
Town of Belhaven

North Carolina

Audit Report

June 30, 2020

TOWN OF BELHAVEN

BELHAVEN, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Ricky Credle

Town Commissioners

Ricky Radcliffe- Mayor Pro Tem

Brenda Cherry

Bradford Linton

Nathaniel van Nortwick IV

Veronica Ward

Administrative and Financial Staff

Lynn Davis- Town Manager

Mimi van Nortwick- Finance Officer

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven , North Carolina, as of and for the year ended June 30, 2020, 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 the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Member:

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

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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining funds of Town of Belhaven , North Carolina as of June 30, 2020, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 53 and 54, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability Asset and Contributions on pages 54 and 55, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability on page 56 and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Supplementary and Other Information

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

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

financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Belhaven, we offer readers of the Town of Belhaven's financial statements this narrative overview and analysis of the financial activities of the Town of Belhaven for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

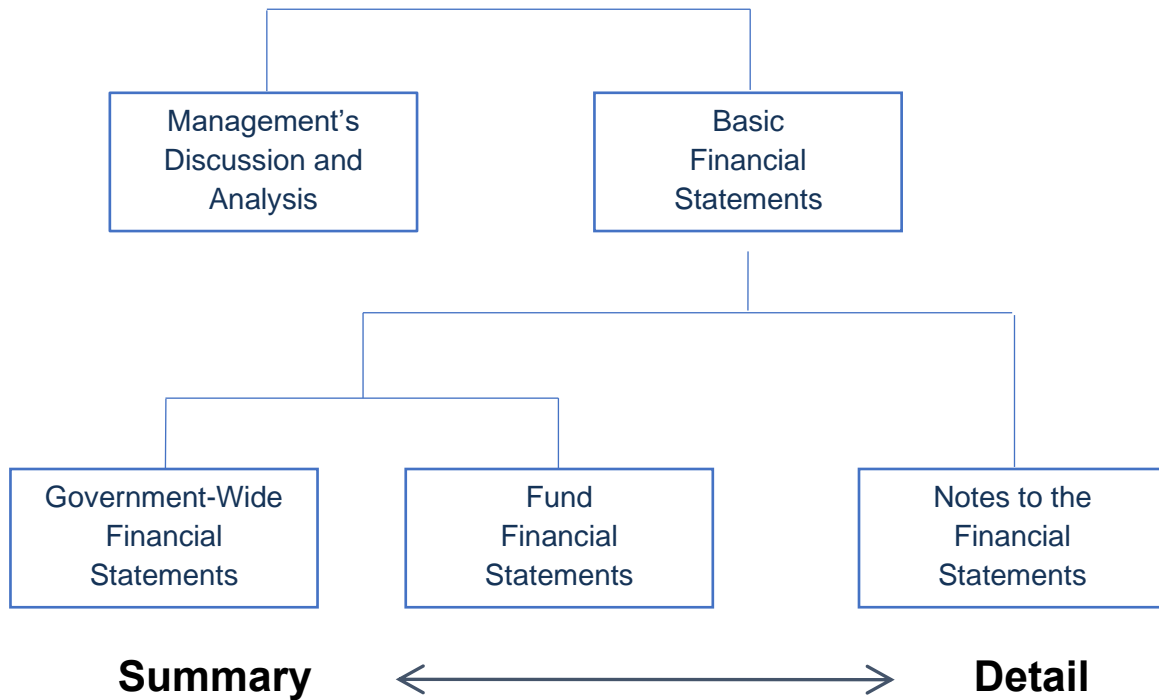
- The assets and deferred outflows of resources of the Town of Belhaven exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,684,737 (net position).
- The government's total net position increased by \$38,153 primarily due to decreases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Belhaven's governmental funds reported combined ending fund balances of \$1,385,530 with a net increase of \$66,621 in fund balance. Approximately 62.13% of this total amount, or \$860,786, is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$860,786, or 52.31% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Reserves of \$244,346.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

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

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

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

Government-wide financial statements

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

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

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

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

Fund financial statements

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

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

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

The Town of Belhaven's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,535,523	\$ 1,478,860	\$ 925,973	\$ 1,182,341	\$ 2,461,496	\$ 2,661,201
Capital assets	5,340,957	5,187,416	7,656,114	7,835,199	12,997,071	13,022,615
Deferred outflows of resources	196,198	223,069	56,444	66,899	252,642	289,968
Total assets and deferred outflows of resources	7,072,678	6,889,345	8,638,531	9,084,439	15,711,209	15,973,784
Current liabilities	139,519	110,073	389,967	639,326	529,486	749,399
Noncurrent liabilities	697,302	675,614	159,173	172,590	856,475	848,204
Deferred inflows of resources	101,776	61,999	25,477	15,029	127,253	77,028
Total liabilities and deferred inflow of resources	938,597	847,686	574,617	826,945	1,513,214	1,674,631
Net investment in capital assets	5,139,414	5,152,214	5,249,087	5,206,819	10,388,501	10,359,033
Restricted	524,744	390,078	-	-	524,744	390,078
Unrestricted	270,770	435,968	500,722	634,404	771,492	1,070,372
Total net position	\$ 5,934,928	\$ 5,978,260	\$ 5,749,809	\$ 5,841,223	\$ 11,684,737	\$ 11,819,483

Management's Discussion and Analysis
Town of Belhaven

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Belhaven exceeded liabilities and deferred inflows by \$11,684,737 as of June 30, 2020. The Town's net position increased by \$38,153 for the fiscal year ended June 30, 2020. However, the largest portion \$10,388,501 or 88.91% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Belhaven uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Belhaven's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Belhaven's net position \$524,744 (0.09%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$771,492 (35.10%) is unrestricted.

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

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

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

Town of Belhaven's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 156,692	\$ 175,992	\$3,370,564	\$3,464,239	\$ 3,527,256	\$ 3,640,231
Operating grants and contributions	82,114	74,671	-	-	82,114	74,671
General revenues:						
Property taxes	634,738	642,506			634,738	642,506
Other taxes	520,207	483,347			520,207	483,347
Unrestricted intergovernmental	-	137,602			-	137,602
Investment earnings	6,477	8,280	143	73	6,620	8,353
Other	280,490	298,971	-	-	280,490	298,971
Total revenues	<u>1,680,718</u>	<u>1,821,369</u>	<u>3,370,707</u>	<u>3,464,312</u>	<u>5,051,425</u>	<u>5,285,681</u>
Expenses:						
General government	562,321	601,596			562,321	601,596
Public safety	577,383	556,432			577,383	556,432
Transportation	323,764	321,991			323,764	321,991
Environmental protection	144,691	146,408			144,691	146,408
Culture and recreation	110,646	192,534			110,646	192,534
Interest on long-term debt	5,245	1,146			5,245	1,146
Water and sewer			1,197,436	1,193,942	1,197,436	1,193,942
Electric			2,091,786	2,186,326	2,091,786	2,186,326
Total expenses	<u>1,724,050</u>	<u>1,820,107</u>	<u>3,289,222</u>	<u>3,380,268</u>	<u>5,013,272</u>	<u>5,200,375</u>
Increase in Net Position before transfers	(43,332)	1,262	81,485	177,990	38,153	179,252
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	<u>(43,332)</u>	<u>1,262</u>	<u>81,485</u>	<u>177,990</u>	<u>38,153</u>	<u>179,252</u>
Net Position at Beginning of Period, restated	<u>5,978,260</u>	<u>6,163,902</u>	<u>5,668,324</u>	<u>5,258,141</u>	<u>11,646,584</u>	<u>11,422,043</u>
Net Position, June 30, restated	<u>\$ 5,934,928</u>	<u>\$ 6,165,164</u>	<u>\$5,749,809</u>	<u>\$5,436,131</u>	<u>\$11,684,737</u>	<u>\$ 11,601,295</u>

Governmental activities: Governmental activities decreased the Town's net position by \$43,332, thereby accounting for 0.37% of the total decrease in the net assets of the Town of Belhaven. Key elements of this decrease are as follows:

- A decrease of 7% in revenues

Business-type activities: Business-type activities increased the Town of Belhaven's net position by \$81,485, accounting for 1.88% of the total decrease in the government's net position. Key elements of this increase are as follows:

- The Water and Sewer fund and the Electric fund collectively had a \$81,485 increase in net position. However, the Water and Sewer Fund showed a decrease in net position of \$2,676 while the Electric Fund showed an increase in net position of \$84,161.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Belhaven. At the end of the current fiscal year, the Town of Belhaven's fund balance available in the General Fund was \$860,786 while total fund balance reached \$1,385,530. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 52.31% of total General Fund expenditures.

As of June 30, 2020, the governmental funds of the Town of Belhaven reported a combined fund balance of \$1,385,530 with a net increase of \$66,621 over last year. Included in this change in fund balance are a substantial increase in Ad Valorem taxes and moderate decreases in sanitation and street expenditures.

General Fund Budgetary Highlights

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

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

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to (\$139,336) and those for the Electric Fund amounted to \$640,058. The decrease in net position for the Water and Sewer Fund was \$2,676 and the increase in net position for the Electric Fund was \$84,161. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Belhaven's investment in capital assets for its governmental and business—type activities as of June 30, 2020, totaled \$12,997,071 (net of accumulated depreciation). These assets include buildings, land, machinery, wastewater treatment, equipment, and vehicles.

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

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

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,222,612	\$ 2,009,376	\$ 37,770	\$ 37,770	\$ 2,260,382	\$ 2,047,146
Construction in Progress	1,457,188	1,457,188	-	-	1,457,188	1,457,188
Buildings and Improvements	2,240,672	2,240,672	-	-	2,240,672	2,240,672
Other Improvements	1,093,637	1,093,637	-	-	1,093,637	1,093,637
Machinery and Equipment	839,991	839,991	747,828	747,828	1,587,819	1,587,819
Plant and distribution systems	-	-	11,245,260	11,245,260	11,245,260	11,245,260
Substations, lines, related equipment	-	-	564,151	564,151	564,151	564,151
Vehicles	1,031,980	987,418	254,309	254,310	1,286,289	1,241,728
Subtotal	8,886,080	8,628,282	12,849,318	12,849,319	21,735,398	21,477,601
Accumulated depreciation	(3,545,123)	(3,440,867)	(5,193,204)	(8,268,160)	(8,738,327)	(11,709,027)
Capital assets, net	\$ 5,340,957	\$ 5,187,415	\$ 7,656,114	\$ 4,581,159	\$12,997,071	\$ 9,768,574

Debt - The Town's debt is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment Purchases	\$ 201,543	\$ 35,202	\$ 708,028	\$ 881,881	\$ 909,571	\$ 917,083
General Obligation Bonds	-	-	1,699,000	1,746,500	1,699,000	\$ 1,746,500
Compensated Absences	42,870	34,864	10,545	9,244	53,415	\$ 44,108
Pension Related Debt	697,302	675,614	159,170	172,590	856,472	\$ 848,204
Total	\$ 941,715	\$ 745,680	\$ 2,576,743	\$ 2,810,215	\$ 3,518,458	\$ 3,555,895

Economic Factors and Next Year's Budget and Rates

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

- As of June 30, 2020 the Town of Belhaven had an estimated population of 1,588.
- The Town of Belhaven is located in Beaufort County. The county had an unemployment rate at June 30, 2020 of 4.9% compared to a state rate of 4.7%.

Budget Highlights for the Fiscal Year Ending June 30, 2020

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

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

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

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

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

Business — type Activities:

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

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENT

Town of Belhaven, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 955,045	\$ 443,957	\$ 1,399,002
Taxes receivable, net	55,734	--	55,734
Accounts receivable, net	221,396	298,706	520,102
Other loan receivables	--	1,231	1,231
Restricted cash and cash equivalents	244,346	241,081	485,427
Internal Balances	59,002	(59,002)	--
Total Current Assets	1,535,523	925,973	2,461,496
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	2,222,612	37,770	2,260,382
Other capital assets, net of depreciation	3,118,345	7,618,344	10,736,689
Total Assets	6,876,480	8,582,087	15,458,567
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	196,198	56,444	252,642
Total Deferred Outflows of Resources	196,198	56,444	252,642
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	94,259	45,422	139,681
Customer deposits	--	241,081	241,081
Current portion of long-term debt	45,260	103,464	148,724
Total Current Liabilities	139,519	389,967	529,486
<i>Noncurrent Liabilities</i>			
Due in more than one year	156,283	2,303,563	2,459,846
Total pension liability - LEO	144,898	--	144,898
Net pension liability	288,882	89,078	377,960
Net OPEB liability	263,522	70,092	333,614
Compensated absences	42,870	10,545	53,415
Total Liabilities	1,035,974	2,863,245	3,899,219
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	101,776	25,477	127,253
Total Deferred Inflows of Resources	101,776	25,477	127,253
NET POSITION			
Net investment in capital assets	5,139,414	5,249,087	10,388,501
<i>Restricted for:</i>			
Stabilization by State Statue	280,398	--	280,398
Streets	244,346	--	244,346
<i>Unrestricted</i>	270,770	500,722	771,492
Total Net Position	\$ 5,934,928	\$ 5,749,809	\$ 11,684,737

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

**Town of Belhaven, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 562,321	\$ 6,924	\$ --	\$ --	\$ (555,397)	\$ --	\$ (555,397)
Public safety	577,383	1,145	25,238	--	(551,000)	--	(551,000)
Transportation	323,764	--	56,876	--	(266,888)	--	(266,888)
Environmental protection	144,691	139,730	--	--	(4,961)	--	(4,961)
Cultural and recreational	110,646	8,893	--	--	(101,753)	--	(101,753)
Interest and other charges	5,245	--	--	--	(5,245)	--	(5,245)
Total Governmental Activities	1,724,050	156,692	82,114	--	(1,485,244)	--	(1,485,244)
Business-type Activities:							
Electric Fund	2,091,786	2,175,804	--	--	--	84,018	84,018
Water and Sewer Fund	1,197,436	1,194,760	--	--	--	(2,676)	(2,676)
Total Business-type Activities	3,289,222	3,370,564	--	--	--	81,342	81,342
Total Primary Government	\$ 5,013,272	\$ 3,527,256	\$ 82,114	\$ --	\$ (1,485,244)	\$ 81,342	\$ (1,403,902)
General Purpose Revenues and Transfers:							
Revenues							
Ad valorem taxes					634,738	--	634,738
Other taxes and licenses					520,207	--	520,207
Unrestricted intergovernmental					121,978	--	121,978
Miscellaneous Income					22,491	--	22,491
Investment earnings					6,477	143	6,620
Sale of Capital Assets					12,461	--	12,461
Insurance recovery					123,560	--	123,560
Transfers					--	--	--
Total General Revenues and Transfers					1,441,912	143	144,2055
Change in Net Position					(43,332)	81,485	38,153
<i>Net Position, Beginning, Previously Reported</i>					5,978,260	5,841,222	11,819,482
Prior period adjustment					--	(172,898)	(172,898)
<i>Net position, Beginning, Restated</i>					5,978,260	5,668,324	11,646,584
Net Position at End of Period					\$ 5,934,928	\$ 5,749,809	\$ 11,684,737

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

FUND FINANCIAL STATEMENTS

**Town of Belhaven, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 955,045
Taxes receivable, net	55,734
Accounts receivable, net	221,396
Restricted cash and cash equivalents	244,346
Due from other funds	59,002
Total Assets	1,535,523
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	\$ 1,535,523
LIABILITIES	
Accounts payable and accrued liabilities	\$ 94,259
Total Liabilities	94,259
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	55,734
Total Liabilities and Deferred Inflows of Resources	149,993
FUND BALANCE	
Restricted	
Stabilization by State Statue	280,398
Streets	244,346
Unassigned	860,786
Total Fund Balance	1,385,530
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,535,523

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

Town of Belhaven, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

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

Total Fund Balance - Governmental Funds	\$	1,385,530
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,340,956
Net Pension Liability		(697,302)
Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds.		(49,537)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.		(194,876)
Deferred outflows of resources related to pensions are not reported in the funds		196,198
Deferred inflows of resources related to pensions are not reported in the funds		(101,776)
Earned revenues considered deferred inflows of resources in fund statements.		55,734
Total Net Position-Governmental Funds	\$	<u>5,934,928</u>

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

Town of Belhaven, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund
	General Fund
Revenues	
Ad valorem taxes	\$ 635,549
Other taxes and licenses	520,207
Unrestricted intergovernmental	121,978
Restricted intergovernmental	82,114
Charges for services	187,254
Investment earnings	6,477
Miscellaneous Income	22,491
Total Revenues	1,576,070
Expenditures	
Principal	32,221
Interest and other charges	5,245
General government	468,520
Public safety	593,066
Transportation	305,655
Environmental protection	144,691
Cultural and recreational	96,072
Total Expenditures	1,645,470
Excess of Revenues Over	
(Under) Expenditures	(69,400)
Other Financing Sources (Uses)	
Sale of Capital Assets	12,461
Insurance recovery	123,560
Net Other Financing Sources (Uses)	136,021
Net Change in Fund Balance	66,621
<i>Fund Balance at Beginning of Period</i>	1,318,909
Fund Balance at End of Period	\$ 1,385,530

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

Town of Belhaven, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$	66,621
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,659
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(14,458)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. (change in earned vacation pay, change in accrued interest expense)		(8,006)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(812)
Pension expense		(88,336)
Changes in Net Position-Governmental Funds	\$	<u>(43,332)</u>

The accompanying notes are an integral part of the financial statements

Town of Belhaven, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 617,900	\$ 611,000	\$ 635,549	\$ 24,549
Other taxes and licenses	497,362	497,362	520,207	22,845
Unrestricted intergovernmental	152,800	152,800	121,978	(30,822)
Restricted intergovernmental	145,068	85,068	82,114	(2,954)
Charges for Sales & Services	188,200	218,512	187,054	(31,458)
Investment Earnings	--	6,900	6,477	(423)
Miscellaneous Income	21,400	21,400	22,567	1,167
Total Revenues	<u>1,622,730</u>	<u>1,593,042</u>	<u>1,575,946</u>	<u>(17,096)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>1,622,730</u>	<u>1,593,042</u>	<u>1,575,946</u>	<u>(17,096)</u>
Expenditures				
General government	395,791	482,742	463,520	19,222
Public safety	569,667	600,263	593,066	7,197
Transportation	393,238	375,654	305,655	69,999
Environmental protection	148,000	148,000	144,691	3,309
Cultural and recreational	80,327	100,177	96,072	4,105
Principal	32,221	32,221	32,221	--
Interest and other charges	5,245	5,245	5,245	--
Total Expenditures	<u>1,624,489</u>	<u>1,744,302</u>	<u>1,640,470</u>	<u>103,832</u>
Other Financing Uses				
Appropriations	(2,100)	(1,660)	--	(1,660)
Sale of capital assets	(25,000)	(25,000)	(12,461)	(12,539)
Insurance recovery	(62,500)	(122,500)	(123,684)	1,184
Transfers to other funds	87,841	(2,100)	--	(2,100)
Total Expenditures and Other Financing Uses	<u>1,622,730</u>	<u>1,593,042</u>	<u>1,504,325</u>	<u>88,717</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>71,621</u>	<u>71,621</u>
Net Change in Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>71,621</u>	<u>\$ 71,621</u>
<i>Fund Balance at Beginning of Period</i>			<u>1,318,909</u>	
Fund Balance at End of Period			<u>\$ 1,390,530</u>	

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

Town of Belhaven, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds		
	Electric Fund	Water & Sewer Fund	Total Enterprise Funds
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 685,336	\$ 75	\$ 685,411
Accounts receivable, net	116,421	182,285	298,706
Other loan receivables	1,107	124	1,231
Restricted cash and cash equivalents	182,961	58,120	241,081
Total Current Assets	985,825	240,604	1,226,429
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	23,729	14,041	37,770
Other capital assets, net of depreciation	153,793	7,464,551	7,618,344
Total Assets	1,163,347	7,719,196	8,882,543
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	23,467	32,977	56,444
Total Deferred Outflows of Resources	23,467	32,977	56,444
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	34,526	252,350	286,876
Due to other funds	59,002		59,002
Customer deposits	182,961	58,120	241,081
Current portion of long-term debt	--	103,464	103,464
Total Current Liabilities	276,489	413,934	690,423
<i>Noncurrent Liabilities</i>			
Due in more than one year	--	2,303,563	2,303,563
Net pension liability	36,960	52,118	89,078
Net OPEB liability	33,361	36,731	70,092
Compensated absences	10,545	--	10,545
Total Liabilities	357,355	2,806,346	2,863,245
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	11,879	13,598	25,477
Total Deferred Inflows of Resources	11,879	13,598	25,477
NET POSITION			
Net investment in capital assets	177,522	5,071,565	5,249,087
<i>Unrestricted</i>	640,058	(139,336)	500,722
Total Net Position	\$ 817,580	\$ 4,932,229	\$ 5,749,809

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

Town of Belhaven, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Electric Fund	Water & Sewer Fund	Total Enterprise Funds
Operating Revenues			
Charges for services	\$ 2,175,804	\$ 1,194,760	\$ 3,370,564
Investment earnings	143	--	143
Total Operating Revenues	2,175,947	1,194,760	3,370,707
Operating Expenses			
Electrical operations	601,788	--	601,788
Electrical power purchases	1,480,086	--	1,480,086
Water and sewer operations	--	931,317	931,317
Depreciation	9,912	169,172	179,084
Total Operating Expenses	2,091,786	1,100,489	3,192,275
Operating Income (Loss)	84,161	94,271	178,432
Non-Operating Revenues (Expenses)			
Interest and other charges	--	(96,947)	(96,947)
Net Non-Operating Revenues (Expenses)	--	(96,947)	(96,947)
Income Before Contributions and Transfers	84,161	(2,676)	81,485
Change In Net Position	84,161	(2,676)	81,485
<i>Net Position, Beginning, Previously Reported</i>	878,700	4,962,522	5,841,222
Prior period adjustment	(145,281)	(27,617)	(172,898)
<i>Net Position, Beginning, Restated</i>	733,419	4,934,905	5,668,324
Net Position at End of Period	\$ 817,580	\$ 4,932,229	\$ 5,749,809

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

Town of Belhaven, North Carolina
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Electric Fund	Water & Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,201,003	\$ 1,163,361	3,364,364
Cash paid for goods and services	(1,926,236)	(570,217)	(2,496,453)
Cash paid to/on behalf of employees	(127,953)	(272,948)	(400,901)
Customer deposits, net	1,625	221	1,846
Net cash provided (used) by operating activities	<u>\$ 148,439</u>	<u>\$ 320,196</u>	<u>468,635</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to (from) other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Interest paid on long-term debt	-	(221,353)	(221,353)
Principal repaid on long-term debt	-	(96,947)	(96,947)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(318,300)</u>	<u>(318,300)</u>
Cash Flows from Investing Activities:			
Investment income received	143	-	143
Net increase (decrease) in cash and cash equivalents	<u>148,439</u>	<u>1,896</u>	<u>150,335</u>
Cash and Cash Equivalents - Beginning of Year	<u>719,858</u>	<u>57,974</u>	<u>777,832</u>
Cash and Cash Equivalents - End of Year	<u>\$ 868,297</u>	<u>\$ 59,870</u>	<u>\$ 928,167</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	84,161	\$ 94,271	178,432
Depreciation	9,912	169,172	179,084
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	25,056	(31,399)	(6,343)
Increase (decrease) in accounts payable and accrued liabilities	26,274	77,301	103,575
Increase (decrease) in accrued vacation	1,301	-	1,301
Increase (decrease) in customer deposits	1,625	221	1,846
Increase in net pension liabilities	1,445	11,975	13,420
Increase in deferred outflows of resources for pensions	4,290	(6,165)	(1,875)
Decrease in deferred inflows of resources for pensions	(5,625)	4,820	(805)
Total adjustments	<u>\$ 148,439</u>	<u>\$ 320,196</u>	<u>\$ 468,635</u>

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

Notes To The Financial Statements

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

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

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

D. Budgetary Data

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

Restricted Cash Schedule:

Governmental Activities:		
General Fund		
Streets	\$244,346	
Debt service	-	
Total governmental activities	244,346	
Water and Sewer Fund		
Customer deposits	59,870	
Electric Fund		
Customer deposits	182,961	
Total Business-type Activities	242,831	
Total Restricted Cash	487,177	

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory & Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

10. *Compensated Absences*

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

11. *Net Position/Fund Balances*

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

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

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

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

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

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

12. Pensions

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

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- 1. Noncompliance with North Carolina General Statutes**
NONE
- 2. Contractual Violations**
NONE
- 3. Deficit in Fund Balance or Net Position of Individual Funds**
NONE
- 4. Excess of Expenditures over Appropriations**
NONE

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,742,036 and a bank balance of \$2,082,278. Of the bank balance, \$1,078,211 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash was \$400.

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

2. Investments

At June 30, 2020, the Town of Belhaven had \$141,593 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has a policy regarding credit risk.

3. Receivables — Allowance for Doubtful Accounts

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

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

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

General Fund Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$2,009,376	\$ 213,236	\$ -	\$ 2,222,612
Construction in Progress	1,457,188	-	-	1,457,188
Total capital assets not being depreciated	<u>3,466,564</u>	<u>213,236</u>	<u>-</u>	<u>3,679,800</u>
Capital assets being depreciated:				
Buildings	2,240,672	-	-	2,240,672
Other improvements	1,093,637	-	-	1,093,637
Equipment	839,991	-	-	839,991
Vehicles	987,418	44,562	-	1,031,980
Total capital assets being depreciated	<u>5,161,718</u>	<u>44,562</u>	<u>-</u>	<u>5,206,280</u>
Less accumulated depreciation for:				
Buildings	1,352,129	29,078	-	1,381,207
Other improvements	353,126	44,158	-	397,284
Equipment	780,730	19,172	-	799,902
Vehicles	954,882	11,847	-	966,729
Total accumulated depreciation	<u>3,440,867</u>	<u>\$ 104,256</u>	<u>\$ -</u>	<u>3,545,123</u>
Total capital assets being depreciated, net	<u>1,720,851</u>			<u>1,661,157</u>
Governmental activity capital assets, net	<u>\$5,187,415</u>			<u>\$5,340,957</u>

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

Governmental Activities:	
General Government	\$ 42,694
Public Safety	28,879
Transportation	18,109
Cultural & Recreation	14,574
Total	<u>\$ 104,256</u>

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

Enterprise Funds Capital asset activity for the Enterprise Fund for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 23,729	\$ -	\$ -	\$ 23,729
Total capital assets not being depreciated	<u>23,729</u>	<u>-</u>	<u>-</u>	<u>23,729</u>
Capital assets being depreciated:				
Substations, lines, and related equipment	564,151	-	-	564,151
Equipment	226,278	-	-	226,278
Vehicles	166,972	-	-	166,972
Total capital assets being depreciated	<u>957,401</u>	<u>-</u>	<u>-</u>	<u>957,401</u>
Less accumulated depreciation for:				
Substations, lines, and related equipment	400,787	9,573	-	410,360
Equipment	225,938	339	-	226,277
Vehicles	166,972	-	-	166,972
Total accumulated depreciation	<u>793,697</u>	<u>\$ 9,912</u>	<u>\$ -</u>	<u>803,609</u>
Total capital assets being depreciated, net	<u>163,704</u>			<u>153,792</u>
Business-type activity capital assets, net	<u>\$ 187,433</u>			<u>\$ 177,521</u>

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 14,041	\$ -	\$ -	\$ 14,041
Construction in progress	-	-	-	-
Total capital assets not being depreciated	14,041	-	-	14,041
Capital assets being depreciated:				
Distribution system	11,245,260	-	-	11,245,260
Equipment	521,550	-	-	521,550
Vehicles	87,337	-	-	87,337
Total capital assets being depreciated	11,854,147	-	-	11,854,147
Less accumulated depreciation for:				
Distribution system	3,655,849	163,245	-	3,819,094
Equipment	477,236	5,927	-	483,163
Vehicles	87,338	-	-	87,338
Total accumulated depreciation	4,220,423	\$ 169,172	\$ -	4,389,595
Total capital assets being depreciated, net	7,633,724			7,464,552
Water and Sewer Business-type activities capital assets, net	7,647,765			7,478,593

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Belhaven employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Belhaven's contractually required contribution rate for the year ended June 30, 2020, was 7.15% of compensation for law enforcement officers and 6.73% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Belhaven were \$100,670 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$377,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.01384%, which was a decrease of 0.00108% from its proportion measured as of June 30, 2019.

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$163,037. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,716	\$ -
Changes of assumptions	61,601	-
Net difference between projected and actual earnings on pension plan investments	9,219	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	17,153
Employer contributions subsequent to the measurement date *	100,670	-
Total	\$ 236,206	\$ 17,153

\$100,670 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	60,432
2021	14,437
2022	33,222
2023	10,291
2024	-
Thereafter	-
	\$ 118,382

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

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

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.

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

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

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table.

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

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

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

	1% Decrease	Current Discount	1% Increase
Sensitivity of the net pension liability (asset) to changes in the discount rate	(6.00%)	Rate (7.00%)	(8.00%)
Unit's proportionate share	864,463	377,960	(26, 423)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

All full-time county law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

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

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index as of December 31, 2019.

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

4. Contributions.

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

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

At June 30, 2020, the Town reported a total pension liability of \$144,898. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$12,649.

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 3,841	\$ 5,713
Changes of assumptions	9,017	5,417
Town benefit payments and plan administrative expense made subsequent to the measurement date		
Total	\$ 12,858	\$ 11,130

\$12,858 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 2,812
2022	2,812
2023	2,812
2024	2,404
2025	1,505
Thereafter	513
	\$ 12,858

\$12,858 paid as benefits came due and \$100 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 159,034	\$ 144,898	\$ 132,219

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.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

**Town of Belhaven, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020**

	2020
Beginning Balance	\$ 122,709
Service Cost	8,179
Interest on total pension liability	4,467
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	4,560
Changes in assumptions or other inputs	4,983
Benefit payments	-
Other changes	-
Ending balance of total pension liability	\$ 144,898

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

d. Other Post-Employment Benefit

Healthcare Benefits

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

The following summarizes the membership of the Plan as June 30, 2019 Valuation Date.

Inactive employees or beneficiaries currently receiving benefits	1
Inactive members entitled to but not yet receiving benefits	-
Actives employees	<u>26</u>
Total Membership	<u>27</u>

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2020, the Town made no payments for post-employment health benefit premiums.

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

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

Total OPEB Liability

The Town's OPEB liability of \$333,614 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

Inflation	2.50%
Real Wage Growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior measurement date	3.89%
Measurement date	3.50%
Health Care Cost Trends	
Pre-Medicare medical and prescription drug	7.50% for 2019 decreasing to rate of 4.50% by 2026

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

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

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

Changes in Total OPEB Liability

Balance at July 1, 2018	\$ 371,543
Changes for the year	
Service cost	28,528
Interest	14,288
Changes of benefit terms	-
Differences between expected and actual experience	(75,730)
Changes in assumptions or other inputs	3,575
Benefit payments	(8,590)
Net Changes	<u>(37,929)</u>
Balance at June 30, 2019	<u>\$ 333,614</u>

Sensitivity of the Town's OPEB liability to changes in the discount rate. The following presents the Town's total OPEB liability calculated using the discount rate of 3.89 percent, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 379,590	\$ 333,614	\$ 293,573

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

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

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 282,947	\$ 333,614	\$ 396,157

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

For the year ended June 30, 2020, the Town recognized OPEB expenses of \$32,331. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 440	\$ 68,801
Changes of assumptions	3,248	33,220
Total	\$ 3,688	\$ 102,021

\$440 reported as deferred outflows of resources related to differences between expected and actual experience will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to the OPEB liability will be recognized as follows:

Year Ended June 30;	
2020	(10,485)
2021	(10,485)
2022	(10,485)
2023	(10,485)
2024	(10,485)
Thereafter	(45,908)
Total	\$ (98,333)

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

e. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer state-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's his/her death, but the benefit may not be less than \$25,000 and no more than \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Pension deferrals - OPEB	\$ 3,578
Pension deferrals - LEO	12,858
Pension deferrals - LGERS	236,206
Total	<u>\$ 252,642</u>

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

Pension deferrals - OPEB	\$ 98,971
Pension deferrals - LEO	11,130
Pension deferrals - LGERS	17,152
Taxes receivable (General Fund), less penalties	55,734
Total	<u>\$ 182,987</u>

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

3. Risk Management

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

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

4. Long-Term Obligations

a. Installment Purchases

Serviced by the General Fund:

General Fund installment loans notes payable at June 30, 2020 are comprised of the following notes:

On March 2, 2017, the Town entered into an agreement to finance two police vehicles. The financing contract requires principal payments beginning in the fiscal year 2019 with an interest rate of 2.75%.	\$ 28,538
On September 19, 2019, the Town entered into an agreement to finance a fireboat. The financing contract requires principal payments beginning in the fiscal year 2020 with an interest rate of 4.00%.	25,900
On October 15, 2019, the Town entered into an agreement to purchase a waterfront lot with financing from CresCom Bank. The financing contract requires monthly payments of 3,040 beginning in the fiscal year 2020 with an interest rate of 3.23%.	<u>147,105</u>
	<u>\$ 201,543</u>

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

Year Ending	Principal	Interest	Total
2021	45,261	5,985	51,245
2022	46,504	4,492	50,997
2023	47,788	2,960	50,748
2024	49,112	1,387	50,499
2025	12,879	76	12,955
Total	<u>\$ 201,543</u>	<u>\$ 14,900</u>	<u>\$ 216,444</u>

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

b. Serviced by the Water and Sewer Fund:

Installment Purchases:

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

\$ 708,027

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

Year Ending June 30,	Principal	Interest	Total
2021	54,464	14,161	68,624
2022	54,464	13,071	67,535
2023	54,464	11,982	66,446
2024	54,464	10,893	65,356
2025-2028	217,854	32,678	250,533
2029-2033	272,318	16,339	288,657
Total	\$ 708,027	\$ 99,124	\$ 807,151

General Obligation Bonds:

Bonds payable at June 30, 2020 are comprised of the following individual issues:

Services by the Water and Sewer Fund:

\$2,225,000 Water and Sewer serial bonds issues in 2003, due in annual installments of varying amounts

\$1,699,000

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

Year Ending June 30,	Principal	Interest	Total
2021	49,000	76,455	125,455
2022	51,000	74,250	125,250
2023	53,000	71,955	124,955
2024	56,000	69,570	125,570
2025-2028	251,000	251,820	502,820
2029-2033	380,000	246,128	626,128
2034-2038	467,000	152,550	619,550
2039-2042	392,000	44,100	436,100
Total	\$ 1,699,000	\$ 986,828	\$ 2,685,828

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

c. Changes in Long-Term Debt:

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

Governmental Activities	Balance			Balance June 30, 2020	Current Maturities
	July 1, 2019	Additions	Retirements		
Installment purchase	\$ 35,202	\$ 198,562	\$ 32,221	\$ 201,543	\$ 45,261
Compensated Absences	34,864	8,006	-	42,870	-
Net pension liability (LGERS)	270,533	18,349	-	288,882	-
Total pension liability (LEO)	122,709	22,189	-	144,898	-
Other Postemployment Benefits	282,372	-	18,850	263,522	-
Total Long Term Liabilities	\$ 745,680	\$ 247,106	\$ 51,071	\$ 941,715	\$ 45,261

Business Type Activities	Balance			Balance June 30, 2020	Current Maturities
	July 1, 2019	Additions	Retirements		
Installment purchase	\$ 881,881	\$ -	\$ 173,853	\$ 708,028	\$ 54,464
General obligation bonds	1,746,500	-	47,500	\$ 1,699,000	49,000
Compensated Absences	9,244	1,301	-	\$ 10,545	-
Net pension liability (LGERS)	83,420	5,658	-	\$ 89,078	-
Other Postemployment Benefits	89,170	-	19,078	\$ 70,092	-
Total Long Term Liabilities	\$ 2,810,215	\$ 6,959	\$ 240,431	\$ 2,576,743	\$ 103,464

5. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

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

6. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 5,340,957	\$ 7,656,114
Less: long-term debt	201,543	2,407,028
Net investment in capital assets	\$ 5,139,414	\$ 5,249,086

**Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020**

7. Fund Balance

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

Total Fund Balance-General Fund	\$ 1,385,530
Less:	
Stabilization by State Statute	280,398
Streets-Powell Bill	244,346
Working Capital / Fund Balance Policy	
Remaining Fund Balance	860,786

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

8. Commitments

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

NOTE III —PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2020, the Town determined that certain account receivable account balances in the Electric Fund and Water and Sewer Funds had been carried in their accounting records from prior years that should have been charged off due their timely expiration and deemed uncollectible. The net affect was a decrease of \$145,284 in the Electric Fund unrestricted net position and a decrease of \$27,617 in the Water and Sewer Fund unrestricted net position in the Net Position Statements.

Town of Belhaven, North Carolina
Notes to the Financial Statements
Year Ended June 30, 2020

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

Subsequent events have been evaluated through October 18, 2020 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Town of Belhaven, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2020

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 28,528	\$ 29,695	\$ 32,460
Interest	14,288	12,460	10,289
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(75,730)	237	335
Changes of assumptions	3,575	(16,669)	(26,846)
Benefit payments	(8,590)	(8,304)	(7,838)
Net change in total OPEB liability	(37,929)	17,419	8,400
Total OPEB liability - beginning	371,543	354,124	345,724
Total OPEB liability - ending	\$ 333,614	\$ 371,543	\$ 354,124
Covered payroll	1,098,914	1,001,853	1,001,853
Total OPEB liability as a percentage of covered payroll	30.36%	37.09%	35.35%

Notes to Schedule:

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

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

Fiscal Year	Rate
2020	3.50%
2019	3.18%
2018	3.09%

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

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.0138%	0.0149%	0.1741%	0.01917%	0.01946%	0.02013%	0.02110%
Proportion of the net pension liability (asset) (\$)	\$ 377,960	\$ 353,953	\$ 265,977	\$ 406,850	\$ 87,335	\$ (118,716)	\$ 254,336
Covered-employee payroll	\$ 1,080,513	\$ 1,032,043	\$ 952,085	\$ 996,056	\$ 1,143,272	\$ 1,106,856	\$ 1,106,856
Proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	34.98%	34.30%	27.94%	40.85%	7.64%	10.38%	22.98%
Plan fiduciary net position as a percentage of the total pension liability	96.51%	96.15%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 100,670	\$ 86,230	\$ 79,612	\$ 71,141	\$ 78,535	\$ 82,851	\$ 81,787
Contributions in relation to the contractually required contributions	100,670	86,230	79,612	71,141	78,535	82,851	81,787
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,098,914	\$ 1,080,513	\$ 1,032,043	\$ 952,085	\$ 996,056	\$ 1,143,272	\$ 1,106,856
Contributions as a percentage of covered-employee payroll	9.16%	7.98%	7.71%	7.47%	7.88%	7.25%	7.39%

Town of Belhaven, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 122,709	\$ 118,954	\$ 104,630	\$ 96,503
Service Cost	8,179	8,792	8,292	7,797
Interest on the total pension liability	4,467	3,759	4,039	3,445
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,560	(2,872)	(6,748)	-
Changes of assumptions or other inputs	4,983	(5,924)	8,741	(3,115)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 144,898</u>	<u>\$ 122,709</u>	<u>\$ 118,954</u>	<u>\$ 104,630</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 144,898	\$ 122,709	\$ 118,954	\$ 104,630
Covered Payroll	304,532	269,620	314,319	309,912
Total pension liability as a percentage of covered payroll	47.58%	41.37%	37.84%	33.76%

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes	\$ -	\$ 635,549	\$ -
Total	<u>611,000</u>	<u>635,549</u>	<u>24,549</u>
Other Taxes and Licenses			
Local option sales taxes		472,677	
Fire and rescue taxes		47,530	
Total	<u>497,362</u>	<u>520,207</u>	<u>22,845</u>
Unrestricted Intergovernmental Revenues			
Utility franchise tax		85,800	
Beer & wine tax		6,860	
Telecommunications tax		18,647	
Video programming		6,583	
Solid waste disposal tax		1,215	
ABC Reveue		2,873	
Total	<u>152,800</u>	<u>121,978</u>	<u>(30,822)</u>
Restricted Intergovernmental Revenues			
Powell Bill allocation		56,876	
Grants		25,238	
Total	<u>85,068</u>	<u>82,114</u>	<u>(2,954)</u>
Sales and Services			
Refuse collections fees		139,730	
Rents and concessions		3,535	
Recreation fees		6,353	
Dockage revenue		3,179	
Cemetary services		2,540	
Miscellaneous		31,717	
Total	<u>218,512</u>	<u>187,054</u>	<u>(31,458)</u>

**Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment Earnings			
Interest		6,477	
Total	6,900	6,477	(423)
Miscellaneous Income			
Other income		22,567	
	21,400	22,567	1,167
Total Revenues	\$ 1,593,042	\$ 1,575,946	\$ (17,096)
Expenditures			
General Government			
Salaries and benefits		384,969	
Utilities		6,223	
Professional services		67,752	
Dues & subscriptions		6,266	
Auto expenses		9,566	
Telephone		44,467	
Insurance & bonds		172,681	
Travel		12,167	
Repairs & maintenance		126,665	
Supplies		20,947	
Other operating expenses		32,317	
Reimbursement from other funds		(420,500)	
Total	482,742	463,520	19,222

**Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Salaries and benefits		520,987	
Auto		18,948	
Repairs & maintenance		13,283	
Professional services		3,666	
Utilites		13,021	
Telephone		8,308	
EMS		62,000	
Other operating expenses		118,453	
Reimbursement from other funds		(165,600)	
Total	<u>600,263</u>	<u>593,066</u>	<u>7,197</u>
Transportation			
Salaries and benefits		288,409	
Vehicle maintenance		9,220	
Street maintenance		3,600	
Repairs and maintenance		17,064	
Utilities		1,304	
Other operating expenses		13,192	
Reimbursement from other funds		(27,134)	
Total	<u>375,654</u>	<u>305,655</u>	<u>69,999</u>
Environmental Protection			
Contracted services		110,251	
Landfill		34,440	
Total	<u>148,000</u>	<u>144,691</u>	<u>3,309</u>
Culture and recreational			
Salaries and benefits		53,312	
Utilites		5,151	
BHM Regional Library		7,100	
Belhave Public Library		7,776	
Insurance		4,546	
Wilkinson Center		3,250	
Other operating expenses		14,937	
Total	<u>100,177</u>	<u>96,072</u>	<u>4,105</u>
Debt Service			
Principal retirement		32,221	
Interest and other charges		5,245	
Total	<u>37,466</u>	<u>37,466</u>	<u>-</u>

**Town of Belhaven, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total Expenditures	<u>1,744,302</u>	<u>1,640,470</u>	<u>103,832</u>
Revenue over (under) expenditures	<u>(151,260)</u>	<u>(64,524)</u>	<u>86,736</u>
Other Financing Sources (Uses)			
Sales of capital assets		12,461	
Insurance recovery		123,684	
Total	<u>151,260</u>	<u>136,145</u>	<u>86,736</u>
Net change in fund balance	<u>\$ -</u>	<u>71,621</u>	<u>\$ 71,621</u>
Fund balance - July 1		<u>1,318,909</u>	-
Fund balance - June 30		<u>\$ 1,390,530</u>	

Town of Belhaven, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ -	\$ 445,833	\$ -
Total	<u>446,030</u>	<u>445,833</u>	<u>197</u>
Sewer Charges			
Sewer charges		748,852	
Total	<u>750,600</u>	<u>748,852</u>	<u>1,748</u>
Total revenues	<u>1,196,630</u>	<u>1,194,685</u>	<u>\$ 1,945</u>
Expenditures:			
Water and sewer operations			
Salaries and benefits		271,980	
Administrative costs for services from other funds		281,975	
Utilities		122,679	
Repairs and maintenance		61,671	
Supplies		75,900	
State permits		20,895	
Contracted services		40,261	
Sludge disposal		9,556	
Other operating expenditures		47,317	
Total	<u>992,762</u>	<u>932,234</u>	<u>60,528</u>
Debt service:			
Interest and fees	103,593	96,947	
Principal retirement	221,500	221,353	
	<u>325,093</u>	<u>318,300</u>	<u>6,793</u>
Total expenditures	<u>1,317,855</u>	<u>1,250,534</u>	<u>67,321</u>

**Schedule 7
Continued**

**Town of Belhaven, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenue over(under) expenditures	\$ (121,225)	\$ (55,849)	\$ 65,376
Other financing sources (uses)			
Appropriation	49,677	-	49,677
Transfers	71,548		\$ 71,548
Total other financing sources	\$ 121,225	\$ -	121,225
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (55,849)	\$ (55,849)

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

Revenues and other sources over (under) expenditures and other uses	\$ (55,849)
Reconciling items:	
Depreciation	(169,172)
Principal retirement	221,353
Increase in net pension liabilities	(11,975)
Decrease in deferred inflows of resources - pensions	4,820
Decrease in deferred outflows of resources - pensions	6,165
Pension expense	1,982
Total reconciling items	53,173
Changes in Net Position, GAAP basis	\$ (2,676)

Town of Belhaven, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 2,175,804	\$ -
Total		<u>2,175,804</u>	
Nonoperating revenues			
Other revenues	-	-	-
Interest earnings		<u>143</u>	
Total revenues	<u>\$ 2,268,472</u>	<u>2,175,947</u>	<u>(92,525)</u>
Expenditures:			
Salaries and benefits		136,620	
Professional services		9,831	
Electricity purchases		1,480,086	
Contracted services		35,287	
Administrative costs		331,692	
Auto		7,819	
Supplies		43,050	
Repairs and maintenance		4,036	
Office		8,228	
Utilities		17,027	
Other operating expenditures		<u>8,091</u>	
Total		<u>2,081,767</u>	<u>(2,081,767)</u>

**Town of Belhaven, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Total expenditures	2,202,001	2,081,767	120,234
Other financing sources (uses)			
Appropriations	(5,076)	-	(5,076)
Transfers	71,547	-	71,547
Total other financing sources (uses)	66,471	-	66,471
Revenues over (under) expenditures	\$ -	94,180	\$ 94,180
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(9,912)	
Increase in net pension liabilities		(1,445)	
Decrease in deferred outflows of resources - pensions		(4,290)	
Decrease in deferred inflows of resources - pensions		5,628	
Total reconciling items		\$ (10,019)	
Changes in Net Position, GAAP basis		84,161	

OTHER SCHEDULES

Town of Belhaven, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020		\$ 640,901	617,565	\$ 23,336
2019	24,552		8,536	16,016
2018	16,789		4,866	11,923
2017	11,465		3,085	8,380
2016	8,540		1,067	7,473
2015	7,265		589	6,676
2014	7,977		640	7,337
2013	7,737		184	7,553
2012	6,834		117	6,717
2011	5,928		136	5,792
2010	4,888		357	4,531
	<u>101,975</u>	<u>640,901</u>	<u>637,142</u>	<u>105,734</u>

Less: Allowance for Uncollectible Accounts 50,000

Ad Valorem Taxes Receivables, Net \$ 55,734

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 635,548
Reconciling items:	
Interest collected	(78)
Releases and adjustments	1,672
Total Collections and Credits	<u>\$ 637,142</u>

Town of Belhaven, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	<u>\$ 108,627,351</u>	<u>0.59</u>	<u>\$640,901</u>	<u>\$ 583,574</u>	<u>\$ 57,328</u>
Total Net Levy for Current Year	<u>\$ 108,627,351</u>				
Net levy			640,901	583,574	57,328
Less uncollected taxes at June 30, 2020			<u>23,336</u>	<u>23,336</u>	<u>-</u>
Current year's taxes collected			<u>\$617,565</u>	<u>\$ 560,238</u>	<u>\$ 57,328</u>
Current levy collection percentage			<u>96.36%</u>	<u>96.00%</u>	<u>100.00%</u>