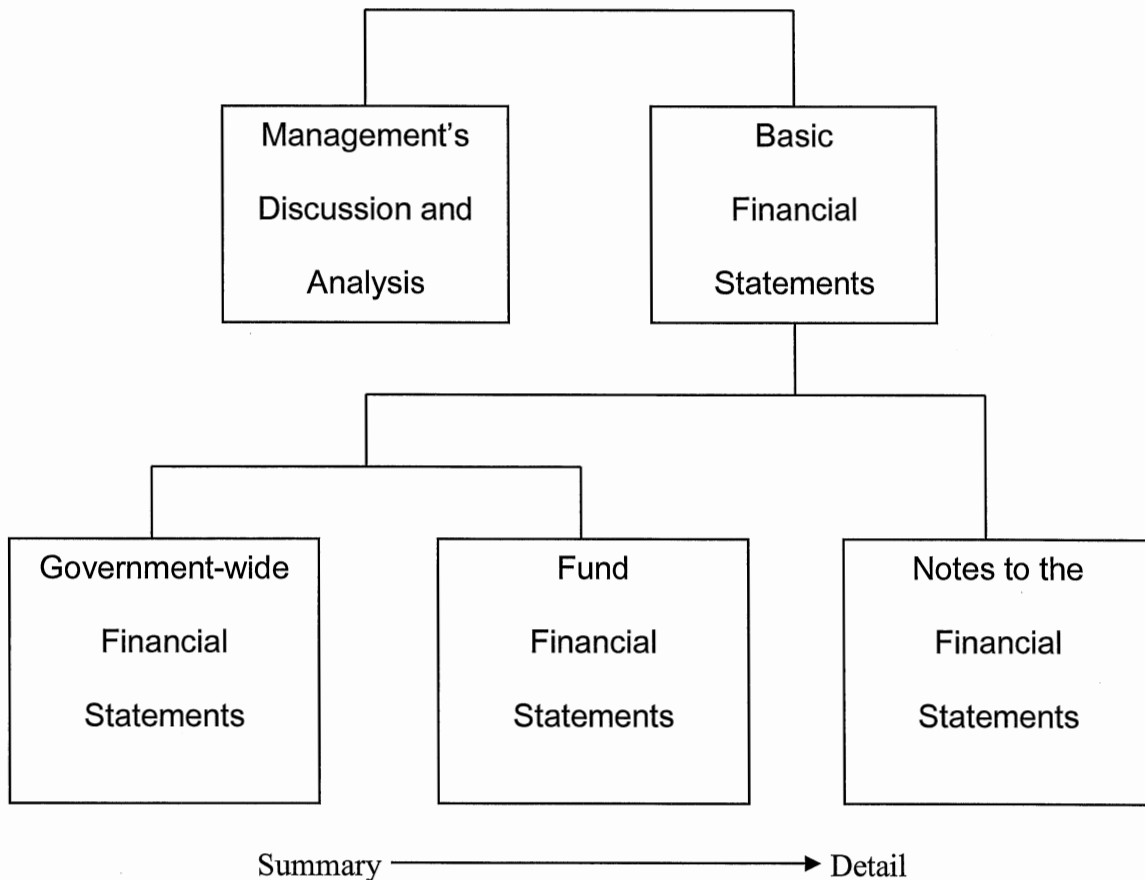
#### **Overview of the Financial Statements**

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

Town of Belwood  
Management Discussion and Analysis

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

## Town of Belwood Management Discussion and Analysis

### **Government-Wide Financial Statements**

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

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

The government-wide statements present one category: governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. State and federal grant funds finance most of these activities.

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

### **Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in the governmental fund. This fund focuses 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 Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Belwood adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board



Town of Belwood  
Management Discussion and Analysis

about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Town of Belwood has no proprietary fund.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State appropriations.

Town of Belwood  
Management Discussion and Analysis

**Government-Wide Financial Analysis**

**Town of Belwood's Net Position**

Figure 2

	Activities	
	2019	2018
Current and other assets	\$ 86,152	\$ 64,472
Capital assets	204,154	183,591
Total assets	<u>290,306</u>	<u>248,063</u>
Long-term liabilities outstanding	-	-
Other liabilities	523	934
Total liabilities	<u>523</u>	<u>934</u>
Deferred inflows of resources	<u>1,102</u>	<u>175</u>
Net position:		
Net investment in		
capital assets	204,154	183,591
Restricted	8,160	6,417
Unrestricted	76,367	56,946
Total net position	<u>\$ 288,681</u>	<u>\$ 246,954</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Belwood exceeded liabilities and deferred inflows by \$288,681 as of June 30, 2019. The Town's net position increased by \$41,727 for the fiscal year ended June 30, 2019. However, the largest portion (70.7%) reflects the Town'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 Town of Belwood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Belwood's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Belwood's net position \$8,160 (2.83%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$76,367 is unrestricted.

Town of Belwood  
Management Discussion and Analysis

**Town of Belwood Changes in Net Position**  
**Figure 3**

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 38,021	\$ 7,695
Capital Grants	-	-
General revenues:		
Property taxes	24,663	-
Other	39,951	35,334
Unrestricted investment earnings	267	136
Total revenues	<u>102,902</u>	<u>43,165</u>
Expenses:		
General government	19,224	17,927
Public safety	190	178
Recreation	41,761	27,428
Total expenses	<u>61,175</u>	<u>45,533</u>
Decrease in net position	<u>41,727</u>	<u>(2,368)</u>
Net position, July 1	<u>246,954</u>	<u>249,322</u>
Net position, June 30	<u>\$ 288,681</u>	<u>\$ 246,954</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$41,727 accounting for the total decrease in the net position of the Town.

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Belwood's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Belwood's financing requirements.

The general fund is the chief operating fund of the Town of Belwood. At the end of the current fiscal year, fund balance available in the General Fund was \$76,367, while total fund balance reached \$84,527. The governing body of Town of Belwood has determined that the Town should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 93.4% of total General Fund expenditures, while total fund balance represents 103.41% of that same amount.

Town of Belwood  
Management Discussion and Analysis

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

**Proprietary Funds.** The Town of Belwood has no proprietary fund.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Belwood's investment in capital assets for its governmental activities as of June 30, 2019, totals \$204,154 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and park facilities.

There were no major additions or disposals of capital assets during the current year.

**Town of Belwood's Capital Assets  
(net of depreciation)**

**Figure 4**

	2019	2018
Land	\$ 100,000	\$ 100,000
Buildings and system	59,702	63,911
Improvements other than buildings	-	-
Machinery and equipment	44,452	19,680
Total	\$ 204,154	\$ 183,591

Additional information on the Town's capital assets can be found in note III. A. 2 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2019, the Town of Belwood has no outstanding debt.

Town of Belwood  
Management Discussion and Analysis

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town of Belwood's reputation as a family-oriented, quiet town has made the Town a highly desired place to live in the last several years. This has resulted in higher franchise tax fees and increased revenues for services provided.
- The Town implemented a property tax of .05 per 100 for fiscal year ending June 30, 2019. The total levy for real property was \$25,945.
- The Town received a recreation grant from Cleveland County for \$30,326.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** The governmental fund's primary revenue resource is revenue from property taxes and utility franchise fees. The Town anticipates receiving Sales and Use Distributions from the State in the fiscal year ending June 30, 2020. They will receive these funds because they implemented a property tax this fiscal year.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Belwood, 5500 Fallston Road, Lawndale, NC 28090.

## **Basic Financial Statements**

**Town of Belwood, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 35,260
Certificates of deposit	41,630
Property taxes receivable-net	1,102
Due from other governments	8,160
Total current assets	<u>86,152</u>
Capital assets (Note 1):	
Land, non-depreciable improvements, and construction in progress	100,000
Other capital assets, net of depreciation	<u>104,154</u>
Total capital assets	<u>204,154</u>
Total assets	<u>\$ 290,306</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 523
Payroll Liabilities	<u>-</u>
Total liabilities	<u>523</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Property Tax Receivable	<u>1,102</u>
<b>NET POSITION</b>	
Net Investment in capital assets	204,154
Restricted for:	
Stabilization by State Statute	8,160
Unrestricted	<u>76,367</u>
Total net position	<u>\$ 288,681</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 19,224	\$ -	\$ -	\$ (19,224)
Public Safety	190	-	-	(190)
Recreation	41,761	38,021	-	(3,740)
Total governmental activities (See Note 1)	61,175	38,021	-	(23,154)
General revenues:				
Taxes:				
Property Taxes				24,663
Other Taxes				28,326
Permits, Fees, and Other Receipts				11,625
Unrestricted investment earnings				267
Total general revenues				64,881
Change in net position				41,727
Net position, beginning				246,954
Net position, ending				\$ 288,681

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



Exhibit 3

**TOWN OF BELWOOD, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Assets</u>	
	General Fund	Total
Assets:		
Cash and Savings	\$ 35,260	\$ 35,260
Certificates of Deposit	41,630	41,630
Taxes Receivable	1,102	1,102
Due From Other Governments	8,160	8,160
Total Assets	<u>\$ 86,152</u>	<u>\$ 86,152</u>
	<u>Liabilities and Fund Balance</u>	
Liabilities:		
Accounts Payable	\$ 523	\$ 523
Payroll Liabilities	-	-
Total Liabilities	<u>523</u>	<u>523</u>
Deferred Inflows of Resources:		
Property Tax Receivable	<u>1,102</u>	<u>1,102</u>
Fund Balance:		
Restricted		
Stabilization by State Statute	8,160	8,160
Assigned		
Designated for Subsequent Years Expenditures	-	-
Unassigned	<u>76,367</u>	<u>76,367</u>
Total Fund Balance	<u>84,527</u>	<u>84,527</u>
Total Liabilities and Fund Balance	<u>\$ 86,152</u>	<u>\$ 86,152</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are not  
reported in the funds

\$ 204,154

Net position of governmental activities

\$ 288,681

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

Exhibit 4

**TOWN OF BELWOOD, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Total Governmental Fund
Revenues		
Property Taxes	\$ 24,663	\$ 24,663
Unrestricted Intergovernmental Revenue	28,326	28,326
Restricted Intergovernmental Revenue	38,021	38,021
Permits, fees, other receipts	11,625	11,625
Investment Earnings	267	267
Total Revenues	<u>102,902</u>	<u>102,902</u>
Expenditures		
Current:		
General Government	15,960	15,960
Public Safety	190	190
Recreation	<u>65,588</u>	<u>65,588</u>
Total Expenditures	<u>81,738</u>	<u>81,738</u>
Revenues Over (Under) Expenditures	<u>21,164</u>	<u>21,164</u>
Fund Balance Beginning of Year	63,363	63,363
Fund Balance End of Year	<u>\$ 84,527</u>	<u>\$ 84,527</u>

Amounts reported for governmental activities are different because:

Net change in fund balance-governmental funds	\$ 21,164
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period	<u>20,563</u>
Total changes in net position of governmental activities	<u>\$ 41,727</u>

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

**TOWN OF BELWOOD, NORTH CAROLINA  
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ -	\$ 23,000	\$ 24,663	\$ 1,663
Unrestricted Intergovernmental Revenue	28,500	28,500	28,326	(174)
Restricted Intergovernmental Revenue	7,695	37,878	38,021	143
Permits, Fees, Other Receipts	8,400	9,900	11,625	1,725
Investment Earnings	500	200	267	67
<b>Total Revenues</b>	<b>45,095</b>	<b>99,478</b>	<b>102,902</b>	<b>3,424</b>
<b>Expenditures</b>				
General Governments	17,415	17,405	15,960	1,445
Public Safety	200	200	190	10
Recreation	27,480	58,873	65,588	(6,715)
<b>Total Expenditures</b>	<b>45,095</b>	<b>76,478</b>	<b>81,738</b>	<b>(5,260)</b>
Revenues Over(Under) Expenditures	-	23,000	21,164	(1,836)
<b>Other Financing Sources</b>				
Fund Balance Reserve	-	(23,000)	-	23,000
<b>Revenues and Other Financing Sources Over(Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>21,164</b>	<b>\$ 21,164</b>
Fund Balance Beginning of Year			63,363	
Fund Balance End of Year			<u>\$ 84,527</u>	

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

## **I. Summary of Significant Accounting Policies**

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

### **A. Reporting Entity**

The Town of Belwood is a municipal corporation that is governed by an elected mayor and a four-member council. The Town Council and Mayor are responsible for day-to-day operations of the Town and the collection and disbursement of funds and preparation of the annual budget.

### **B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Town reports the following major governmental fund:

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

The Town does not have any Business-type Activities.

### **C. Measurement Focus and Basis of Accounting**

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

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

Amounts reported as program revenues include 1) operating grants and contributions, and 2) capital grants and contributions. General revenues include all taxes.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments

are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,000. All amendments must be approved by the governing board. 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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)] the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectable 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.

## 5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of three years. Minimum capitalization costs are \$500. Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	39
Improvements	39
Vehicles	5
Furniture and equipment	10
Computer equipment	3

## 6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets this criterion-Property tax receivable.

## 7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities type statement of net position. The Town has no long term debt.

## 8. Net Position/Fund Balances

### Net Position

Net position in government-wide 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, or laws or regulations of other governments or imposed by law through state statute.

## Fund Balances

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

The governmental fund types classify fund balances as follows:

**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.

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

Restricted for Stabilization by State statute – 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 non-spendable. 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.

**Committed Fund Balance**-portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Town of Belwood's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Assigned Fund Balance**-portion of fund balance that Town of Belwood intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$2,000.

**Unassigned fund balance**-the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.



The Town of Belwood 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-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Belwood has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

## **II. Stewardship, Compliance, and Accountability**

### **A. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for government activities by \$5,260. This over-expenditure occurred because expenses in the recreation department were more than budgeted. The Town will review the budget versus actual in the future and make timely budget amendments.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 Town has no policy regarding custodial credit risk for deposits.

Town of Belwood, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

At June 30, 2019, the Town's deposits had a carrying amount of \$76,890 and a bank balance of \$78,526. Of the bank balance, \$78,526 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

## 2. Capital Assets

### Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	100,000	-	-	100,000
<b>Capital assets being depreciated:</b>				
Buildings	1,206,801	-	-	1,206,801
Furniture and Equipment	120,748	27,967	14,007	134,708
Infrastructure	-	-	-	-
Total capital assets being depreciated	1,327,549	27,967	14,007	1,341,509
<b>Less accumulated depreciation for:</b>				
Buildings	1,142,890	4,209	-	1,147,099
Furniture and Equipment	101,068	3,195	14,007	90,256
Infrastructure	-	-	-	-
Total accumulated depreciation	1,243,958	\$ 7,404	\$ 14,007	1,237,355
Total capital assets being depreciated, net	83,591			104,154
<b>Governmental activity capital assets, net</b>	<u>\$ 183,591</u>			<u>\$ 204,154</u>

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

General government	\$ 3,264
Recreation	4,140
	<u>\$ 7,404</u>

## B. Liabilities

### 1. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits,

Town of Belwood, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The Town has a fidelity bond in the amount of \$50,000 on the Finance Officer.

The Town carries commercial coverage for all other risks of loss. The Town has not obtained flood insurance coverage. 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.

**C. Fund Balance**

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

<b><i>Total fund balance-General Fund</i></b>	<b><i>\$84,527</i></b>
Less;	
Stabilization by State Statute	8,160
Appropriated Fund Balance in 2020 budget	-
Working Capital / Fund Balance Policy	6,539
Remaining Fund Balance	69,828

The Town of Belwood has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

### Supplementary Statements

This section contains additional statements required by the Local Government Commission in North Carolina.

**TOWN OF BELWOOD, NORTH CAROLINA  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED JUNE 30**

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Ad Valorem Taxes				
Taxes	\$ 23,000	\$ 24,663	\$ 1,663	\$ -
Unrestricted Intergovernmental Revenue:				
Franchise Tax	28,500	27,468	(1,032)	28,020
Sales and Use Tax	-	858	858	-
	<u>28,500</u>	<u>28,326</u>	<u>(174)</u>	<u>28,020</u>
Restricted Intergovernmental Revenue:				
Cleveland County Grant	7,695	7,695	-	7,695
Cleveland County Rec Grant	30,183	30,326	143	-
	<u>37,878</u>	<u>38,021</u>	<u>143</u>	<u>7,695</u>
Permits, fees, other receipts:				
Rent	9,700	10,700	1,000	6,920
Sales tax refund	200	175	(25)	149
Other	-	750	750	245
	<u>9,900</u>	<u>11,625</u>	<u>1,725</u>	<u>7,314</u>
Investment earnings:				
Interest	200	267	67	136
	<u>200</u>	<u>267</u>	<u>67</u>	<u>136</u>
Total Revenues	<u>\$ 99,478</u>	<u>\$ 102,902</u>	<u>\$ 3,424</u>	<u>\$ 43,165</u>

**TOWN OF BELWOOD, NORTH CAROLINA  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED JUNE 30**

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures				
General Government:				
Election	\$ -	\$ -	\$ -	\$ 899
Dues and Subscriptions	2,400	2,345	55	2,274
Professional Services	6,300	6,352	(52)	6,245
	<u>8,700</u>	<u>8,697</u>	<u>3</u>	<u>9,418</u>
Administration:				
Salaries	2,550	2,520	30	2,520
Operating expenses	4,825	3,718	1,107	1,700
General Insurance	1,330	1,025	305	1,025
	<u>8,705</u>	<u>7,263</u>	<u>1,442</u>	<u>5,245</u>
Total general government	<u>17,405</u>	<u>15,960</u>	<u>1,445</u>	<u>14,663</u>
Public Safety:				
Operating expenses	<u>200</u>	<u>190</u>	<u>10</u>	<u>178</u>
Recreation:				
Salaries	9,910	9,201	709	9,201
Operating expenses	15,620	25,510	(9,890)	12,913
General Insurance	3,160	2,910	250	2,829
Capital outlay	30,183	27,967	2,216	19,240
	<u>58,873</u>	<u>65,588</u>	<u>(6,715)</u>	<u>44,183</u>
Total expenditures:	<u>76,478</u>	<u>81,738</u>	<u>(5,260)</u>	<u>59,024</u>
Revenues Over (Under) Expenditures	23,000	21,164	(4,132)	(15,859)
Other Financing Sources:				
Fund Balance Reserve	<u>(23,000)</u>	<u>-</u>	<u>23,000</u>	<u>-</u>
Revenues And Other Financing Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 21,164</u>	<u>\$ 18,868</u>	<u>(15,859)</u>
Fund Balance Beginning of Year		63,363		79,222
Fund Balance End of Year		<u>\$ 84,527</u>		<u>\$ 63,363</u>

## Other Schedules

This section contains additional information required on property taxes.

### Schedule of Ad Valorem Taxes Receivable

#### Analysis of Current Tax Levy

## Schedule 2

**TOWN OF BELWOOD, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 25,945	\$ 24,720	\$ 1,225
2017-2018	-	-	-	-
2016-2017	-	-	-	-
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	-	-	-	-
2012-2013	-	-	-	-
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	-	-	-	-
2008-2009	-	-	-	-
Ad Valorem Taxes Receivable	<u>\$ -</u>	<u>\$ 25,945</u>	<u>\$ 24,720</u>	1,225
Allowance for Doubtful Accounts Taxes Receivable				<u>123</u> <u>\$ 1,102</u>
Reconcilement with Revenues: Ad Valorem Taxes				<u>\$ 24,663</u>
Reconciling items:				
Interest Collected				-
Collection Fees				-
Discounts/Adjustments				<u>57</u>
Total Reconciling items				<u>57</u>
Total Collections and Credits				<u>\$ 24,720</u>



**TOWN OF BELWOOD, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
JUNE 30, 2019**

	District-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 51,890,000	\$ 0.05	\$ 25,945	\$ 23,117	\$ 2,828
Discoveries:					
Current Year Taxes	-	0.05	-	-	-
Total Property Valuation	<u>\$ 51,890,000</u>		25,945	23,117	2,828
Net Levy:					
Uncollected Taxes at June 30, 2019			1,225	1,225	-
Current Year's Taxes Collected			<u>\$ 24,720</u>	<u>\$ 21,892</u>	<u>\$ 2,828</u>
Current Levy Collection Percentage			<u>95.28%</u>	<u>94.70%</u>	<u>100.00%</u>