

TOWN OF BELHAVEN

Financial Statements

Belhaven, North Carolina

For the Year Ended June 30, 2021

Town of Belhaven, North Carolina
Financial Statements
June 30, 2021

Mayor

Ricky Credle

Town Commissioners

Ricky Radcliffe - Mayor Pro Tem

Veronica Ward

Nathan van Nortwick

Shanika Ebron

Greg Satterthwaite

Finance Director

Jacki Waldron

Town Manager

Lynn Davis

Town of Belhaven, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section:	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	14
3a	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
4a	Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	17
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	18
6	Statement of Fund Net Position – Proprietary Funds	19
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	20
8	Statement of Cash Flows – Proprietary Funds	21
	Notes to the Financial Statements:	22-44
	Required Supplementary Information	
A-1	Schedule of Proportionate Share of Net Pension Liability (Assets)	45
A-2	Schedule of Contributions for Local Government Employees' Retirement System	46
A-3	Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special Separation Allowance	47
A-4	Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Allowance	48
A-5	Schedule of Changes in the Total OPEB Liability and Related Ratios	49

Town of Belhaven, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page(s)</u>
	Supplementary Statements and Schedules:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	50-52
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund - CDBG Spoon River Fund	53
C-1	Combining Balance Sheet – Non-Major Governmental Funds	54
C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	55
C-3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - Cemetery Fund	56
C-4	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund - NCORR Code Enforcement Fund	57
D-1	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water Fund	58-59
D-2	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Sewer Fund	60-61
D-3	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Electric Fund	62-63
	Other Schedules	
E-1	Schedule of Ad Valorem Taxes Receivable	64
E-2	Analysis of Current Year Levy - General Fund Property Tax	65
	Compliance Section:	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66-67
	Schedule of Findings and Responses	68-70
	Corrective Action Plan	71-72
	Summary Schedule of Prior Year Audit Findings	73

FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven (the "Town"), North Carolina, as of and for the year then ended June 30, 2021, 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.

Auditors' Responsibility

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

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability Asset and Contributions, on pages 45 and 46, respectively, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in total Pension Liability, on page 47 and 48, respectively, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2023 on our consideration of Town of Belhaven's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Belhaven's internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

May 1, 2023

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, 2021. 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

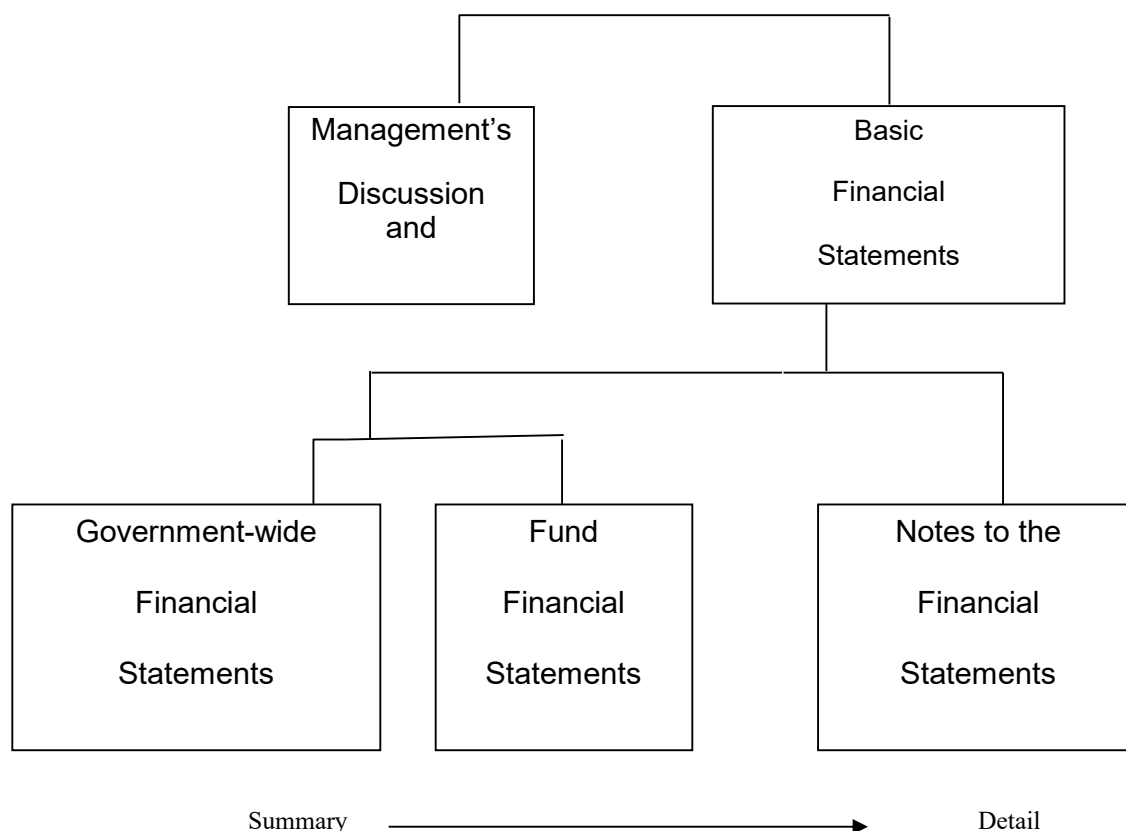
- The assets and deferred outflows of resources of the Town of Belhaven exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,842,135 (net position).
- The government's total net position decreased by \$57,882 due to an increase in the governmental activities net position of \$120,165, and a decrease in the business-type activities net position of \$178,047. Prior period adjustments also decreased the governmental activities net position by \$272,777, and increased the business-type activities net position by \$488,056.
- As of the close of the current fiscal year, the Town of Belhaven's governmental funds reported combined ending fund balances of \$1,441,568 with a net increase of \$139,957 in fund balance. Prior period adjustments also decreased the governmental fund balance by \$83,919. Approximately 55.53% of this total amount, or \$800,523, is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,093,412, or 64.36% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of 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. As an overview, the following chart outlines the required components of the annual financial report.

Required Components of 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; 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 gage the Town's financial condition.

Government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. 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, sewer and electric services offered by the Town of Belhaven.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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, 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

An annual budget is adopted for the Town of Belhaven General Fund, as required by the General Statutes. The budget is 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. This 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. 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 are included in this report and begin on page 22.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Belhaven's progress in funding its obligation to provide pension benefits to its employees.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Bellhaven's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,755,079	\$ 1,535,523	\$ 1,485,927	\$ 925,973	\$ 3,241,006	\$ 2,461,496
Capital assets	5,143,929	5,340,957	7,512,427	7,656,114	12,656,356	12,997,071
Deferred outflows of resources	380,180	196,198	91,428	56,444	471,608	252,642
Total assets and deferred outflows of resources	7,279,188	7,072,678	9,089,782	8,638,531	16,368,970	15,711,209
Current liabilities	262,419	139,519	578,616	389,967	841,035	529,486
Non-current liabilities	1,146,299	697,302	2,429,827	159,173	3,576,126	856,475
Deferred inflows of resources	88,154	101,776	21,520	25,477	109,674	127,253
Total liabilities and deferred inflows of resources	1,496,872	938,597	3,029,963	574,617	4,526,835	1,513,214
Net position:						
Net investment in capital assets	4,987,994	5,136,474	5,208,864	5,249,087	10,196,858	10,385,561
Restricted	568,680	524,744	-	-	568,680	524,744
Unrestricted	225,642	270,770	850,955	500,722	1,076,597	771,492
Total net position	\$ 5,782,316	\$ 5,931,988	\$ 6,059,819	\$ 5,749,809	\$ 11,842,135	\$ 11,681,797

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,842,135 as of June 30, 2021. The Town's net position decreased by \$57,882 for the fiscal year ended June 30, 2021. Prior period adjustments also increased the net position by \$215,279. However, the largest portion \$10,196,858 or 86.11% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bellhaven uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bellhaven'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 Bellhaven's net position \$568,680 (4.80%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,076,597 (9.09%) is unrestricted.

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 96.02%. The Town of Bellhaven contracts with Beaufort County to collect their taxes. Beaufort County has a tax collection rate of 98.38% which is comparable to the statewide collection rate of 99.82%. The disparity between the County's collection rate and the Town's rate may stem from the fact that Bellhaven is one of the most economically distressed locations in Beaufort County and there are many absentee property owners.

Town of Belhaven's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 189,387	\$ 156,692	\$ 3,293,079	\$ 3,370,564	\$ 3,482,466	\$ 3,527,256
Operating grants and contributions	224,504	82,114	48,040	-	272,544	82,114
Capital grants and contributions	453,398	-				
General revenues:						
Property taxes	692,170	634,738	-	-	692,170	634,738
Other taxes	597,704	520,207	-	-	597,704	520,207
Unrestricted intergovernmental	112,912	-	-	-	112,912	-
Investment earnings	597	6,477	55	143	652	6,620
Other	81,518	280,490	-	-	81,518	280,490
Total revenues	2,352,190	1,680,718	3,341,174	3,370,707	5,239,966	5,051,425
Expenses						
General government	468,424	562,321	-	-	468,424	562,321
Public safety	562,167	577,383	-	-	562,167	577,383
Transportation	155,064	323,764	-	-	155,064	323,764
Environmental protection	563,583	144,691	-	-	563,583	144,691
Culture and recreation	476,826	110,646	-	-	476,826	110,646
Interest on long-term debt	5,961	5,245	-	-	5,961	5,245
Water	-	-	640,586	1,197,436	640,586	1,197,436
Sewer	-	-	720,743	-	720,743	-
Electric	-	-	2,157,892	2,091,786	2,157,892	2,091,786
Total expenses	2,232,025	1,724,050	3,519,221	3,289,222	5,751,246	5,013,272
Change in net position	120,165	(43,332)	(178,047)	81,485	(57,882)	38,153
Net Position						
Beginning of year - July 1	5,934,928	5,975,320	5,749,809	5,668,324	11,684,737	11,643,644
Prior period adjustment	(272,777)	-	488,056	-	215,279	-
Beginning of year, as restated	5,662,151	5,975,320	6,237,865	5,668,324	11,900,016	11,643,644
End of year - June 30	\$ 5,782,316	\$ 5,931,988	\$ 6,059,819	\$ 5,749,809	\$ 11,842,135	\$ 11,681,797

Governmental activities. Governmental activities increased the Town's net position by \$123,105, prior period adjustments decreased the net position by \$272,777.

Business-type activities: Business-type activities decreased the Town's net position by \$178,047, prior period adjustments increased the net position by \$488,056.

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's fund balance available in the General Fund was \$1,093,412 while total fund balance reached \$1,430,547. 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 53.41% of total General Fund expenditures, and the total fund balance represents 84.20% of total General Fund expenditures.

As of June 30, 2021, the governmental funds of the Town of Belhaven reported a combined fund balance of \$1,441,568 with a net increase of \$139,957 over last year. Prior period adjustment decreased the governmental fund balance by \$83,919. Included in this change in fund balance are an increase in ad valorem taxes.

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 of Belhaven'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 Fund, Sewer Fund, and Electric Fund at the end of the fiscal year amounted to (\$891,292), \$928,253, and \$813,994, respectively. The change in net position for the Water Fund, Sewer Fund, and Electric Fund was \$(195,694), \$58,752, and \$(41,105), respectively. Prior period adjustments also impacted the net position for the Water Fund, Sewer Fund, and Electric Fund by \$(4,624,380), \$4,872,744, and \$239,692, respectively.

Capital Asset and Debt Administration

Capital Assets. The Town of Belhaven's capital assets for its governmental and business-type activities as of June 30, 2021 totals \$12,656,356 (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 Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,222,612	\$ 2,222,612	\$ 37,770	\$ 37,770	\$ 2,260,382	\$ 2,260,382
Construction in progress	-	1,457,188	7,539	-	7,539	1,457,188
Building and improvements	2,286,355	2,240,672	-	-	2,286,355	2,240,672
Other Improvements	2,523,432	1,093,637	-	-	2,523,432	1,093,637
Machinery and Equipment	987,534	839,991	682,199	747,828	1,669,733	1,587,819
Plant and distribution systems	-	-	11,244,536	11,245,260		11,245,260
Substations, lines, related equipment	-	-	564,151	564,151		564,151
Vehicles	1,065,370	1,031,980	220,970	254,309		1,286,289
Total	9,085,303	8,886,080	12,757,165	12,849,318	21,842,468	21,735,398
Accumulated depreciation	(3,941,374)	(3,545,123)	(5,244,738)	(5,193,204)	(9,186,112)	(8,738,327)
Capital assets, net	\$ 5,143,929	\$ 5,340,957	\$ 7,512,427	\$ 7,656,114	\$ 12,656,356	\$ 12,997,071

Long-term Debt. As of June 30, 2021, the Town's outstanding debt is as follows:

Town of Belhaven's Capital Assets
Installment Purchases, Revenue Bonds, and General Obligation Bonds
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment purchases	\$ 155,935	\$ 201,543	\$ 653,563	\$ 708,028	\$ 809,498	\$ 909,571
General obligation bonds	-	-	1,650,000	1,699,000	1,650,000	1,699,000
Compensated absences	50,517	42,870	14,253	10,545	64,770	53,415
Net pension liability (LGERS)	418,153	288,882	128,939	89,078	547,092	377,960
Total pension liability (LEO)	235,284	144,898	-	-	235,284	144,898
Other postemployment benefits (OPEB)	332,864	263,522	88,536	70,092	421,400	333,614
Total	\$ 1,192,753	\$ 941,715	\$ 2,535,291	\$ 2,576,743	\$ 3,728,044	\$ 3,518,458

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, 2021 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, 2021 of 4.9% compared to a state rate of 4.7%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

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 and expenditures in the General Fund are expected to increase by 55% to \$2,770,511. This increase is primarily due to several grants that the Town is scheduled to receive in FY22.

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

Business - Type Activities:

Adopted budgets for the Water Fund, Sewer Fund, and Electric Fund are \$569,788, \$763,700, and \$2,293,444, 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, Town of Belhaven, PO Box 220, Belhaven, NC 27810.

BASIC FINANCIAL STATEMENTS

Town of Belhaven, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,068,046	\$ 955,208	\$ 2,023,254
Taxes receivables (net)	81,929	-	81,929
Accrued interest receivable on taxes	15,617	-	15,617
Accounts receivable (net)	357,547	331,119	688,666
Restricted cash and cash equivalents	172,938	258,602	431,540
Internal balances	59,002	(59,002)	-
Total current assets	1,755,079	1,485,927	3,241,006
Non-Current assets:			
Land, non-depreciable improvements, and construction in progress	2,222,612	45,309	2,267,921
Other capital assets, net of depreciation	2,921,317	7,467,118	10,388,435
Total non-current assets	5,143,929	7,512,427	12,656,356
Total assets	6,899,008	8,998,354	15,897,362
DEFERRED OUTFLOWS OF RESOURCES			
Contribution to pension plan - LGERS	88,850	27,397	116,247
Contribution to pension plan - LEO	765	-	765
Pension deferrals	235,479	49,379	284,858
OPEB deferrals	55,086	14,652	69,738
Total deferred outflows of resources	380,180	91,428	471,608
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	182,658	214,550	397,208
Unearned revenues	33,307	-	33,307
Customer deposits	-	258,602	258,602
Current portion of long-term debt	46,454	105,464	151,918
Total current liabilities	262,419	578,616	841,035
Long-term liabilities:			
Due in more than one year	109,481	2,198,099	2,307,580
Total pension liability - LEO	235,284	-	235,284
Net pension liability	418,153	128,939	547,092
Net OPEB liability	332,864	88,536	421,400
Compensated absences	50,517	14,253	64,770
Total long-term liabilities	1,146,299	2,429,827	3,576,126
Total liabilities	1,408,718	3,008,443	4,417,161
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	16,149	2,367	18,516
OPEB deferrals	72,005	19,153	91,158
Total deferred Inflows of resources	88,154	21,520	109,674
NET POSITION			
Net investment in capital assets	4,987,994	5,208,864	10,196,858
Restricted for:			
Stabilization by State Statute	429,049	-	429,049
Streets	139,631	-	139,631
Unrestricted	225,642	850,955	1,076,597
Total net position	\$ 5,782,316	\$ 6,059,819	\$ 11,842,135

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

Town of Belhaven, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 468,424	\$ 172,116	\$ 196,348	\$ -	\$ (99,960)	\$ -	\$ (99,960)
Public safety	562,167	-	28,156	-	(534,011)	-	(534,011)
Transportation	563,583	3,588	-	53,005	(506,990)	-	(506,990)
Environmental protection	155,064	-	-	-	(155,064)	-	(155,064)
Cultural and Recreational	476,826	13,683	-	400,393	(62,750)	-	(62,750)
Interest and other charges	5,961	-	-	-	(5,961)	-	(5,961)
Total governmental activities	2,232,025	189,387	224,504	453,398	(1,364,736)	-	(1,364,736)
Business-type activities:							
Water Fund	640,586	444,892	-	-	-	(195,694)	(195,694)
Sewer Fund	720,743	740,455	39,040	-	-	58,752	58,752
Electric Fund	2,157,892	2,107,732	9,000	-	-	(41,160)	(41,160)
Total business-type activities	3,519,221	3,293,079	48,040	-	-	(178,102)	(178,102)
Total primary government	\$ 5,751,246	\$ 3,482,466	\$ 272,544	\$ 453,398	(1,364,736)	(178,102)	(1,542,838)
General revenues:							
Ad valorem taxes					692,170	-	692,170
Other taxes and licences					597,704	-	597,704
Unrestricted intergovernmental					112,912	-	112,912
Miscellaneous income					34,551	-	34,551
Investment earnings					597	55	652
Insurance recovery					46,967	-	46,967
Transfers					-	-	-
Total general revenues, special items, and transfers					1,484,901	55	1,484,956
Change in net position					120,165	(178,047)	(57,882)
Net position, beginning					5,934,928	5,749,809	11,684,737
Prior period adjustment (see Note VI)					(272,777)	488,056	215,279
Net position, beginning, restated					5,662,151	6,237,865	11,900,016
Net position, ending					\$ 5,782,316	\$ 6,059,819	\$ 11,842,135

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

**Town of Belhaven
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Fund		Non-Major Fund	
	General Fund	CDBG Spoon River Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,042,132	\$ -	\$ 25,914	\$ 1,068,046
Taxes receivable, net	81,929	-	-	81,929
Accounts receivable, net	265,633	91,914	-	357,547
Restricted cash and cash equivalents	139,631	-	33,307	172,938
Due from other funds	71,502	-	-	71,502
Total assets	1,600,827	91,914	59,221	1,751,962
Liabilities				
Accounts payable and accrued liabilities	88,351	91,914	2,393	182,658
Unearned revenues	-	-	33,307	33,307
Due to other funds	-	12,500	-	12,500
Total Liabilities	88,351	104,414	35,700	228,465
Deferred inflows of resources				
Property taxes receivable	81,929	-	-	81,929
Total deferred inflows of resources	81,929	-	-	81,929
Fund balances				
Non-spendable				
Perpetual maintenance	-	-	25,914	25,914
Restricted				
Stabilization by State Statue	337,135	91,914	-	429,049
Streets	139,631	-	-	139,631
Assigned				
Subsequent year's expenditures	46,451	-	-	46,451
Unassigned	907,330	(104,414)	(2,393)	800,523
Total fund balances	1,430,547	(12,500)	23,521	1,441,568
Total liabilities, deferred Inflows of resources and fund balances	\$ 1,600,827	\$ 91,914	\$ 59,221	\$ 1,751,962

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

Town of Belhaven
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

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

Total Fund Balance - Governmental Funds	\$ 1,441,568
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,143,929
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures, and, therefore, are inflows of resources in the funds	15,617
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	89,615
Deferred outflows of resources related to pensions are not reported in the funds	235,479
Deferred outflows of resources related to OPEB are not reported in the funds	55,086
Earned revenues considered deferred inflows of resources in fund statements	81,929
Deferred inflows of resources related to pensions are not reported in the funds	(16,149)
Deferred inflows of resources related to OPEB are not reported in the funds	(72,005)
Long-term liabilities used in governmental activities are not financial uses, and, therefore, are not reported in the funds	
Gross long-term debt	(155,935)
Total pension liability - LEO	(235,284)
Net pension liability	(418,153)
Net OPEB liability	(332,864)
Compensated absences	(50,517) <u>(1,192,753)</u>
Total Net Position-Governmental Funds	<u><u>\$ 5,782,316</u></u>

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

Town of Belhaven
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund		Non-Major Fund	
	General Fund	CDBG Spoon River Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 650,358	\$ -	\$ -	\$ 650,358
Other taxes and licenses	597,704	-	-	597,704
Unrestricted intergovernmental	112,912	-	-	112,912
Restricted intergovernmental	277,509	400,393	-	677,902
Charges for services	181,920	-	7,467	189,387
Investment earnings	597	-	-	597
Miscellaneous income	34,551	-	-	34,551
Total Revenues	1,855,551	400,393	7,467	2,263,411
Expenditures				
Current:				
General government	299,031	-	61,472	360,503
Public safety	552,500	-	-	552,500
Transportation	527,509	-	-	527,509
Environmental protection	155,064	-	-	155,064
Cultural and recreational	113,223	407,893	2,160	523,276
Debt service:				
Principal	45,608	-	-	45,608
Interest and other charges	5,961	-	-	5,961
Total Expenditures	1,698,896	407,893	63,632	2,170,421
Excess (deficiency) of Revenues over Expenditures	156,655	(7,500)	(56,165)	92,990
Other financing sources (uses)				
Insurance recovery	46,967	-	-	46,967
Total other financing sources (uses)	46,967	-	-	46,967
Net Change in Fund Balance	203,622	(7,500)	(56,165)	139,957
Fund balances, beginning	1,385,530	-	-	1,385,530
Prior period adjustment (see Note VI)	(158,605)	(5,000)	79,686	(83,919)
Fund balances, beginning, restated	1,226,925	(5,000)	79,686	1,301,611
Fund balances, ending	\$ 1,430,547	\$ (12,500)	\$ 23,521	\$ 1,441,568

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

Town of Belhaven
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

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

Net Change in Fund Balances - Governmental Funds		\$ 139,957
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities		153,923
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements		(162,094)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		88,850
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		6,190
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		765
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	26,195	
Change in interest earned on ad valorem taxes	<u>15,617</u>	41,812
The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt		45,608
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.		
Compensated absences & related liabilities	(7,647)	
Pension expense - LGERS	(147,180)	
Pension expense - LEOSSA	(25,241)	
OPEB expense	<u>(14,778)</u>	<u>(194,846)</u>
Total changes in net position of governmental activities		<u>\$ 120,165</u>

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

Town of Belhaven
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Ad valorem taxes	\$ 653,770	\$ 646,070	\$ 650,358	\$ 4,288
Other taxes and licenses	537,500	431,000	597,704	166,704
Unrestricted intergovernmental	235,775	106,500	112,912	6,412
Restricted intergovernmental	211,500	211,500	277,509	66,009
Charges for sales and services	127,500	241,030	181,920	(59,110)
Investment earnings	6,500	6,500	597	(5,903)
Miscellaneous	10,605	36,400	34,551	(1,849)
Total revenues	<u>1,783,150</u>	<u>1,679,000</u>	<u>1,855,551</u>	<u>176,551</u>
Expenditures:				
Current:				
General government	473,854	442,349	299,031	143,318
Public safety	492,250	565,484	552,500	12,984
Transportation	499,740	537,590	527,509	10,081
Environmental protection	166,019	166,019	155,064	10,955
Cultural and recreation	100,802	108,917	113,223	(4,306)
Debt service:				
Principal retirement	-	45,608	45,608	-
Interest and other charges	-	5,961	5,961	-
Total expenditures	<u>1,732,665</u>	<u>1,871,928</u>	<u>1,698,896</u>	<u>173,032</u>
Revenue over/(under) expenditures	<u>50,485</u>	<u>(192,928)</u>	<u>156,655</u>	<u>349,583</u>
Other financing sources (uses):				
Transfers from other funds	-	30,000	-	(30,000)
Appropriations (reserves)	(50,485)	51,308	-	(51,308)
Sale of capital assets	-	106,620	-	(106,620)
Insurance recovery	-	5,000	46,967	41,967
Total other financing sources (uses)	<u>(50,485)</u>	<u>192,928</u>	<u>46,967</u>	<u>(145,961)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	203,622	<u>\$ 203,622</u>
Fund balances, beginning			1,385,530	
Prior period adjustment (see Note VI)			<u>(158,605)</u>	
Fund balances, beginning, restated			1,226,925	
Fund balances, ending			<u>\$ 1,430,547</u>	

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

Town of Belhaven
Statement of Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 434	\$ 65,675	\$ 889,099	\$ 955,208
Accounts receivable, net	50,213	77,314	203,592	331,119
Due from other funds	-	840,119	-	840,119
Restricted cash and cash equivalents	42,177	20,126	196,299	258,602
Total current assets	<u>92,824</u>	<u>1,003,234</u>	<u>1,288,990</u>	<u>2,385,048</u>
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	14,041	7,539	23,729	45,309
Other capital assets, net of depreciation	2,639,407	4,649,267	178,444	7,467,118
Capital assets (net)	<u>2,653,448</u>	<u>4,656,806</u>	<u>202,173</u>	<u>7,512,427</u>
Total noncurrent assets	<u>2,653,448</u>	<u>4,656,806</u>	<u>202,173</u>	<u>7,512,427</u>
Total assets	<u>2,746,272</u>	<u>5,660,040</u>	<u>1,491,163</u>	<u>9,897,475</u>
Deferred outflows of resources				
Contribution to pension plan	24,287	20,633	31,856	76,776
OPEB deferrals	4,149	3,529	6,974	14,652
Total deferred outflows of resources	<u>28,436</u>	<u>24,162</u>	<u>38,830</u>	<u>91,428</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	49,623	16,411	148,516	214,550
Due to other funds	840,119	-	59,002	899,121
Customer deposits	42,177	20,126	196,299	258,602
Current portion of long-term debt	51,000	54,464	-	105,464
Total current liabilities	<u>982,919</u>	<u>91,001</u>	<u>403,817</u>	<u>1,477,737</u>
Noncurrent liabilities:				
Due in more than one year	1,599,000	599,099	-	2,198,099
Net pension liability	40,788	34,652	53,499	128,939
Net OPEB liability	25,073	21,323	42,140	88,536
Compensated absences	8,599	1,382	4,272	14,253
Total non-current liabilities	<u>1,673,460</u>	<u>656,456</u>	<u>99,911</u>	<u>2,429,827</u>
Total liabilities	<u>2,656,379</u>	<u>747,457</u>	<u>503,728</u>	<u>3,907,564</u>
Deferred inflows of resources				
Pension deferrals	749	636	982	2,367
OPEB deferrals	5,424	4,613	9,116	19,153
Total deferred inflows of resources	<u>6,173</u>	<u>5,249</u>	<u>10,098</u>	<u>21,520</u>
Net position				
Net Investment in capital assets	1,003,448	4,003,243	202,173	5,208,864
Unrestricted	(891,292)	928,253	813,994	850,955
Total net position of business-type activities	<u>\$ 112,156</u>	<u>\$ 4,931,496</u>	<u>\$ 1,016,167</u>	<u>\$ 6,059,819</u>

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

Town of Belhaven
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Electric	Total
Operating revenues				
Charges for services	\$ 444,892	\$ 740,455	\$ 2,107,732	\$ 3,293,079
Total operating revenues	444,892	740,455	2,107,732	3,293,079
Operating expenses				
Water operations	449,871	-	-	449,871
Sewer operations	-	573,197	-	573,197
Electrical operations	-	-	751,474	751,474
Electrical power purchases	-	-	1,396,505	1,396,505
Depreciation	102,200	131,207	9,913	243,320
Total operating expenses	552,071	704,404	2,157,892	3,414,367
Operating income (loss)	(107,179)	36,051	(50,160)	(121,288)
Non-operating revenues (expenses)				
Grant revenues	-	39,040	9,000	48,040
Investment earnings	-	-	55	55
Sale of fixed assets	(97)	-	-	(97)
Interest and fees	(88,418)	(16,339)	-	(104,757)
Total non-operating revenues (expenses)	(88,515)	22,701	9,055	(56,759)
Change in net position	(195,694)	58,752	(41,105)	(178,047)
Total net position , beginning	4,932,229	-	817,580	5,749,809
Prior period adjustment (see Note VI)	(4,624,380)	4,872,744	239,692	488,056
Net position, beginning, restated	307,849	4,872,744	1,057,272	6,237,865
Total net position, ending	\$ 112,156	\$ 4,931,496	\$ 1,016,167	\$ 6,059,819

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

Town of Belhaven
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Electric	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 456,720	\$ 785,943	\$ 2,035,006	\$ 3,277,669
Cash paid for goods and services	(229,054)	(420,684)	(1,919,647)	(2,569,385)
Cash paid to or on behalf of employees for services	(194,465)	(102,556)	(112,440)	(409,461)
Net cash provided (used) by operating activities	33,201	262,703	2,919	298,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to/from other funds	840,119	(840,119)	-	-
Net cash provided (used) by noncapital financing activities	840,119	(840,119)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contribution & miscellaneous grants	-	39,040	9,000	48,040
Acquisition and construction of capital assets	(14,956)	-	-	(14,956)
Long-term debt reclassification	(678,335)	678,335	-	-
Interest paid on long-term debt	(88,418)	(16,339)	-	(104,757)
Principal repaid on long-term debt	(49,000)	(54,464)	-	(103,464)
Net cash provided (used) by capital and related financing activities	(830,709)	646,572	9,000	(175,137)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	-	-	55	55
Net cash provided (used) by investing activities	-	-	55	55
Net increase (decrease) in cash and cash equivalents	42,611	69,156	11,974	123,741
Balances, beginning	-	16,645	1,073,424	1,090,069
Balances, ending	\$ 42,611	\$ 85,801	\$ 1,085,398	\$ 1,213,810
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (107,179)	\$ 36,051	\$ (50,160)	\$ (121,288)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	102,200	131,207	9,913	243,320
Changes in assets, deferred outflows of resources, and liabilities:				
(Increase) decrease in accounts receivable	9,172	43,837	(87,171)	(34,162)
(Increase) decrease in other loan receivable	67	57	1,107	1,231
(Increase) decrease in deferred outflows of resources - pension	8,284	(20,633)	(8,758)	(21,107)
(Increase) decrease in deferred outflows of resources - OPEB	(3,743)	(3,529)	(6,605)	(13,877)
Increase (decrease) in accounts payable and accrued liabilities	43,625	11,513	113,991	169,129
Increase (decrease) in accrued vacation	8,599	1,382	(6,273)	3,708
Increase (decrease) in customer deposits	2,589	1,594	13,338	17,521
Increase (decrease) in net pension liabilities	(11,330)	34,652	16,539	39,861
Increase (decrease) in net OPEB liabilities	(11,658)	21,323	8,779	18,444
Increase (decrease) in deferred inflows of resources - pension	(1,616)	636	(695)	(1,675)
Increase (decrease) in deferred inflows of resources - OPEB	(5,809)	4,613	(1,086)	(2,282)
Total adjustments	140,380	226,652	53,079	420,111
Net cash provided by operating activities	\$ 33,201	\$ 262,703	\$ 2,919	\$ 298,823

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

Town of Belhaven, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Belhaven (the Town) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant account policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statement include all funds that are controlled by, or financially dependent on, the Town. There are no separate organizations for which the Town is financial accountable.

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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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.

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 source 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.

CDBG Spoon River Fund. This fund is used to account for the revenues and expenditures associated with the CDBG grant.

The Town reports the following non-major governmental funds:

Cemetery Fund. This fund is used to account for perpetual care of the municipal cemetery.

NCORR Code Enforcement Fund. This fund is used to account for the revenues and expenditures related to the NCORR Code Enforcement grant.

The Town reports the following major enterprise funds:

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

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

Electric Fund. This fund is used to account for the Town's electric 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's enterprise funds 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 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and each of the Enterprise Funds. The Cemetery Fund is consolidated with the General Fund for reporting purposes. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the CDBG Spoon River Fund, and the NCORR Code Enforcement Fund. 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 funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. 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.

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 Super NOW 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. Non-participating interest earning contracts are accounted for at cost. The securities of the NCCMT Government Portfolio, a SEC registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments 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 held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Belhaven Restricted Cash

Governmental Activities	
General Fund - Streets	\$ 139,631
NCORR Code Enforcement Fund - Unspent Grant	33,307
Total Governmental Activities	<u>\$ 172,938</u>
Business-Type Activities	
Water Fund - Customer Deposits	\$ 42,177
Sewer Fund - Customer Deposits	20,126
Electric Fund - Customer Deposits	196,299
Total Business-Type Activities	<u>\$ 258,602</u>
Total Restricted Cash	<u>\$ 431,540</u>

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, 2020. 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 and Prepaid Items

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

7. Capital Assets

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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 three items that meet this criterion, contributions made to the pension plan in the current fiscal year, pension deferrals, and OPEB deferrals. 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 three items that meet the criterion for this category - property taxes receivable, pension deferrals, and OPEB deferrals.

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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) 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 is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statutes.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Perpetual maintenance - Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Belhaven Cemetery.

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

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

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

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.

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 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, and 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. Defined Benefit Cost-Sharing Plans

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

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

The budget was overspent in the Culture and Recreational department in the General Fund in the amount of \$4,306. The budget was also overspent in the NCORR Code Enforcement Fund and Water Fund in the amount of \$1,586 and \$50,207, respectively.

B. Timeliness of Audit

The audit report was issued 18 months after the required due date of October 31, 2021. The Town took a significant amount of time to adjust the general ledger, clean up mispostings from prior years, as well as providing the necessary supporting documentations due to lack of adequate staffing in the finance department.

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 undercollateralization. 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, 2021, the Town's deposits had a carrying amount of \$2,310,221 and a bank balance of \$2,384,441. Of the bank balance, \$500,000 was covered by FDIC, and the excess deposits were collateralized under the pooling method. The Town's petty cash totaled \$400 at June 30, 2021.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value	\$ 144,172	N/A	AAAm
Total:	Level 1	\$ 144,172		

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	\$ 21,000
Accounts receivable	22,724
Total General Fund	<u>43,724</u>
Enterprise Fund:	
Water Fund	70,444
Sewer Fund	122,581
Electric Fund	206,768
Total Enterprise Fund	<u>399,793</u>
Total	<u>\$ 443,517</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,222,612	\$ -	\$ -	\$ -	\$ 2,222,612
Construction in Progress	-	-	-	-	-
Total capital assets not being depreciated	<u>2,222,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,222,612</u>
Capital assets being depreciated:					
Buildings	2,240,672	45,683	-	-	2,286,355
Other improvements	2,523,432	-	-	-	2,523,432
Equipment	839,991	108,240	-	39,303	987,534
Vehicles	1,031,980	-	-	33,390	1,065,370
Total capital assets being depreciated	<u>6,636,075</u>	<u>153,923</u>	<u>-</u>	<u>72,693</u>	<u>6,862,691</u>
Less accumulated depreciation for:					
Buildings	1,395,613	28,073	-	-	1,423,686
Other improvements	544,305	91,820	-	-	636,125
Equipment	797,464	26,638	-	39,303	863,405
Vehicles	969,205	15,563	-	33,390	1,018,158
Total accumulated depreciation	<u>3,706,587</u>	<u>\$ 162,094</u>	<u>\$ -</u>	<u>\$ 72,693</u>	<u>3,941,374</u>
Total capital assets being depreciated, net	<u>2,929,488</u>				<u>2,921,317</u>
Governmental activity capital assets, net	<u>\$ 5,152,100</u>				<u>\$ 5,143,929</u>

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

General government	\$ 88,852
Public safety	39,249
Transportation	18,109
Cultural and recreation	15,884
	<u>\$ 162,094</u>

Governmental activities include a net prior period adjustment of \$188,858 that decreased the beginning balance of Capital Assets from \$5,340,958 to \$5,152,100 (see Note VI).

Enterprise Funds. Capital asset activity for the Enterprise Fund for the year ended June 30, 2021, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:					
Water Fund					
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	4,867,769	-	(724)	-	4,867,045
Equipment	206,321	14,956	(41,282)	(39,303)	140,692
Vehicles	69,504	-	-	(33,390)	36,114
Total capital assets being depreciated	5,143,594	14,956	(42,006)	(72,693)	5,043,851
Less accumulated depreciation for:					
Distribution system	2,165,907	97,341	(627)	-	2,262,621
Equipment	181,432	4,862	(41,282)	(39,303)	105,709
Vehicles	69,504	-	-	(33,390)	36,114
Total accumulated depreciation	2,416,843	\$ 102,203	\$ (41,909)	\$ (72,693)	2,404,444
Total capital assets being depreciated, net	2,726,751				2,639,407
Water fund capital assets, net	\$ 2,740,792				\$ 2,653,448

Water fund includes a net prior period adjustment of \$(4,737,802) that decreased the beginning balance of Capital Assets from \$7,478,594 to \$2,740,792 (see Note VI).

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balances</u>
Sewer Fund					
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	7,539	-	-	7,539
Total capital assets not being depreciated	-	7,539	-	-	7,539
Capital assets being depreciated:					
Distribution system	6,377,491	-	-	-	6,377,491
Equipment	315,229	-	-	-	315,229
Vehicles	17,884	-	-	-	17,884
Total capital assets being depreciated	6,710,604	-	-	-	6,710,604
Less accumulated depreciation for:					
Distribution system	1,604,835	128,711	-	-	1,733,546
Equipment	307,407	2,500	-	-	309,907
Vehicles	17,884	-	-	-	17,884
Total accumulated depreciation	1,930,126	\$ 131,211	\$ -	\$ -	2,061,337
Total capital assets being depreciated, net	4,780,478				4,649,267
Sewer fund capital assets, net	\$ 4,780,478				\$ 4,656,806

Sewer fund includes a net prior period adjustment of \$4,780,478 that increased the beginning balance of Capital Assets from \$0 to \$4,780,478 (see Note VI).

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balances</u>
Electric Fund					
Capital assets not being depreciated:					
Land	\$ 23,729	\$ -	\$ -	\$ -	\$ 23,729
Total capital assets not being depreciated	23,729	-	-	-	23,729
Capital assets being depreciated:					
Substations, lines, and related equipment	564,151	-	-	-	564,151
Equipment	226,278	-	-	-	226,278
Vehicles	166,972	-	-	-	166,972
Total capital assets being depreciated	957,401	-	-	-	957,401
Less accumulated depreciation for:					
Substations, lines, and related equipment	377,127	9,573	-	-	386,700
Equipment	224,945	340	-	-	225,285
Vehicles	166,972	-	-	-	166,972
Total accumulated depreciation	769,044	\$ 9,913	\$ -	\$ -	778,957
Total capital assets being depreciated, net	188,357				178,444
Electric fund capital assets, net	<u>\$ 212,086</u>				<u>\$ 202,173</u>

Electric fund includes a net prior period adjustment of \$34,565 that increased the beginning balance of Capital Assets from \$177,521 to \$212,086 (see Note VI).

Business-type activities capital assets, net	<u>\$ 7,733,356</u>	<u>\$ 7,512,427</u>
--	---------------------	---------------------

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Belhaven is a participating employer in the statewide 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 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 of 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 contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% 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 \$116,247 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$547,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the Town's proportion was 0.01531%, which was an increase of 0.00147% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$188,717. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 69,088	\$ -
Changes of assumptions	40,714	-
Net difference between projected and actual earnings on pension plan	76,989	-
Changes in proportion and differences between employer	22,723	10,045
Employer contributions subsequent to the measurement date	116,247	-
Total	\$ 325,761	\$ 10,045

\$116,247 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 53,825
2022	74,285
2023	48,574
2024	22,785
2025	-
Thereafter	-

Actuarial Assumptions. 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 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 for each major asset class as of June 30, 2020 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 7.00%. 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.

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 (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Sensitivity of the net pension liability (asset) to changes in the discount rate unit's proportionate share	\$ 1,109,989	\$ 547,092	\$ 79,284

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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"), 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 .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees and dependents receiving benefits	-
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	6
Total	<u>6</u>

2. *Summary of Significant Accounting Policies:*

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB 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	2.50 Percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 Percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the Pub-2010 Mortality tables with adjustments for mortality improvements based on Scale MP-2019.

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 \$0 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, 2021, the Town reported a total pension liability of \$235,284. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$25,241.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,122	\$ 4,414
Changes of assumptions	72,222	4,057
Benefit payments and plan administrative expense made	765	-
Total	<u>\$ 76,109</u>	<u>\$ 8,471</u>

\$765 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 12,158
2023	12,200
2024	12,516
2025	12,958
2026	12,668
Thereafter	4,373
	<u>\$ 66,873</u>

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 1.93 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 (0.93 percent) and 1-percentage-point higher (2.93 percent) than the current rate.

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 255,371	\$ 235,284	\$ 217,177

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

	2021
Beginning balance	\$ 144,898
Service Cost	8,359
Interest on the total pension liability	4,724
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the	(178)
Changes of assumptions or other inputs	77,481
Benefit payments	-
Other changes	-
Net Change	<u>90,386</u>
Ending balance of the total pension liability	<u>\$ 235,284</u>

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.

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 provides retirement benefits 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$24,904, which consisted of \$13,887 from the Town and \$11,017 from law enforcement officers. The Town has also elected to contribute four and one half a percent of general employees' salaries to the plan on their behalf. General employees may also make voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2021 were \$39,914, which consisted of \$14,559 from the City and \$25,355 from general employees.

d. Other Postemployment Benefits

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 age 62, or is at least 55 with 10 years of LGERS service and five years of service with the Town.

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 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 of June 30, 2020, the valuation date.

	General Employees:
Inactive employees or beneficiaries currently receiving benefits	1
Inactive members entitled to but not yet receiving benefits	0
Active employees	<u>26</u>
Total	<u><u>27</u></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 June 30, 2021, 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 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 total OPEB liability of \$421,400 was measured as of June 30, 2020 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, 2020 using the following key actuarial assumptions and other inputs:

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	3.50%
Measurement date	2.21%
Health Care Cost Trends	
Pre-Medicare and prescription drug	7.00% for 2020 decreasing to rate off 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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through December 31, 2014, adopted by the LGERS Board.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 333,614
Changes for the year	
Service cost	20,386
Interest	12,228
Changes of benefit terms	-
Differences between expected and actual experience	36
Changes in assumptions or other inputs	64,456
Benefit payments	(9,320)
Net changes	<u>87,786</u>
Balance at June 30, 2021	<u><u>\$ 421,400</u></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 2.21 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 479,381	\$ 421,400	\$ 370,481

Sensitivity of the Town's OPEB liability to changes in the healthcare 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 351,308	\$ 421,400	\$ 508,690

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$28,029. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 422	\$ 61,872
Changes of assumptions	61,480	29,286
Benefit payments made subsequent to the measurement date	7,836	-
Total	<u>\$ 69,738</u>	<u>\$ 91,158</u>

\$7,836 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, 2022. Other amounts reported as deferred inflows of resources related to the OPEB liability will be recognized as follows:

Year ended June 30:

2022	\$ (4,585)
2023	(4,585)
2024	(4,585)
2025	(4,585)
2026	(4,585)
Thereafter	(6,331)

e. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 224 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	\$ 69,738
Pension deferrals - LEO	76,109
Pension deferrals - LGERS	325,761
Total	<u>\$ 471,608</u>

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

Source	Amount
Pension deferrals - OPEB	\$ 91,158
Pension deferrals - LEO	8,471
Pension deferrals - LGERS	10,045
Taxes receivable (General Fund), less penalties	81,929
Total	<u>\$ 191,603</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and 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.

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

Service by the Governmental Activities:

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%.

\$ 21,687

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%.

19,274

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%.

114,974

\$ 155,935

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

Year Ending	Principal	Interest	Total
2022	\$ 46,454	\$ 4,543	\$ 50,997
2023	47,751	2,997	50,748
2024	49,087	1,411	50,498
2025	12,643	88	12,731
2026	-	-	-
Total	<u>\$ 155,935</u>	<u>\$ 9,039</u>	<u>\$ 164,974</u>

Serviced by the Business-Type Activities:

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%.

\$ 653,563
\$ 653,563

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

Year Ending	Principal	Interest	Total
2022	\$ 54,464	\$ 13,071	\$ 67,535
2023	54,464	11,982	66,446
2024	54,464	10,893	65,357
2025	54,464	9,803	64,267
2026	54,464	8,714	63,178
2027-2031	272,318	27,232	299,550
2032-2036	108,925	3,268	112,193
Total	<u>\$ 653,563</u>	<u>\$ 84,963</u>	<u>\$ 738,526</u>

b. General Obligation Bonds

Bonds payable at June 30, 2021 are comprised of the following individual issues:

Serviced by the Business-Type Activities:

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

\$ 1,650,000

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

Year Ending	Principal	Interest	Total
2022	\$ 51,000	\$ 87,321	\$ 138,321
2023	53,000	83,937	136,937
2024	56,000	80,463	136,463
2025	59,000	76,853	135,853
2026	61,500	73,109	134,609
2027-2031	348,000	305,377	653,377
2032-2036	434,500	195,711	630,211
2037-2041	489,000	88,155	577,155
2042-2046	98,000	4,410	102,410
Total	<u>\$ 1,650,000</u>	<u>\$ 995,336</u>	<u>\$ 2,645,336</u>

c. Changes in Long-Term Liabilities

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

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Governmental activities:					
Installment purchase	\$ 201,543	\$ -	\$ 45,608	\$ 155,935	\$ 46,454
Compensated absences	42,870	7,647	-	50,517	-
Net pension liability (LGERS)	288,882	129,271	-	418,153	-
Total pension liability (LEO)	144,898	90,386	-	235,284	-
Other postemployment benefits (OPEB)	263,522	69,342	-	332,864	-
Total governmental	<u>\$ 941,715</u>	<u>\$ 296,646</u>	<u>\$ 45,608</u>	<u>\$ 1,192,753</u>	<u>\$ 46,454</u>

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Business-type activities:					
Installment purchase	708,027	-	54,464	653,563	54,464
General obligation bonds	1,699,000	-	49,000	1,650,000	51,000
Compensated absences	10,545	3,708	-	14,253	-
Net pension liability (LGRS)	89,078	39,861	-	128,939	-
Other postemployment benefits (OPEB)	70,092	18,444	-	88,536	-
Total business-type	\$ 2,576,742	\$ 62,013	\$ 103,464	\$ 2,535,291	\$ 105,464

5. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Due to the General Fund for the payment of expenditures from the Electric Fund.	\$ 59,002
Due to the General Fund for the payment of expenditures from the CDBG Spoon River Fund.	12,500
Due to the Sewer Fund for the cash overdrafts in the Water Fund.	840,119 *
Total	<u>\$ 911,621</u>

* The Sewer Fund was reported separately as an enterprise fund in the current reporting period, instead of being consolidated with the Water Fund as it was presented in the prior period. The interfund balances were recorded for the cash overdrafts in the Water Fund as all of these funds are part of the central depository account of the Town.

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

The Town had no interfund transfers at June 30, 2021.

6. Net Investment in Capital Assets

The calculation for Net Investment in Capital Assets is shown as follows:

	Governmental	Business-Type	Total
Capital Assets, net of depreciation	\$ 5,143,929	\$ 7,512,427	\$ 12,656,356
less: long-term debt	155,935	2,303,563	2,459,498
Net Investment in Capital Assets	<u>\$ 4,987,994</u>	<u>\$ 5,208,864</u>	<u>\$ 10,196,858</u>

7. Fund Balance

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

Total Fund Balance - General Fund	\$ 1,430,547
Less:	
Stabilization by State statute	337,135
Streets - Powell Bill	139,631
Working Capital / Fund Balance Policy	46,451
Remaining Fund Balance	<u>\$ 907,330</u>

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, and Town funds. For purpose of fund balance, classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The Town had no outstanding encumbrances at June 30, 2021.

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 IV - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

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

B. Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

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.

NOTE VI - PRIOR PERIOD ADJUSTMENT

Adjustments were recorded that decreased fund balance of the General Fund by \$158,605. The adjustments were to record a correction to adjust the overstated sales tax receivable (decrease of \$26,961), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (increase of \$32,760), and to adjust the overstated cash and cash equivalent to agree with the bank reconciliations (decrease of \$164,404).

The Cemetery Fund was reported separately as a governmental special revenue fund in the current reporting period, instead of being consolidated with the General Fund as it was presented in the prior period. Adjustments were recorded to increase the beginning fund balance by \$20,607. Additionally, the CDBG Spoon River Fund and the NCORR Code Enforcement Fund were reported separately as two governmental special revenue funds in the current reporting period. These two funds were not shown at all in the prior year's financial statements. Adjustments were recorded to increase (decrease) the beginning fund balance by \$(5,000) and \$59,079, respectively.

On the government-wide statement, in addition to the adjustments stated above, adjustments were recorded to adjust the net capital assets from prior period to agree with the depreciation schedule (decrease of \$188,858), for a net government-wide prior period adjustment decreasing net position by \$272,777.

The Sewer Fund was reported separately as an enterprise fund in the current reporting period, instead of being consolidated with the Water Fund as it was presented in the prior period, to agree with the Town's budget presentation. Adjustments were recorded that decreased net position of the Water Fund by \$4,624,380; the adjustments were to adjust the net capital assets from prior period to agree with the depreciation schedule (decrease of \$4,737,802), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (increase of \$29,627), to adjust customer deposits from prior years to agree with the prepaid deposits subsidiary ledger (decrease of \$50,229), to adjust the overstated reserve account (increase of \$68,659), and to adjust the understated cash and cash equivalent to agree with the bank reconciliations (increase of \$65,365). Adjustments were recorded that increased net position of the Sewer Fund by \$4,872,744; the adjustments were to adjust the net capital assets from prior period to agree with the depreciation schedule (increase of \$4,780,478), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (decrease of \$159,939), to adjust customer deposits from prior years to agree with the prepaid deposits subsidiary ledger (increase of \$19,140), to adjust the overstated reserve account (increase of \$107,864), and to adjust the understated cash and cash equivalent to agree with the bank reconciliations (increase of \$125,201). Adjustments were recorded that increased net position of the Electric Fund by \$239,692; the adjustments were to adjust the net capital assets from prior period to agree with the depreciation schedule (increase of \$34,565), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (decrease of \$179,705), to adjust customer deposits from prior years to agree with the prepaid deposits subsidiary ledger (increase of \$630), to adjust accounts payable from prior years to agree with the accounts payable subsidiary ledger (decrease of \$126,077), to adjust the overstated reserve account (increase of \$359,131), and to adjust the understated cash and cash equivalent to agree with the bank reconciliations (increase of \$151,148). The prior period adjustment increased the business-type activities net position by a net of \$488,056.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Town of Belhaven Proportionate Share of Net Pension Liability (Assets)

Town of Belhaven Contributions

Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special Separation Allowance

Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Belhaven, North Carolina
Town of Belhaven's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Belhaven's proportion of the net liability (asset) (%)	0.01531%	0.01384%	0.01490%	0.17410%
Belhaven's proportion of the net pension liability (asset) (\$)	\$ 547,092	\$ 377,960	\$ 353,953	\$ 265,977
Belhaven's covered payroll	\$ 1,098,914	\$ 1,080,513	\$ 1,032,043	\$ 952,085
Belhaven's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	49.78%	34.98%	34.30%	27.94%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Belhaven's proportion of the net liability (asset) (%)	0.01917%	0.01946%	0.02013%	0.02110%
Belhaven's proportion of the net pension liability (asset) (\$)	\$ 406,850	\$ 87,335	\$ (118,716)	\$ 254,336
Belhaven's covered payroll	\$ 996,056	\$ 1,143,272	\$ 1,106,856	\$ 1,106,856
Belhaven's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.85%	7.64%	-10.73%	22.98%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

Town of Belhaven, North Carolina
Town of Belhaven's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 116,247	\$ 100,670	\$ 86,230	\$ 79,612
Contributions in relation to the contractually required contributions	<u>116,247</u>	<u>100,670</u>	<u>86,230</u>	<u>79,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Belhaven's covered payroll	\$ 1,124,257	\$ 1,098,914	\$ 1,080,513	\$ 1,032,043
Contributions as a percentage of covered payroll	10.34%	9.16%	7.98%	7.71%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 71,141	\$ 78,535	\$ 82,851	\$ 81,787
Contributions in relation to the contractually required contributions	<u>71,141</u>	<u>78,535</u>	<u>82,851</u>	<u>81,787</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Belhaven's covered payroll	\$ 952,085	\$ 996,056	\$ 1,143,272	\$ 1,106,856
Contributions as a percentage of covered payroll	7.47%	7.88%	7.25%	7.39%

Town of Belhaven, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 144,898	\$ 122,709	\$ 118,954	\$ 104,630	\$ 96,503
Service Cost	8,359	8,179	8,792	8,292	7,797
Interest on the total pension liability	4,724	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	(178)	4,560	(2,872)	(6,748)	-
Changes of assumptions or other inputs	77,481	4,983	(5,924)	8,741	(3,115)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 235,284</u>	<u>\$ 144,898</u>	<u>\$ 122,709</u>	<u>\$ 118,954</u>	<u>\$ 104,630</u>

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

Town of Belhaven, North Carolina
Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 235,284	\$ 144,898	\$ 122,709	\$ 118,954	\$ 104,630
Covered Payroll	304,199	304,532	269,620	314,319	309,912
Total pension liability as a percentage of covered payroll	77.35%	47.58%	45.51%	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 GASB Statement 73 to pay related benefits.

Town of Belhaven, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Four Fiscal Years

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 20,386	\$ 28,528	\$ 29,695	\$ 32,460
Interest	12,228	14,288	12,460	10,289
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	36	(75,730)	237	335
Changes of assumptions	64,456	3,575	(16,669)	(26,846)
Benefit payments	(9,320)	(8,590)	(8,304)	(7,838)
Net change in total OPEB Liability	87,786	\$ (37,929)	\$ 17,419	\$ 8,400
Total OPEB liability - beginning	333,614	371,543	354,124	345,724
Total OPEB liability - ending	421,400	333,614	371,543	354,124
Covered payroll	1,074,321	1,074,321	1,001,853	1,001,853
Total OPEB liability as a percentage of covered payroll	39.22%	31.05%	37.09%	35.35%

Notes to the schedules:

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

Fiscal Year	Rate
2021	2.21%
2020	3.50%
2019	3.18%
2018	3.09%

SUPPLEMENTARY STATEMENTS
AND SCHEDULES

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

Town of Belhaven, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes	\$ 646,070	\$ 650,358	\$ 4,288
Total	646,070	650,358	4,288
Other taxes and licenses			
Local option sales taxes	380,000	547,153	167,153
Fire and rescue taxes	51,000	50,551	(449)
Total	431,000	597,704	166,704
Unrestricted intergovernmental			
Utility franchise tax	75,000	80,644	5,644
Beer & wine tax	6,000	6,632	632
Telecommunications tax	14,800	16,435	1,635
Video programming	6,100	6,278	178
Solid waste disposal tax	1,100	1,182	82
ABC distribution	3,500	1,741	(1,759)
Total	106,500	112,912	6,412
Restricted intergovernmental			
Powell bill allocation	150,000	53,005	(96,995)
Grants	61,500	224,504	163,004
Total	211,500	277,509	66,009
Sales and services			
Refuse collection fees	213,525	161,889	(51,636)
Rents and concessions	10,455	2,000	(8,455)
Recreation fees	12,000	6,216	(5,784)
Dockage revenue	2,300	3,588	1,288
Miscellaneous	2,750	8,227	5,477
Total	241,030	181,920	(59,110)
Investment earnings			
Interest	6,500	597	(5,903)
Total	6,500	597	(5,903)
Miscellaneous income			
Other income	36,400	34,551	(1,849)
Total	36,400	34,551	(1,849)
Total Revenues	1,679,000	1,855,551	176,551

Town of Belhaven, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Salaries and benefits	403,323	400,847	2,476
Utilities	44,480	33,254	11,226
Professional services	95,943	83,254	12,689
Dues & subscriptions	10,590	6,795	3,795
Auto expenses	12,700	10,179	2,521
Telephone	9,440	8,022	1,418
Insurance and bonds	152,385	95,932	56,453
Travel	11,275	8,160	3,115
Repairs and maintenance	158,731	115,328	43,403
Supplies	23,145	20,691	2,454
Other operating expenses	37,333	33,565	3,768
Reimbursement from other funds	(516,996)	(516,996)	-
Total	442,349	299,031	143,318
Public Safety:			
Salaries and benefits	557,663	539,836	17,827
Auto	15,626	16,317	(691)
Repairs & maintenance	33,873	31,385	2,488
Professional services	4,920	4,985	(65)
Utilities	15,900	13,098	2,802
Telephone	8,500	4,600	3,900
EMS	64,000	63,455	545
Operating expenditures	96,429	84,741	11,688
Reimbursement from other funds	(231,427)	(205,917)	(25,510)
Total	565,484	552,500	12,984
Transportation			
Salaries and benefits	354,930	346,941	7,989
Vehicle maintenance	3,985	4,846	(861)
Street maintenance	146,475	141,848	4,627
Repairs and maintenance	38,965	40,111	(1,146)
Utilities	2,000	2,000	-
Other operating expenses	34,442	34,964	(522)
Reimbursement from other funds	(43,207)	(43,201)	(6)
Total	537,590	527,509	10,081
Environmental Protection			
Contracted services	124,912	115,080	9,832
Landfill	41,107	39,984	1,123
Total	166,019	155,064	10,955

Town of Belhaven, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Culture and recreational			
Salaries and benefits	57,775	58,179	(404)
Utilities	4,977	5,306	(329)
BHM regional library	7,100	7,100	-
Belhave public library	7,800	7,776	24
Insurance	1,385	1,443	(58)
Other operating expenses	29,880	33,419	(3,539)
Total	<u>108,917</u>	<u>113,223</u>	<u>(4,306)</u>
Debt service:			
Principal retirement	45,608	45,608	-
Interest and other charges	5,961	5,961	-
Total debt service	<u>51,569</u>	<u>51,569</u>	<u>-</u>
Total expenditures	<u>1,871,928</u>	<u>1,698,896</u>	<u>173,032</u>
Revenues over (under) expenditures	<u>(192,928)</u>	<u>156,655</u>	<u>349,583</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise funds	30,000	-	(30,000)
Appropriations (reserves)	51,308	-	(51,308)
Sales of capital assets	5,000	-	(5,000)
Insurance recovery	106,620	46,967	(59,653)
Total	<u>192,928</u>	<u>46,967</u>	<u>(145,961)</u>
Net change in fund balance	<u>\$ -</u>	203,622	<u>\$ 203,622</u>
Fund balance, beginning		1,385,530	
Prior period adjustment (see Note VI)		<u>(158,605)</u>	
Fund balance, beginning, restated		<u>1,226,925</u>	
Fund balance, ending		<u>\$ 1,430,547</u>	

Town of Belhaven, North Carolina
Special Revenue Fund - CDBG Spoon River Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Budget Authorization	Prior Years	Actual Current Years	Total to Date	Variance Positive (Negative)
Revenues					
CDBG grant	\$ 500,000	\$ -	\$ 400,393	\$ 400,393	\$ (99,607)
Total revenues	<u>500,000</u>	<u>-</u>	<u>400,393</u>	<u>400,393</u>	<u>(99,607)</u>
Expenditures					
Contracted services	<u>500,000</u>	<u>5,000</u>	<u>407,893</u>	<u>412,893</u>	<u>87,107</u>
Total expenditures	<u>500,000</u>	<u>5,000</u>	<u>407,893</u>	<u>412,893</u>	<u>87,107</u>
Revenues over (under) expenditures	<u>-</u>	<u>(5,000)</u>	<u>(7,500)</u>	<u>(12,500)</u>	<u>(12,500)</u>
Other financing sources (uses)					
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>(7,500)</u>	<u>\$ (12,500)</u>	<u>\$ (12,500)</u>
Fund balance, beginning			-		
Prior period adjustment (see Note VI)			<u>(5,000)</u>		
Fund balance, beginning, restated			<u>(5,000)</u>		
Fund balance, ending			<u>\$ (12,500)</u>		

Town of Belhaven, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	<u>Special Revenue Funds</u>		
		NCORR	Total
	Cemetery	Code	Non-Major
	Fund	Enforcement	Governmental
	Fund	Fund	Funds
Assets			
Cash and cash equivalents	\$ 25,914	\$ 33,307	\$ 59,221
Total assets	25,914	33,307	59,221
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	-	2,393	2,393
Unearned revenues	-	33,307	33,307
Total liabilities	-	35,700	35,700
Fund Balances:			
Non-spendable			
Perpetual maintenance	25,914	-	25,914
Unassigned	-	(2,393)	(2,393)
Total fund balances	25,914	(2,393)	23,521
Total liabilities and fund balances	\$ 25,914	\$ 33,307	\$ 59,221

Town of Belhaven, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		
	<u>Cemetery</u>	<u>NCORR</u>	<u>Total</u>
	<u>Fund</u>	<u>Code</u>	<u>Non-Major</u>
		<u>Enforcement</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
Revenues			
Restricted intergovernmental	\$ -	\$ -	\$ -
Charges for services	7,467	-	7,467
Total Revenues	7,467	-	7,467
Expenditures			
Current:			
General government	-	61,472	61,472
Cultural and recreational	2,160	-	2,160
Total Expenditures	2,160	61,472	63,632
Excess (deficiency) of Revenues over Expenditures	5,307	(61,472)	(56,165)
Other financing sources (uses)			
Transfer to other fund:			
General fund (payment in lieu of taxes)	-	-	-
Appropriations (reserves)	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	5,307	(61,472)	(56,165)
Fund balances, beginning	-	-	-
Prior period adjustment (see Note VI)	20,607	59,079	79,686
Fund balances, beginning, restated	20,607	59,079	79,686
Fund balances, ending	\$ 25,914	\$ (2,393)	\$ 23,521

Town of Belhaven, North Carolina
Special Revenue Fund - Cemetery Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues			
Cemetery services	\$ 2,200	\$ 7,467	\$ 5,267
Total revenues	<u>2,200</u>	<u>7,467</u>	<u>5,267</u>
Expenditures:			
Capital outlay	2,160	2,160	-
Total expenditures	<u>2,160</u>	<u>2,160</u>	<u>-</u>
Revenue over expenditures	<u>40</u>	<u>5,307</u>	<u>5,267</u>
Other financing sources (uses):			
Transfer to other fund:			
General fund (payment in lieu of taxes)	(250)	-	250
Appropriations (reserves)	<u>210</u>	<u>-</u>	<u>(210)</u>
Total other financing sources (uses)	<u>(40)</u>	<u>-</u>	<u>40</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	5,307	<u>\$ 5,307</u>
Fund balance, beginning		-	
Prior period adjustment (see Note VI)		<u>20,607</u>	
Fund balance, beginning, restated		<u>20,607</u>	
Fund balance, ending		<u>\$ 25,914</u>	

Town of Belhaven, North Carolina
Special Revenue Fund - NCORR Code Enforcement Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2021

	Budget	Actual			Variance
	Authorization	Prior Years	Current Years	Total to Date	Positive (Negative)
Revenues					
NCORR grant	\$ 65,000	\$ 97,500	\$ -	\$ 97,500	\$ 32,500
Total revenues	<u>65,000</u>	<u>97,500</u>	<u>-</u>	<u>97,500</u>	<u>32,500</u>
Expenditures					
Salaries and benefits	54,906	1,915	54,551	56,466	(1,560)
Other operating expenditures	<u>10,094</u>	<u>3,199</u>	<u>6,921</u>	<u>10,120</u>	<u>(26)</u>
Total expenditures	<u>65,000</u>	<u>5,114</u>	<u>61,472</u>	<u>66,586</u>	<u>(1,586)</u>
Revenues over (under) expenditures	<u>-</u>	<u>92,386</u>	<u>(61,472)</u>	<u>30,914</u>	<u>30,914</u>
Other financing sources (uses)					
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 92,386</u>	<u>(61,472)</u>	<u>\$ 30,914</u>	<u>\$ 30,914</u>
Fund balance, beginning			-		
Prior period adjustment (see Note VI)			<u>59,079</u>		
Fund balance, beginning, restated			<u>59,079</u>		
Fund balance, ending			<u>\$ (2,393)</u>		

Town of Belhaven, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Operating revenues			
Water charges	\$ 574,775	\$ 444,892	\$ (129,883)
Total operating revenues	<u>574,775</u>	<u>444,892</u>	<u>(129,883)</u>
Total revenues	<u>574,775</u>	<u>444,892</u>	<u>(129,883)</u>
Expenditures:			
Operating expenditures			
Salaries and benefits	167,185	203,064	(35,879)
Utilities	32,090	31,537	553
Repairs and maintenance	12,541	11,077	1,464
Contracted services	8,400	1,240	7,160
Administrative costs	118,888	113,259	5,629
Supplies	49,850	44,916	4,934
Other operating expenditures	15,181	43,499	(28,318)
Capital Outlay	48,320	42,107	6,213
Total operating expenditures	<u>452,455</u>	<u>490,699</u>	<u>(38,244)</u>
Debt services			
Interest and fees	76,455	88,418	(11,963)
Principal retirement	49,000	49,000	-
Total debt services	<u>125,455</u>	<u>137,418</u>	<u>(11,963)</u>
Total expenditures	<u>577,910</u>	<u>628,117</u>	<u>(50,207)</u>
Revenue over expenditures	<u>(3,135)</u>	<u>(183,225)</u>	<u>(180,090)</u>
Other financing sources (uses):			
Transfer to other fund:			
General fund (payment in lieu of taxes)	(14,000)	-	14,000
Sale of fixed assets	-	(97)	(97)
Appropriations (reserves)	17,135	-	(17,135)
Total other financing sources (uses)	<u>3,135</u>	<u>(97)</u>	<u>(3,232)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(183,322)</u>	<u>\$ (183,322)</u>

(continued)

Town of Belhaven, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

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

Reconciling items:

Depreciation	(102,200)
Principle retirement	49,000
Capital Outlay	14,956
Increase (decrease) in deferred outflows of resources - pensions	(8,284)
Increase (decrease) in deferred outflows of resources - OPEB	3,743
(Increase) Decrease in net pension liability	11,330
(Increase) Decrease in OPEB obligation	11,658
(Increase) Decrease in deferred inflows of resources - pensions	1,616
(Increase) Decrease in deferred inflows of resources - OPEB	5,809
Total reconciling items	<u>(12,372)</u>

Change in Net Position	<u><u>\$ (195,694)</u></u>
------------------------	----------------------------

Town of Belhaven, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Sewer charges	\$ 892,691	\$ 740,455	\$ (152,236)
Total operating revenues	892,691	740,455	(152,236)
Non-operating revenues			
Grant revenues	-	39,040	39,040
Total non-operating revenues	-	39,040	39,040
Total revenues	892,691	779,495	(113,196)
Expenditures			
Operating expenditures			
Salaries and benefits	156,091	103,938	52,153
Utilities	98,850	97,477	1,373
Repairs and maintenance	39,283	52,931	(13,648)
Contracted services	26,200	26,125	75
Sludge disposal	15,000	12,939	2,061
State permits	23,000	11,040	11,960
Administrative costs	190,220	185,873	4,347
Supplies	32,310	27,941	4,369
Other operating expenditures	21,207	17,871	3,336
Capital outlay	30,155	-	30,155
Total operating expenditures	632,316	536,135	96,181
Debt services			
Interest and fees	14,161	16,339	(2,178)
Principal retirement	54,464	54,464	-
Total debt services	68,625	70,803	(2,178)
Total expenditures	700,941	606,938	94,003
Revenues over (under) expenditures	191,750	172,557	(19,193)
Other financing sources (uses)			
Transfer to other fund:			
General fund (payment in lieu of taxes)	(15,000)	-	15,000
Appropriations (reserves)	(176,750)	-	176,750
Total other financing sources (uses)	(191,750)	-	191,750
Revenues over (under) expenditures and other financing sources (uses)	\$ -	172,557	\$ 172,557 (continued)

Town of Belhaven, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

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

Reconciling items:

Depreciation	(131,207)
Principle retirement	54,464
Increase (decrease) in deferred outflows of resources - pensions	20,633
Increase (decrease) in deferred outflows of resources - OPEB	3,529
(Increase) Decrease in net pension liability	(34,652)
(Increase) Decrease in OPEB obligation	(21,323)
(Increase) Decrease in deferred inflows of resources - pensions	(636)
(Increase) Decrease in deferred inflows of resources - OPEB	(4,613)
Total reconciling items	<u>(113,805)</u>

Change in Net Position	<u><u>\$ 58,752</u></u>
------------------------	-------------------------

Town of Belhaven, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Charges for services	\$ 2,155,968	\$ 2,107,732	\$ (48,236)
Total operating revenues	<u>2,155,968</u>	<u>2,107,732</u>	<u>(48,236)</u>
Non-operating revenues			
Grant revenues	-	9,000	9,000
Interest earnings	60	55	(5)
Total non-operating revenues	<u>60</u>	<u>9,055</u>	<u>8,995</u>
Total revenues	<u>2,156,028</u>	<u>2,116,787</u>	<u>(39,241)</u>
Expenditures			
Operating			
Salaries and benefits	127,941	106,167	21,774
Professional services	1,800	1,800	-
Electricity purchases	1,521,225	1,396,505	124,720
Contracted services	48,338	46,475	1,863
Administrative costs	483,212	466,982	16,230
Auto	7,134	7,112	22
Supplies	54,474	47,661	6,813
Repairs and maintenance	9,913	9,815	98
Office	15,070	13,252	1,818
Utilities	18,110	17,985	125
Other operating expenditures	12,310	9,659	2,651
Capital outlay	20,884	16,392	4,492
Total expenditures	<u>2,320,411</u>	<u>2,139,805</u>	<u>180,606</u>
Revenues over (under) expenditures	<u>(164,383)</u>	<u>(23,018)</u>	<u>141,365</u>
Other financing sources (uses)			
Transfer to other fund:			
General fund (payment in lieu of taxes)	(2,000)	-	2,000
Appropriations (reserves)	166,383	-	(166,383)
Total other financing sources (uses)	<u>164,383</u>	<u>-</u>	<u>(164,383)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(23,018)</u>	<u>\$ (23,018)</u> (continued)

Town of Belhaven, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

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

Reconciling items:

Depreciation	(9,913)
Increase (decrease) in deferred outflows of resources - pensions	8,758
Increase (decrease) in deferred outflows of resources - OPEB	6,605
(Increase) Decrease in net pension liability	(16,539)
(Increase) Decrease in OPEB obligation	(8,779)
(Increase) Decrease in deferred inflows of resources - pensions	695
(Increase) Decrease in deferred inflows of resources - OPEB	1,086
Total reconciling items	<u>(18,087)</u>

Change in Net Position	<u><u>\$ (41,105)</u></u>
------------------------	---------------------------

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable
Analysis of Current Tax Levy

Town of Belhaven, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021	\$ -	\$ 656,071	\$ 629,964	\$ 26,107
2020	23,336	-	7,878	15,458
2019	16,016	-	5,517	10,499
2018	11,923	-	1,743	10,180
2017	8,380	-	976	7,404
2016	7,473	-	530	6,943
2015	6,676	-	480	6,196
2014	7,337	-	528	6,809
2013	7,553	-	505	7,048
2012	6,717	-	432	6,285
2011	5,792	-	5,792	-
	<u>\$ 101,203</u>	<u>\$ 656,071</u>	<u>\$ 654,345</u>	<u>\$ 102,929</u>

Less allowance for uncollectible ad valorem taxes receivable: 21,000

Ad valorem taxes receivable, net \$ 81,929

Reconciliation with Revenues:

Ad valorem taxes:	
General Fund	\$ 650,358
Reconciling items:	
Releases and adjustments	3,987
Total Collections and Credits	<u>\$ 654,345</u>

Town of Belhaven, North Carolina
General Fund
Analysis of Current Tax Levy
June 30, 2021

				Total Levy	
	Property Valuation	Rate per \$100	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property tax at current year's tax rate	<u>\$ 111,198,475</u>	<u>0.59</u>	<u>\$ 656,071</u>	<u>\$ 595,430</u>	<u>\$ 60,641</u>
Total Net Levy for Current Year	<u>\$ 111,198,475</u>				
Net levy			656,071	595,430	60,641
less ncollected taxes at June 30, 2021			<u>26,107</u>	<u>26,107</u>	<u>-</u>
Current year's taxes collected			<u>\$ 629,964</u>	<u>\$ 569,323</u>	<u>\$ 60,641</u>
Current levy collection percentage			<u>96.02%</u>	<u>95.62%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belhaven, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Belhaven's basic financial statements, and have issued our report thereon dated May 1, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses as items [2021-001, 2021-002, 2021-003 and 2021-004] to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Belhaven's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [2021-002 and 2021-003].

Town of Belhaven's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Belhaven's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
May 1, 2023

Town of Belhaven, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
• Significant deficiency(ies) identified	<u> X </u> yes	<u> </u> no
Noncompliance material to financial statements noted	<u> </u> yes	<u> X </u> no

Section II - Financial Statement Findings

Finding 2021-001 Reconciliation of Records and Reporting
MATERIAL WEAKNESS

Criteria:	Management should have a system in place to reduce the likelihood of errors in financial reporting and ensure the timeliness of financial reporting.
Condition:	In reviewing records and testing certain account balances, we noted that several accounts were not reconciled/adjusted timely to include the reconciling to the subsidiary ledgers for Accounts Receivables, Accrued Payroll, Accrued Vacation, and Fixed Asset Accumulated Depreciation.
Effect:	The Town's management and other users of the financial statements do not have accurate and timely information for decision making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected, and fraud risks increase with delays in reconciliation of key accounts.
Cause:	Availability of adequate number of personnel in the finance and administration departments caused delays in reconciling account information and preparing for the annual audit and preparation of the financial statements.
Recommendation:	The Town should evaluate the allocation of internal resources dedicated to financial reporting to ensure adequate resources are available for timely account reconciliations, year-end close and annual financial reporting purposes. Management should consult with outside accountants or auditors if additional assistance is required in order to prepare for the annual audit, determined appropriated accounting for complex transactions, or prepare the financial statements.
Views of responsible officials and planned corrective actions:	The Town agrees with this finding. See corrective action plan.

Finding 2021-002 Budget Violation
NONCOMPLIANCE / MATERIAL WEAKNESS

Criteria:	In accordance with North Carolina General Statutes § 143C, Budget revisions must be requested and approved prior to any commitment and/or expenditure that would exceed the amount budgeted. Entities should not overspend the authorized budget.
Condition:	The budget was overspent in the Culture and Recreational department in the General Fund in the amount of \$4,306. The budget was also overspent in the NCORR Code Enforcement Fund and Water Fund in the amount of \$1,586 and \$50,207, respectively.
Effect:	Moneys were spent that had not been obligated and appropriated.

Town of Belhaven, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section II - Financial Statement Findings (continued)

Cause: The Town did not properly adopt and record budget amendments as needed for these department and funds.

Recommendation: The budget should be reviewed and appropriate amendments made during the year.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. See corrective action plan.

Finding 2021-003 Late Submission of Audit
NONCOMPLIANCE / MATERIAL WEAKNESS

Criteria: The audit report is expected to be submitted within five months plus one day from the fiscal year end per the contract with the Local Government Commission. As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner.

Condition: The audit report was issued almost 18 months after the required due date of October 31, 2021.

Effect: External groups such as the North Carolina General Assembly and State agencies did not get the information they needed concerning the audited financials timely.

Cause: The Town has experienced turnover in the finance officer position immediately after fiscal year end. Availability of adequate number of personnel in the finance and administration departments caused delays in reconciling account information, preparing for the annual audit, and preparation of the financial statements.

Recommendation: The Town should ensure that all efforts are made to complete the audits timely, and to include posting all required close-out entries prior to providing a trial balance to the auditor.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. See corrective action plan.

Finding 2021-004 Prior Period Adjustments
MATERIAL WEAKNESS

Criteria: Management should have a system in place to verify that transactions are recorded in the correct fund and period, thereby reducing the likelihood of errors in financial reporting.

Condition: Adjustments were recorded that decreased fund balance of the General Fund by \$158,605. The adjustments were to record a correction to adjust the overstated sales tax receivable (decrease of \$26,961), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (increase of \$32,760), and to adjust the overstated cash and cash equivalent to agree with the bank reconciliations (decrease of \$164,404).

The Cemetery Fund was reported separately as a governmental special revenue fund in the current reporting period, instead of being consolidated with the General Fund as it was presented in the prior period. Adjustments were recorded to increase the beginning fund balance by \$20,607. Additionally, the CDBG Spoon River Fund and the NCORR Code Enforcement Fund were reported separately as two governmental special revenue funds in the current reporting period. These two funds were not shown at all in the prior year's financial statements. Adjustments were recorded to increase (decrease) the beginning fund balance by \$(5,000) and \$59,079, respectively.

Town of Belhaven, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section II - Financial Statement Findings (continued)

On the government-wide statement, in addition to the adjustments stated above, adjustments were recorded to adjust the net capital assets from prior period to agree with the depreciation schedule (decrease of \$188,858), for a net government-wide prior period adjustment decreasing net position by \$272,777.

The Sewer Fund was reported separately as an enterprise fund in the current reporting period, instead of being consolidated with the Water Fund as it was presented in the prior period, to agree with the Town's budget presentation. Adjustments were recorded that decreased net position of the Water Fund by \$4,624,380; the adjustments were to adjust the net capital assets from prior period to agree with the depreciation schedule (decrease of \$4,737,802), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (increase of \$29,627), to adjust customer deposits from prior years to agree with the prepaid deposits subsidiary ledger (decrease of \$50,229), to adjust the overstated reserve account (increase of \$68,659), and to adjust the understated cash and cash equivalent to agree with the bank reconciliations (increase of \$65,365). Adjustments were recorded that increased net position of the Sewer Fund by \$4,872,744; the adjustments were to adjust the net capital assets from prior period to agree with the depreciation schedule (increase of \$4,780,478), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (decrease of \$159,939), to adjust customer deposits from prior years to agree with the prepaid deposits subsidiary ledger (increase of \$19,140), to adjust the overstated reserve account (increase of \$107,864), and to adjust the understated cash and cash equivalent to agree with the bank reconciliations (increase of \$125,201). Adjustments were recorded that increased net position of the Electric Fund by \$239,692; the adjustments were to adjust the net capital assets from prior period to agree with the depreciation schedule (increase of \$34,565), to adjust net accounts receivable from prior years to agree with the accounts receivable subsidiary ledger (decrease of \$179,705), to adjust customer deposits from prior years to agree with the prepaid deposits subsidiary ledger (increase of \$630), to adjust accounts payable from prior years to agree with the accounts payable subsidiary ledger (decrease of \$126,077), to adjust the overstated reserve account (increase of \$359,131), and to adjust the understated cash and cash equivalent to agree with the bank reconciliations (increase of \$151,148). The prior period adjustment increased the business-type activities net position by a net of \$488,056.

Effect: The Town's management and other users of the financial statements do not have accurate information for decision-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

Cause: The Town has experienced significant turnover in the finance officer position. Management has also overlooked the importance of the timeliness, accuracy, and proper classification of financial recording and reporting.

Recommendation: The Town should review the ledger and financial documents regularly to ensure that necessary adjustments are made timely and correctly during the year, and that funds are properly reported on the financial statements.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. See corrective action plan.



Town of Belhaven

"Birth Place of the Intracoastal Waterway"

Town of Belhaven, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

Finding: 2021-001

Reconciliation of Records and Reporting

Name of Contact Person:

Jacki Waldron, Finance Director

Corrective Action:

The Town has hired qualified people to fill positions in the finance department. The Town has also implemented new financial software. The new staff members have performed reconciliations within the financial software and have will continue to do so in a timely manner ensuring that monthly reports are correct and complete, which will lead to complete and accurate reporting for future years. The Town will make a commitment to continued training in both local government finance, but also the financial software that was implemented in 2022.

Proposed Completion Date:

July 1, 2023.

Finding: 2021-002

Budget Violation

Name of Contact Person:

Jacki Waldron, Finance Director

Corrective Action:

Following the protocols of timeliness in reporting as stated above, the finance director, management and department heads will review budget to actual reports on a monthly basis. This will help to ensure that all responsible parties are involved and held accountable for budget management. A purchasing policy was adopted in FY23 that specifically states various levels of appropriations and the necessary approval process, even if budgeted. This active policy will ensure that the Town Council has monthly reports and grants approval to purchases following a policy.

Qualified staff have been hired to fill vacant positions in the finance department. Their experience in accounting and other financial processes will help to ensure and assure that budgets are maintained accurately. Implementation of policies and new software will prevent this violation in future budget years.

Proposed Completion Date:

July 1, 2023.



Town of Belhaven

"Birth Place of the Intracoastal Waterway"

Town of Belhaven, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2021

Section II - Financial Statement Findings (continued)

Finding: 2021-003

Late Submission of Audit

Name of Contact Person:

Jacki Waldron, Finance Director

Corrective Action:

The Town's finance department experienced a great deal of turnover between June, 2021, and September, 2022. This was the primary cause of the delay in preparation of the financial audit for FY21. A new finance director with extensive accounting knowledge and experience was hired in September, 2022. Prior to that, a financial specialist was hired for day to day accounts payable and payroll. Also, during that time the town manager also took a leadership role in the day to day financial operations with the assistance of outside consultants. Tyler Technologies financial software was also implemented during the transition of staff.

The FY 22 audit is also already past the required deadline. However, with new and experience staff in place and a year of experience with the new software, the Town anticipates being on track with the completion of the FY22 audit.

The course of action will include approval of an audit contract for FY22 financials with Thompson, Price, Scott, and Adams. Staff and consultants have already begun preparing the required files and reports that will be needed for the audit.

Proposed Completion Date:

December 31, 2023.

Finding: 2021-004

Prior Period Adjustments

Name of Contact Person:

Jacki Waldron, Finance Director

Corrective Action:

Timely reconciliation and hiring experienced personnel in the finance department will prevent future errors of this kind. With newly audited financial statements, financial statements for future years will begin with accurate information leading to accurate reporting for the remainder of the year.

Proposed Completion Date:

December 31, 2023.

Town of Belhaven, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

None reported.