

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

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

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**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2013

CITY COUNCIL

Mayor

Richard Boyce

Commissioners

Charlie Martin

Charlie Flowers

Bill Toole

Martha Stowe

Ron Foulk

OFFICIALS

Barry Webb, City Manager

Michelle Davis, Deputy Finance Officer

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CITY OF BELMONT, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

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

Independent Auditor's Report

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

Report On the Financial Statements

We have audited the accompanying Financial Statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2013, and the related Notes to the Financial Statements, which collectively comprise City of Belmont's basic Financial Statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefit's Schedules of Funding Progress and Employer Contributions be presented to supplement the basic Financial Statements. Such information, although not a part of the basic Financial Statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Financial Statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Financial Statements, and other knowledge we obtained during our audit of the basic Financial Statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the Financial Statements that collectively comprise the City of Belmont's basic Financial Statements. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic Financial Statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013 on our consideration of the City of Belmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 City of Belmont's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 22, 2013

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Management's Discussion and Analysis

As management of the City of Belmont, we offer readers of the City of Belmont's Financial Statements this narrative overview and analysis of the financial activities of the City of Belmont for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

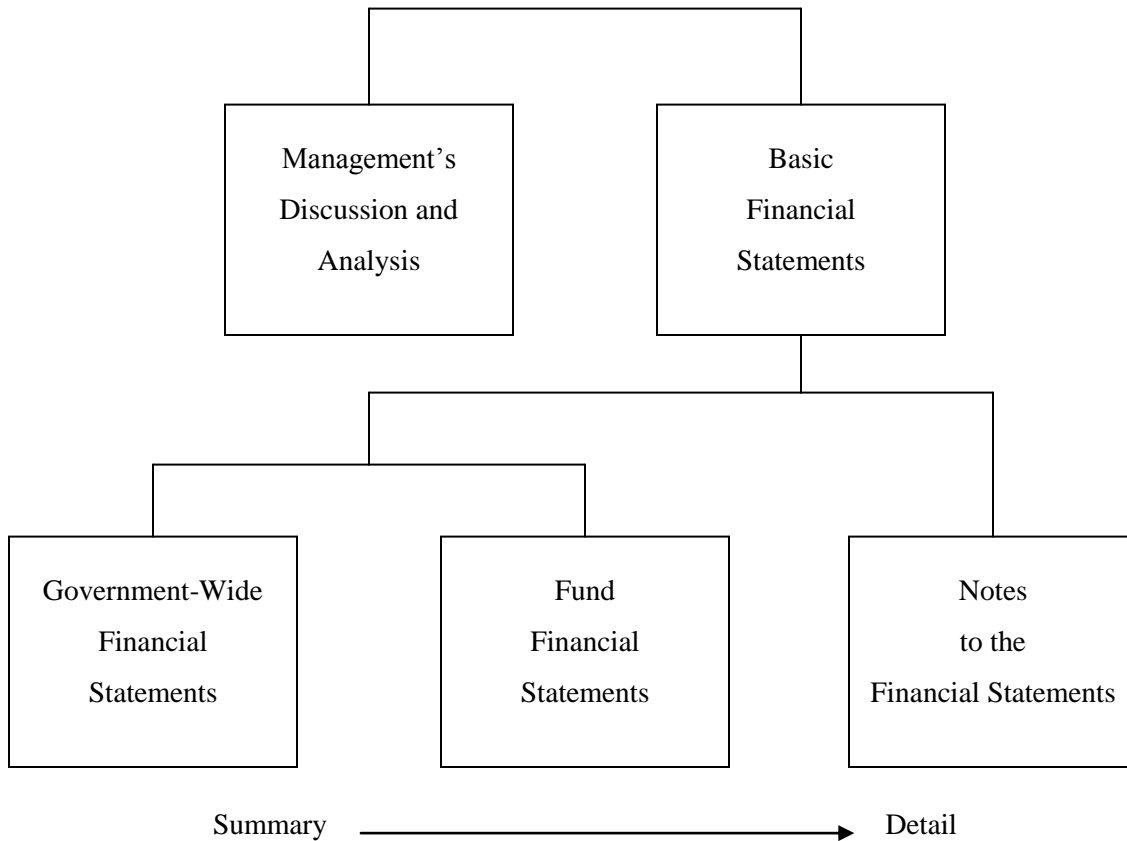
- The assets of the City of Belmont exceeded its liabilities at the close of the fiscal year by \$25,818,369 (net position).
- The government's total net position increased by \$1,536,185 due to increases in both governmental and business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$6,074,352, with a net change of \$1,488,967. Approximately 24.66 percent of this total amount or \$1,498,186 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,483,879, or 29.4 percent, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding increased by \$760,549 (10.1%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The City of Belmont adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the

final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements are on pages 25-53 of this report.

Other Information. In addition to the basic Financial Statements and accompanying notes, this report includes certain required supplementary information concerning the City of Belmont's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 6,671,491	\$ 5,225,084	\$ 4,874,445	\$ 3,886,115	\$ 11,545,936	\$ 9,111,199
Capital assets	9,588,371	9,121,618	13,802,759	14,265,370	23,391,130	23,386,988
Total assets	16,259,862	14,346,702	18,677,204	18,151,485	34,937,066	32,498,187
Liabilities:						
Long-term liabilities	5,088,600	3,819,731	3,470,834	2,898,633	8,559,434	6,718,364
Other liabilities	1,087,226	377,257	619,581	225,154	1,706,807	602,411
Total liabilities	6,175,826	4,196,988	4,090,415	3,123,787	10,266,241	7,320,775
Net Position:						
Net investment in capital assets	6,315,343	5,973,687	10,561,585	11,561,991	16,876,928	17,535,678
Restricted	1,498,186	435,430	-	-	1,498,186	435,430
Unrestricted	2,977,957	3,740,597	4,465,298	3,465,707	7,443,255	7,206,304
Total net position	\$ 10,791,486	\$ 10,149,714	\$ 15,026,883	\$ 15,027,698	\$ 25,818,369	\$ 25,177,412

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the City of Belmont exceeded liabilities and deferred inflows by \$25,818,369 as of June 30, 2013. The City's net position increased by \$1,536,185 for the fiscal year ended June 30, 2013. However, the largest portion (65.37%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Belmont uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City of Belmont's net position, \$1,498,186, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,443,255 is unrestricted.

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

- General Fund revenues were approximately \$78,077, 0.92% higher than the previous fiscal year, while expenditures were approximately \$45,583, 0.54% lower than the previous year.
- General Fund revenues were 102.9% of budgetary estimates, while expenditures were 99.0% of budgetary estimates.
- Water and sewer operating revenues were approximately \$235,422, 4.49% higher than the previous fiscal year, while operating expenses were approximately \$148,610, 1.17% lower than the previous year.
- Water and sewer revenues were 108.11% of budgetary estimates, while expenses were 94.99% of budgetary estimates.

City of Belmont's Changes in Net Position

Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2013</u>	<u>Business-Type</u> <u>Activities</u> <u>2013</u>	<u>Total</u> <u>2013</u>	<u>Governmental</u> <u>Activities</u> <u>2012</u>	<u>Business-Type</u> <u>Activities</u> <u>2012</u>	<u>Total</u> <u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 647,882	\$ 5,220,601	\$ 5,868,483	\$ 606,394	\$ 4,994,705	\$ 5,601,099
Operating grants and contributions	318,737	-	318,737	339,167	895,228	1,234,395
General revenues:						
Property taxes	5,365,736	-	5,365,736	5,202,434	-	5,202,434
Other taxes	2,455,723	-	2,455,723	2,466,394	-	2,466,394
Other	105,092	6,422	111,514	179,314	12,090	191,404
Total revenues	<u>8,893,170</u>	<u>5,227,023</u>	<u>14,120,193</u>	<u>8,793,703</u>	<u>5,902,023</u>	<u>14,695,726</u>
Expenses:						
General government	1,286,225	-	1,286,225	1,299,192	-	1,299,192
Public safety	3,950,322	-	3,950,322	4,499,251	-	4,499,251
Transportation	1,273,144	-	1,273,144	1,243,924	-	1,243,924
Environmental protection	819,276	-	819,276	874,727	-	874,727
Culture and recreation	783,099	-	783,099	616,058	-	616,058
Economic and physical development	-	-	-	16,663	-	16,663
Water and sewer	-	4,332,610	4,332,610	-	4,451,814	4,451,814
Interest	139,332	-	139,332	143,672	-	143,672
Total expenses	<u>8,251,398</u>	<u>4,332,610</u>	<u>12,584,008</u>	<u>8,693,487</u>	<u>4,451,814</u>	<u>13,145,301</u>
Increase (decrease) in net position	<u>641,772</u>	<u>894,413</u>	<u>1,536,185</u>	<u>100,216</u>	<u>1,450,209</u>	<u>1,550,425</u>
Net Position:						
Beginning of year, as previously stated - July 1	10,149,714	15,027,698	25,177,412	10,049,498	13,577,489	23,626,987
Prior period adjustment	-	(895,228)	(895,228)	-	-	-
Beginning of year, as restated	<u>10,149,714</u>	<u>14,132,470</u>	<u>24,282,184</u>	<u>10,049,498</u>	<u>13,577,489</u>	<u>23,626,987</u>
End of year - June 30	<u>\$ 10,791,486</u>	<u>\$ 15,026,883</u>	<u>\$ 25,818,369</u>	<u>\$ 10,149,714</u>	<u>\$ 15,027,698</u>	<u>\$ 25,177,412</u>

Governmental Activities. Governmental activities increased the City's net position by \$641,772, thereby accounting for 41.78% of the increase in net position of the City of Belmont. Key elements of this increase are as follows:

- Overall, functional expenditures for all functions were less than in the prior year, while total revenues increased by approximately \$78,077.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$894,413, accounting for 58.22% of the change in the government's net position. Key elements of this increase are as follows:

- Total charges for services increased approximately \$235,422 over the prior year, while total expenditures decreased.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Belmont. At the end of the current fiscal year, fund balance available in the General Fund was \$2,669,932, while total fund balance reached \$3,107,492. The City currently has an available fund balance of 31.60% of General Fund expenditures, while total fund balance represents 36.78% of the same amount.

At June 30, 2013, the governmental funds of the City of Belmont reported a combined fund balance of \$6,074,352 with a net increase of \$1,488,967.

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

Proprietary Funds. The City of Belmont's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,465,298. The total changes in net position for the Water and Sewer Fund were \$894,413. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Belmont's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Belmont's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totals \$23,391,130 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Additional information on the City's capital assets can be found beginning on page 37 of this report.

City of Belmont's Capital Assets (net of depreciation)

Figure 4

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2013	2013	2013	2012	2012	2012
Land	\$ 2,790,270	\$ 75,890	\$ 2,866,160	\$ 2,706,296	\$ 75,890	\$ 2,782,186
Buildings	4,467,774	3,794,656	8,262,430	4,568,444	4,015,871	8,584,315
Other improvements	646,625	1,581,224	2,227,849	678,395	1,597,568	2,275,963
Machinery and equipment	558,034	836,769	1,394,803	412,745	652,161	1,064,906
Vehicles and motorized equipment	660,059	-	660,059	664,018	-	664,018
Distribution systems	-	6,432,072	6,432,072	-	6,836,216	6,836,216
Other non-depreciable items	5,687	31,911	37,598	-	31,911	31,911
Natural gas fill station	-	137,454	137,454	-	142,970	142,970
Construction in progress	459,922	912,783	1,372,705	91,720	912,783	1,004,503
Total	\$ 9,588,371	\$ 13,802,759	\$ 23,391,130	\$ 9,121,618	\$ 14,265,370	\$ 23,386,988

Long-Term Debt. As of June 30, 2013, the City of Belmont had total debt outstanding of \$7,507,087. Of this, \$2,703,379 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

City of Belmont's Outstanding Debt Long-Term Obligations

Figure 5

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2013	2013	2013	2012	2012	2012
Capitalized leases	\$ 468,787	\$ -	\$ 468,787	\$ 576,514	\$ -	\$ 576,514
Notes payable	3,797,126	3,241,174	7,038,300	2,571,417	3,598,607	6,170,024
Total	\$ 4,265,913	\$ 3,241,174	\$ 7,507,087	\$ 3,147,931	\$ 3,598,607	\$ 6,746,538

The City of Belmont's total debt increased by \$760,549, 10.13% during the past fiscal year. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Belmont is \$86,841,944.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 48 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- In the past year, the City of Belmont has witnessed a continuing improvement in its overall economic indicators, reversing some of the trends that had been experienced during the economic downturn that was in place for the past several years. In regards to housing, the number of permits issued in 2012 for new house/townhouse construction reached 97, nearly doubling the total of 49 issued in 2009 at the worst of the downturn. A similar pace has been experienced during the first six months of 2013. These figures do not include an additional 116 dormitory rooms and 72 senior apartment units that have also been permitted this year. On the commercial side, over 50 new businesses began operations in the City of Belmont during FY 2012-2013, a number of which have located in the downtown area, including a new restaurant.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. As a result of actual results from this fiscal year, additional growth is anticipated in some of the major General Fund revenues in the coming fiscal year. Overall, total General Fund revenues are projected to increase by 3.42% over the adopted FY 2012-2013 budget total. An important component of this overall revenue growth is that increases are projected for each of the three largest General Fund Revenues – Current Year Ad Valorem Taxes (+2.69%), Local Option Sales Taxes (+10.39%), and Utility Franchise Taxes (+3.70%) – which, together, account for 88.46% of total General Fund revenues.

In line with the projected revenues, budgeted expenditures in the General Fund for the coming fiscal year are also projected to increase by 3.42% from the prior fiscal year. No new positions or programs are being added, but some realignments in staffing responsibilities are being carried out to increase operational efficiency. All services will be maintained at current levels. Aside from some adjustments to salary and benefit expenses, the budget increase on the expenditure side is driven by the inclusion of funds in the approved budget to allow the City of Belmont to move forward on some of its highest priority capital projects. Primarily, this consists of renovation of the building purchased for the Public Works Department and the development of a new riverfront park.

Business-Type Activities. Water and Sewer rates will increase for FY 2013-2014, with overall water charges increasing approximately 7.0% and wastewater charges increasing 11.0%. These increases are in concurrence with the recommendations for the third year of a six-year rate plan, which was adopted by the City Council as part of the FY 2011-2012 budget, with the major focus being to utilize additional revenues resulting from these increases solely for capital improvements. The overall budget for the Water and Sewer Fund will increase by 4.34% due primarily to increased expenditures related to capital projects, which are funded by the increased revenues resulting from the rate increases. As with the General Fund, no new positions or programs are authorized. Overall water decreased by 3.0% in the past fiscal year, but overall revenues were up by 7.5% as a result of adopted rate adjustments.

Requests for Information

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,829,105	\$ 3,994,119	\$ 8,823,224	\$ 95,865
Taxes receivables, net	160,231	-	160,231	-
Accounts receivable, net	33,794	635,492	669,286	-
Note receivable	10,104	-	10,104	-
Prepaid items	18,096	-	18,096	-
Due from other governments	350,408	-	350,408	-
Inventories	69,759	155,258	225,017	-
Total current assets	5,471,497	4,784,869	10,256,366	95,865
Restricted assets:				
Cash and cash equivalents	1,178,938	89,576	1,268,514	-
Non-current assets:				
Long-term note receivable	21,056	-	21,056	-
Capital assets:				
Non-depreciable	3,255,879	1,020,584	4,276,463	-
Depreciable, net of accumulated depreciation	6,332,492	12,782,175	19,114,667	-
Total non-current assets	9,609,427	13,802,759	23,412,186	-
Total assets	16,259,862	18,677,204	34,937,066	95,865
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	371,954	81,673	453,627	128
Accrued interest	14,920	8,238	23,158	-
Long-term liabilities, due within one year	707,450	440,094	1,147,544	-
Payable from restricted assets:				
Customer deposits	-	89,576	89,576	-
Total current liabilities	1,087,226	619,581	1,706,807	128
Long-term liabilities, due in more than one year	4,381,150	3,030,740	7,411,890	-
Total liabilities	5,468,376	3,650,321	9,118,697	128
Net Position:				
Net investment in capital assets	6,315,343	10,561,585	16,876,928	-
Restricted for:				
Stabilization by State statute	319,248	-	319,248	-
Streets	186,053	-	186,053	-
Cultural and recreational	992,885	-	992,885	-
Unrestricted	2,977,957	4,465,298	7,443,255	95,737
Total net position	\$ 10,791,486	\$ 15,026,883	\$ 25,818,369	\$ 95,737

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

CITY OF BELMONT, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Function/Programs:	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 1,286,225	\$ 93,982	\$ -
Public safety	3,950,322	14,879	5,325
Transportation	1,273,144	-	292,512
Environmental protection	819,276	387,213	-
Cultural and recreational	783,099	151,808	20,900
Interest on long-term debt	<u>139,332</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>8,251,398</u>	<u>647,882</u>	<u>318,737</u>
Business-Type Activities:			
Water and sewer	<u>4,332,610</u>	<u>5,220,601</u>	<u>-</u>
Total business-type activities	<u>4,332,610</u>	<u>5,220,601</u>	<u>-</u>
Total primary government	<u>\$ 12,584,008</u>	<u>\$ 5,868,483</u>	<u>\$ 318,737</u>
Component Unit:			
Belmont Tourism Development Authority	<u>\$ 96,327</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes:
 - Property taxes, levied for general purposes
 - Other taxes
- Unrestricted investment earnings
- Insurance claim proceeds
- Miscellaneous
- Total general revenues

Change in net position

Net Position:

- Beginning of year - July 1
- Prior period adjustment
- Beginning of year, as restated
- End of year - June 30

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

Exhibit B

Net Revenue (Expense) and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Belmont Tourism Development Authority
\$ (1,192,243)	\$ -	\$ (1,192,243)	\$ -
(3,930,118)	-	(3,930,118)	-
(980,632)	-	(980,632)	-
(432,063)	-	(432,063)	-
(610,391)	-	(610,391)	-
(139,332)	-	(139,332)	-
<u>(7,284,779)</u>	<u>-</u>	<u>(7,284,779)</u>	<u>-</u>
-	887,991	887,991	-
-	887,991	887,991	-
<u>(7,284,779)</u>	<u>887,991</u>	<u>(6,396,788)</u>	<u>-</u>
			<u>(96,327)</u>
5,365,736	-	5,365,736	-
2,455,723	-	2,455,723	75,602
13,416	5,632	19,048	-
-	790	790	-
91,676	-	91,676	-
<u>7,926,551</u>	<u>6,422</u>	<u>7,932,973</u>	<u>75,602</u>
<u>641,772</u>	<u>894,413</u>	<u>1,536,185</u>	<u>(20,725)</u>
10,149,714	15,027,698	25,177,412	116,462
-	(895,228)	(895,228)	-
<u>10,149,714</u>	<u>14,132,470</u>	<u>24,282,184</u>	<u>116,462</u>
<u>\$ 10,791,486</u>	<u>\$ 15,026,883</u>	<u>\$ 25,818,369</u>	<u>\$ 95,737</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 2,850,878	\$ 1,348,695	\$ 629,532	\$ 4,829,105
Taxes receivable, net	160,231	-	-	160,231
Accounts receivable, net	1,717	-	32,077	33,794
Note receivable	31,160	-	-	31,160
Prepaid items	18,096	-	-	18,096
Due from other governments	350,408	-	-	350,408
Inventory	69,056	-	703	69,759
Cash, restricted	186,053	-	992,885	1,178,938
Total assets	<u>\$ 3,667,599</u>	<u>\$ 1,348,695</u>	<u>\$ 1,655,197</u>	<u>\$ 6,671,491</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 366,999	\$ -	\$ 4,955	\$ 371,954
Total liabilities	<u>366,999</u>	<u>-</u>	<u>4,955</u>	<u>371,954</u>
Deferred Infows of Resources:				
Property taxes receivable	160,231	-	-	160,231
Other receivables	32,877	-	32,077	64,954
Total deferred inflows of resources	<u>193,108</u>	<u>-</u>	<u>32,077</u>	<u>225,185</u>
Fund Balances:				
Non-spendable:				
Inventories	69,056	-	-	69,056
Note receivable	31,160	-	-	31,160
Prepaid items	18,096	-	-	18,096
Restricted:				
Stabilization by State statute	319,248	-	-	319,248
Streets	186,053	-	-	186,053
Cultural and Recreation	-	-	992,885	992,885
Committed capital reserve	-	1,348,695	-	1,348,695
Assigned:				
Assigned, other	-	-	625,280	625,280
Unassigned	2,483,879	-	-	2,483,879
Total fund balances	<u>3,107,492</u>	<u>1,348,695</u>	<u>1,618,165</u>	<u>6,074,352</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,667,599</u>	<u>\$ 1,348,695</u>	<u>\$ 1,655,197</u>	<u>\$ 6,671,491</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	Total
Reconciliation of the Balance Sheet to the Statement of Net Position:	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance - governmental funds	\$ 6,074,352
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,588,371
Liabilities for earned revenues considered deferred inflows of resources in fund statements	232,283
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(14,920)
Compensated absences	(364,719)
Net pension obligation	(161,094)
Other post-employment benefits obligation	(296,874)
Note payable	(3,797,126)
Capital leases payable	(468,787)
Net position of governmental activities (Exhibit A)	\$ 10,791,486

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Ad valorem taxes	\$ 5,365,736	\$ -	\$ -	\$ 5,365,736
Other taxes and licenses	85,036	-	-	85,036
Unrestricted intergovernmental	2,370,687	-	-	2,370,687
Restricted intergovernmental	297,837	-	20,900	318,737
Permits and fees	74,602	-	-	74,602
Sales and services	186,067	-	387,213	573,280
Investment earnings	9,647	3,568	201	13,416
Other general revenues	91,676	-	-	91,676
Total revenues	<u>8,481,288</u>	<u>3,568</u>	<u>408,314</u>	<u>8,893,170</u>
Expenditures:				
Current:				
General government	1,234,092	-	-	1,234,092
Public safety	3,870,039	-	-	3,870,039
Transportation	1,185,176	-	-	1,185,176
Environmental protection	582,044	-	235,511	817,555
Cultural and recreational	476,099	-	282,316	758,415
Debt service:				
Principal	451,266	-	17,752	469,018
Interest and other changes	117,909	-	6,503	124,412
Capital outlay	532,496	-	-	532,496
Total expenditures	<u>8,449,121</u>	<u>-</u>	<u>542,082</u>	<u>8,991,203</u>
Revenues over (under) expenditures	<u>32,167</u>	<u>3,568</u>	<u>(133,768)</u>	<u>(98,033)</u>
Other Financing Sources (Uses):				
Long-term debt issued	288,750	-	1,298,250	1,587,000
Total other financing sources (uses)	<u>288,750</u>	<u>-</u>	<u>1,298,250</u>	<u>1,587,000</u>
Net change in fund balances	320,917	3,568	1,164,482	1,488,967
Fund Balances:				
Beginning of year - July 1	<u>2,786,575</u>	<u>1,345,127</u>	<u>453,683</u>	<u>4,585,385</u>
End of year - June 30	<u>\$ 3,107,492</u>	<u>\$ 1,348,695</u>	<u>\$ 1,618,165</u>	<u>\$ 6,074,352</u>

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

CITY OF BELMONT, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 1,488,967
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	466,753
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(30,159)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,117,982)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Accrued interest payable	(14,920)
Compensated absences	(43,970)
Other post-employment benefits obligation	(76,976)
Net pension obligation	<u>(29,941)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 641,772</u>

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

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over/Under</u>
Revenues:				
Ad valorem taxes	\$ 5,208,000	\$ 5,272,514	\$ 5,365,736	\$ 93,222
Other taxes and licenses	62,500	78,000	85,036	7,036
Unrestricted intergovernmental	2,177,000	2,177,582	2,370,687	193,105
Restricted intergovernmental	302,500	306,300	297,837	(8,463)
Permits and fees	51,500	66,000	74,602	8,602
Sales and services	173,600	184,300	186,067	1,767
Investment earnings	10,000	10,000	9,647	(353)
Miscellaneous	30,000	150,330	91,676	(58,654)
Total revenues	<u>8,015,100</u>	<u>8,245,026</u>	<u>8,481,288</u>	<u>236,262</u>
Expenditures:				
Current:				
General government	1,223,989	1,235,117	1,234,092	1,025
Environmental protection	616,491	613,391	582,044	31,347
Public safety	3,888,363	3,879,164	3,870,039	9,125
Cultural and recreation	531,756	488,704	476,099	12,605
Transportation	1,158,617	1,199,349	1,185,176	14,173
Debt service:				
Principal	463,203	463,203	451,266	11,937
Interest and other changes	117,799	120,899	117,909	2,990
Capital outlay	154,882	533,949	532,496	1,453
Total expenditures	<u>8,155,100</u>	<u>8,533,776</u>	<u>8,449,121</u>	<u>84,655</u>
Revenues over (under) expenditures	<u>(140,000)</u>	<u>(288,750)</u>	<u>32,167</u>	<u>320,917</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	288,750	288,750	-
Transfers from other funds	140,000	-	-	-
Total other financing sources (uses)	<u>140,000</u>	<u>288,750</u>	<u>288,750</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>320,917</u>	<u>\$ 320,917</u>
Fund Balance:				
Beginning of year - July 1			<u>2,786,575</u>	
End of year - June 30			<u>\$ 3,107,492</u>	

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
WATER AND SEWER FUND
JUNE 30, 2013

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,994,119
Accounts receivable (net)	635,492
Inventories	<u>155,258</u>
Total current assets	<u>4,784,869</u>
Restricted assets:	
Cash and cash equivalents	<u>89,576</u>
Non-current assets:	
Capital assets:	
Non-depreciable	1,020,584
Depreciable, net of accumulated depreciation	<u>12,782,175</u>
Total non-current assets	<u>13,802,759</u>
Total assets	<u>18,677,204</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	81,673
Accrued interest	8,238
Current portion of compensated absences	50,000
Current portion of long-term debt	390,094
Payable from restricted assets:	
Customer deposits	<u>89,576</u>
Total current liabilities	<u>619,581</u>
Non-current liabilities:	
Compensated absences	59,996
Other post-employment benefits	119,664
Non-current portion of long-term debt	<u>2,851,080</u>
Total non-current liabilities	<u>3,030,740</u>
Total liabilities	<u>3,650,321</u>
Net Position:	
Net investment in capital assets	10,561,585
Unrestricted	<u>4,465,298</u>
Total net position	<u>\$ 15,026,883</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 4,745,094
Other operating revenues	475,507
Total operating revenues	<u>5,220,601</u>
Operating Expenses:	
Water administration and distribution	1,259,067
Water treatment plant	1,047,665
Waste collection and treatment	1,077,367
Depreciation	839,583
Total operating expenses	<u>4,223,682</u>
Operating income (loss)	<u>996,919</u>
Non-Operating Revenues (Expenses):	
Investment earnings	5,632
Insurance claims	790
Interest and other charges	(108,928)
Total non-operating revenues (expenses)	<u>(102,506)</u>
Change in net position	<u>894,413</u>
Net Position:	
Beginning of year - July 1	15,027,698
Prior period adjustment	(895,228)
Beginning of year, as restated	<u>14,132,470</u>
End of year - June 30	<u>\$ 15,026,883</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 5,219,514
Cash paid for goods and services	(1,514,789)
Cash paid to or on behalf of employees for services	(1,886,222)
Customer deposits, net	<u>6,382</u>
Net cash provided (used) by operating activities	<u>1,824,885</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from insurance claim	790
Acquisition and construction of capital assets	(376,972)
Proceeds from long-term debt	158,000
Principal paid on long-term debt	(515,433)
Interest paid on long-term debt	<u>(100,690)</u>
Net cash provided (used) in capital and related financing activities	<u>(834,305)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>5,632</u>
Net Increase (Decrease) in Cash and Cash Equivalents	996,212
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>3,087,483</u>
End of year - June 30	<u>\$ 4,083,695</u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ 996,919</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	839,583
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(12,317)
(Increase) decrease in inventories	8,969
Increase (decrease) in accounts payable and accrued liabilities	(16,235)
Increase (decrease) in compensated absences payable	1,584
Increase (decrease) in customer deposits	<u>6,382</u>
Total adjustments	<u>827,966</u>
Net cash provided (used) by operating activities	<u>\$ 1,824,885</u>

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Belmont Tourism Development Authority

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

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the City and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental fund:

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

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

The City reports the following nonmajor governmental funds:

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

Safe Routes to School Grant Fund. The Safe Routes to School Grants Fund were established to construct sidewalks on Lincoln and Todd Streets and to install a bicycle lane on Central Avenue. The project will span over multiple fiscal years.

Brook Street Soccer Park Project Fund. The Brook Street Soccer Park Project Fund was established to develop the Brook Street Soccer Park which consists of two full sized lighted soccer fields, playground, restroom facility, picnic shelter, walking track, and other associated site work and improvements. The project will span over multiple fiscal years.

The City reports the following major Enterprise Fund:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the City's water and sewer operations.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Gaston County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Belmont. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered in Gaston County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these Financial Statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. Interest on investments is recorded as earned since it is both measurable and available. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for interest on general long-term debt and non-current portion of accrued vacation payable which is recognized when due. Inventory decreases, capital expenditures, and payments of principal on long-term debt are considered to be expenditures.

On-behalf payments made by the State to the Firemen's and Rescue Squad Workers' Pension Plan for employees of the City are recognized as revenues and expenditures during the period in which the State makes the contributions to the Plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local Board of Trustees for various salary supplements and stipends for employees, have been recognized as revenues and expenditures during the period in which those payments were received.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

D. Budgetary Data

As required by the North Carolina Budget and Fiscal Control Act, the City Council adopts an annual budget ordinance for all governmental and proprietary fund types except funds authorized by project ordinance. All annual appropriations lapse at the fiscal year-end. All budget ordinances are prepared on the modified accrual basis of accounting as required by the Act. During the year ended June 30, 2013, several amendments to the original budget were necessary.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered to be cash and cash equivalents.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012.

Allowance for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

Restricted Assets

Powell Bill funds are classified as restricted assets, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Brook Street Soccer Park Money is also classified as restricted because its use is restricted by revenue source for the development of the Brook Street Soccer Park.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets, which were acquired after July 1, 2003, include roads, bridges, sidewalks, traffic signals, etc. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs 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. Interest expense is capitalized on construction in progress to the extent that it exceeds income.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The estimated useful lives are as follows:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The 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. 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 future period and so will not be recognized as revenues until then. The City has two items that meets this criterion – property taxes receivable and other receivables.

Long-Term Obligations

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Compensated Absences

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

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

Net Position/Fund Balances

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

Fund Balances

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

Non-Spendable Fund Balance

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

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

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

Note Receivable – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Restricted Fund Balance

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

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

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

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for the development of the Brook Street Soccer Park.

Committed Fund Balance

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

Committed for Capital Reserve – portion of fund balance that can only be used for capital project capital outlay expenditures.

Assigned Fund Balance

Assigned Fund Balance – portion of fund balance that the City of Belmont intends to use for specific purposes.

Assigned for Stormwater Fund – portion of fund balance that has been budgeted by the Board for use in the Stormwater Fund.

Assigned for Safe Routes to School Grant Fund – portion of fund balance that has been budgeted by the Board for use in the Safe Routes to School Grant Fund.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Unassigned Fund Balance

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes of other funds.

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

The City of Belmont has adopted a formal fund balance policy for the available fund balance at the close of each fiscal year should be no less than 25% of the City's total annual operating budget, with a target policy equal to 30%.

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

Total fund balance - General Fund	\$ 3,107,492
Less:	
Inventories	69,056
Prepaid items	18,096
Note receivable	31,160
Stabilization by State statute	<u>319,248</u>
Total available fund balance	<u>\$ 2,669,932</u>

F. Management Estimates

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

2. Detail Notes On All Funds

A. Assets

Deposits

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

At June 30, 2013, the City's deposits had a carrying amount of \$10,056,288 and a bank balance of \$10,056,052. Of the bank balance, \$692,209 was covered by federal depository insurance and \$9,363,843 was covered by collateral held under the Pooling Method. At June 30, 2013, the City's petty cash totaled \$844.

At June 30, 2013, the carrying amount of deposits for the Tourism Authority was \$95,865 and the bank balance was \$95,865. All of the bank balance was covered by federal depository insurance.

Investments

At June 30, 2013, the City had \$34,606 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Receivables

Receivables at Exhibit A at June 30, 2013 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Note Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,717	\$ 226,207	\$ 31,160	\$ 350,408	\$ 609,492
Other governmental	<u>32,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,077</u>
Total receivables	33,794	226,207	31,160	350,408	641,569
Allowance for doubtful accounts	<u>-</u>	<u>(65,976)</u>	<u>-</u>	<u>-</u>	<u>(65,976)</u>
Total governmental activities	<u>\$ 33,794</u>	<u>\$ 160,231</u>	<u>\$ 31,160</u>	<u>\$ 350,408</u>	<u>\$ 575,593</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,056</u>	<u>\$ -</u>	<u>\$ 21,056</u>
Enterprise Fund:					
Water and Sewer	\$ 705,433	\$ -	\$ -	\$ -	\$ 705,433
Allowance for doubtful accounts	<u>(69,941)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,941)</u>
Total business-type activities	<u>\$ 635,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,492</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,706,296	\$ 83,974	\$ -	\$ 2,790,270
Other	-	5,687	-	5,687
Construction in progress	91,720	368,202	-	459,922
Total non-depreciated capital assets	<u>2,798,016</u>	<u>457,863</u>	<u>-</u>	<u>3,255,879</u>
Depreciable Capital Assets:				
Buildings	5,449,989	7,395	-	5,457,384
Other improvements	1,425,842	-	-	1,425,842
Equipment	2,477,814	259,213	-	2,737,027
Vehicles and motorized equipment	2,719,168	116,500	-	2,835,668
Total depreciable capital assets	<u>12,072,813</u>	<u>383,108</u>	<u>-</u>	<u>12,455,921</u>
Less Accumulated Depreciation:				
Buildings	881,545	108,065	-	989,610
Other improvements	747,447	31,770	-	779,217
Equipment	2,065,069	113,924	-	2,178,993
Vehicles and motorized equipment	2,055,150	120,459	-	2,175,609
Total accumulated depreciation	<u>5,749,211</u>	<u>\$ 374,218</u>	<u>\$ -</u>	<u>6,123,429</u>
Total depreciable capital assets, net	<u>6,323,602</u>			<u>6,332,492</u>
Governmental activities capital assets, net	<u>\$ 9,121,618</u>			<u>\$ 9,588,371</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

General government	\$ 18,301
Public safety	251,511
Transportation	78,862
Cultural and recreational	21,764
Environmental protection	<u>3,780</u>
Total	<u>\$ 374,218</u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2013.

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Business-Type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 75,890	\$ -	\$ -	\$ 75,890
Other	31,911	-	-	31,911
Construction in progress	<u>912,783</u>	<u>-</u>	<u>-</u>	<u>912,783</u>
Total non-depreciable capital assets	<u>1,020,584</u>	<u>-</u>	<u>-</u>	<u>1,020,584</u>
Depreciable Capital Assets:				
Buildings	10,339,320	13,463	-	10,352,783
Improvements other than buildings	1,633,405	-	-	1,633,405
Distribution systems	13,689,016	-	-	13,689,016
Machinery and equipment	5,879,376	363,509	48,448	6,194,437
Natural gas fill station	<u>226,818</u>	<u>-</u>	<u>-</u>	<u>226,818</u>
Total depreciable capital assets	<u>31,767,935</u>	<u>376,972</u>	<u>48,448</u>	<u>32,096,459</u>
Less Accumulated Depreciation:				
Buildings	6,323,449	234,678	-	6,558,127
Improvements other than buildings	35,837	16,344	-	52,181
Distribution systems	6,852,800	404,144	-	7,256,944
Machinery and equipment	5,227,215	178,901	48,448	5,357,668
Natural gas fill station	<u>83,848</u>	<u>5,516</u>	<u>-</u>	<u>89,364</u>
Total accumulated depreciation	<u>18,523,149</u>	<u>\$ 839,583</u>	<u>\$ 48,448</u>	<u>19,314,284</u>
Total depreciable capital assets, net	<u>13,244,786</u>			<u>12,782,175</u>
Business-type activities capital assets, net	<u>\$ 14,265,370</u>			<u>\$ 13,802,759</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 9,588,371	\$ 13,802,759
Long-term debt	(4,265,913)	(3,241,174)
Unspent debt proceeds	992,885	-
Net investment in capital assets	\$ 6,315,343	\$ 10,561,585

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2013 were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 144,380	\$ 222,619	\$ 366,999
Other governmental	3,311	1,644	4,955
Total	\$ 147,691	\$ 224,263	\$ 371,954
Business-Type Activities:			
Water and Sewer	\$ 45,757	\$ 35,916	\$ 81,673

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to Plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$329,964, \$330,150, and \$299,947, respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a Public Employee Retirement System (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. 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 City are covered by the Separation Allowance. At December 31, 2012, the system's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1
Current employees	<u>33</u>
Total	<u>34</u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

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

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years. The City did not pay a percentage of covered payrolls to the Plan during the year ended June 30, 2013. The City made benefit payments to three retirees in the amount of \$22,309, which is shown as a separate line item expense in the General Fund. The net estimated pension obligation of \$161,094 is reflected in the financial statements as a long-term liability.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	53,854
Interest on net pension obligation		6,558
Adjustment to annual required contribution		<u>(8,162)</u>
Annual pension cost		52,250
Contributions made		<u>22,309</u>
Increase (decrease) in net pension obligation		29,941
Net Pension Obligation:		
Beginning of year - July 1		<u>131,153</u>
End of year - June 30		<u>\$ 161,094</u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 52,250	42.70%	\$ 161,094
6/30/2012	50,884	54.06%	131,153
6/30/2011	49,314	42.87%	107,776

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$469,883. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,260,674, and the ratio of the UAAL to the covered payroll was 37.27%.

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2013 were \$100,852, which consisted of \$63,903 from the City and \$36,949 from the law enforcement officers.

The City has elected to include all other City employees in the Plan and contribute an amount equal to 5.0% of each employee's salary. Also, the other City employees may make voluntary contributions to the Plan. Contributions for other City employees for the year ended June 30, 2013 were \$270,488, which consisted of \$173,473 from the City and \$97,015 from the City employees.

Firemen’s and Rescue Squad Workers’ Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City, to the Firemen's and Rescue Squad Workers' Pension Fund (the “Fund”), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. 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. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the Plan through appropriations. The City does not contribute to the Fund. Contribution requirements of Plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the City administers a single-employer defined benefit Healthcare Benefits Plan. Under the terms of a City resolution, the City has elected to provide healthcare benefits to retirees of the City who retire before age 65 and have at least 25 years of service with the North Carolina Local Governmental Employees' Retirement System and at least ten years of service with the City with which they receive health insurance until they reach age 65. Such insurance is provided until the retiree becomes eligible for Medicare. The City pays 100% of the retiree premium costs. Retirees can purchase life insurance, dental, and vision coverage, and coverage for their dependents at the City's group rates. Currently, three retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013, the City made payments for post-retirement health benefit premiums of \$19,947. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan.

Membership of the Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	<u>General Employees</u>
Retirees and dependents receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>119</u>
Total	<u><u>122</u></u>

Funding Policy. The City pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. The City's members pay the current active employee rate for dependent coverage if the retiree elects to purchase the coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The current ARC rate is 2.71% of annual covered payroll. For the current year, the City contributed \$19,947, or .42% of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. There were contributions made by retirees based on years of service at retirement and dependent coverage in the amount of \$9,202. The City's obligation to contribute to the Plan is established and may be amended by the City's Council.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting and the Water and Sewer Fund, which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation for the healthcare benefits:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 90,882	\$ 37,179	\$ 128,061
Interest on net OPEB obligation	8,795	3,474	12,269
Adjustments to annual required contribution	(7,588)	(2,997)	(10,585)
Annual OPEB cost (expense)	92,089	37,656	129,745
Contributions made	(15,113)	(4,834)	(19,947)
Increase (decrease) in net OPEB obligation	76,976	32,822	109,798
Net OPEB Obligation:			
Beginning of year - July 1	219,898	86,842	306,740
End of year - June 30	\$ 296,874	\$ 119,664	\$ 416,538

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 129,745	15.4%	\$ 416,538
2012	129,173	19.4%	306,740
2011	127,836	17.3%	202,587

Fund Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,886,697. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,718,623, and the ratio of the UAAL to the covered payroll was 40.0%. Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual medical cost trend increase of 9.5% to 5.0% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City 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 City considers these contributions to be immaterial.

Deferred Inflows of Resources

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

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Taxes receivable, net	\$ 160,231	\$ -
Stormwater receivables	32,077	-
Sale of surplus note receivable	31,160	-
Lighting assessment receivable	<u>1,717</u>	<u>-</u>
Total	<u>\$ 225,185</u>	<u>\$ -</u>

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are re-insured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$500,000 up to statutory limits for workers' compensation.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The pools are re-insured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

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

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

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

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

Commitments

The City has entered into an agreement with Charlotte Whitewater Park, Inc. (CWP), under which CWP will provide City residents and employees with access to the park services at a lower cost than such services would otherwise be available if the City were to provide such services. The agreement provides for the payment by the City to CWP for making the park services available to its residents and employees. The City has thus entered into a commitment to pay an annual service of \$71,429 to CWP for a period of seven years, provided that the first payment shall be due in February 2008. To the extent that CWP has enough available funds during any fiscal year to pay all or part of its operating expenses and debt service during such a fiscal year, the City will receive a full or partial credit against its annual service fee due for such fiscal year. The total service fee paid by the City to CWP is not to exceed \$500,000.

Claims and Judgments

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Long-Term Obligations

Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on October 5, 2011 to lease various vehicles and equipment and requires an annual payment of \$33,354 through October 5, 2013. Title passes to the City at the end of the lease term.

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

The following is an analysis of the assets recorded under capital leases by the City at June 30, 2013:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings, vehicles, and motorized equipment	<u>\$ 1,350,843</u>	<u>\$ 758,867</u>	<u>\$ 591,976</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 89,439
2015	56,085
2016	56,085
2017	56,085
2018	56,085
2019-2023	280,425
2024-2027	112,170
Total minimum lease payments	706,374
Less: amount representing interest	(237,587)
Present value of minimum lease payments	\$ 468,787

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Notes Payable

Serviced by General Fund:

2003 Note payable to bank for construction of a new police station, to be repaid in thirty semi-annual installments of \$95,000 through November 30, 2018; including interest at 3.59%	\$ 1,045,000
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in thirty semi-annual installments of \$53,457 through July 30, 2024; including interest at 4.09%	1,229,503
2013 Note payable to bank for the purchase of public safety equipment, to be repaid in five annual installments of \$64,377 through March 4, 2025; including interest at 1.57%	247,623
2012 Note payable to bank for the Brook Street Soccer Park Capital Project, to be repaid in twenty-five semi-annual installments of \$53,125 through December 3, 2016; including interest at 2.36%	<u>1,275,000</u>
Total	<u>\$ 3,797,126</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2013 used to finance the construction of facilities utilized in the operations of the Water and Sewer System and to finance the purchase of a water treatment plant are comprised of the following:

1993 Note payable to State of North Carolina for improvements to the Wastewater Treatment Plant, to be repaid in nineteen equal annual installments of \$144,900, with a final payment of \$144,768 on May 1, 2015; plus interest at 3.57%	\$ 289,668
2008 Note payable to bank for construction of South Outfall Project, to be repaid in fourteen semi-annual installments of \$45,030, with a final payment of \$63,350 on January 17, 2003; plus interest at 3.58%	1,085,645
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in thirty semi-annual installments of \$77,420 through July 30, 2024; including interest at 4.09%	890,330
2012 Note payable to NCDENR for construction of West Outfall Project, to be repaid in twenty annual installments of \$45,096 through May 1, 2032; plus interest at 2.22%	850,132
2013 Note payable to bank for the purchase of Water and Sewer equipment, to be repaid in five annual installments of \$32,601 through March 4, 2025; including interest at 1.57%	<u>125,399</u>
Total	<u>\$ 3,241,174</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 463,617	\$ 118,390	\$ 390,094	\$ 105,022
2015	464,575	103,731	393,772	92,003
2016	465,548	89,057	252,943	78,597
2017	466,536	74,367	257,013	70,359
2018	403,163	59,662	228,619	61,984
2019-2023	1,160,817	154,179	1,203,430	186,072
2024-2028	372,870	12,829	341,610	39,789
2029-2033	-	-	173,693	10,010
Total	<u>\$ 3,797,126</u>	<u>\$ 612,215</u>	<u>\$ 3,241,174</u>	<u>\$ 643,836</u>

At June 30, 2013, the City of Belmont had a legal debt margin of \$86,841,944.

Changes in Long-Term Liabilities

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Current Maturities</u>
Governmental Activities:					
Notes payable	\$ 2,571,417	\$ 1,587,000	\$ 361,291	\$ 3,797,126	\$ 463,617
Capitalized leases	576,514	-	107,727	468,787	58,833
Net pension obligation	131,153	52,250	22,309	161,094	-
Other post-employment benefits	219,898	92,089	15,113	296,874	-
Compensated absences	320,749	184,639	140,669	364,719	185,000
Governmental activities long-term liabilities	<u>3,819,731</u>	<u>1,915,978</u>	<u>647,109</u>	<u>5,088,600</u>	<u>707,450</u>
Business-Type Activities:					
Notes payable	3,598,607	158,000	515,433	3,241,174	390,094
Other post-employment benefits	86,842	37,656	4,834	119,664	-
Compensated absences	108,412	52,379	50,795	109,996	50,000
Business-type activities long-term liabilities	<u>3,793,861</u>	<u>248,035</u>	<u>571,062</u>	<u>3,470,834</u>	<u>440,094</u>
Total	<u>\$ 7,613,592</u>	<u>\$ 2,164,013</u>	<u>\$ 1,218,171</u>	<u>\$ 8,559,434</u>	<u>\$ 1,147,544</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

C. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$11,808 for the thirty-two employed firemen who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits of \$4,285 for the stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2013. Under State law, the local Board of Trustees for the Fund receives an amount each year which the Board may use at its own discretion for eligible firemen or their dependents.

3. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2013, the City reported revenues and expenditures for the payments of \$16,093 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

5. Prior Period Adjustment

During the current fiscal year, the City determined that the West Outfall State Revolving Loan should have been reported as debt in the parent fund instead of as Capital contributions from water/sewer capital projects. Beginning net position for business-type activities was restated by \$895,228 to record this change.

6. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

CITY OF BELMONT, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2007	\$ -	\$ 299,461	\$ 299,461	0.00%	\$ 1,371,826	21.83%
12/31/2008	-	329,110	329,110	0.00%	1,398,692	23.53%
12/31/2009	-	384,547	384,547	0.00%	1,251,712	30.72%
12/31/2010	-	398,686	398,686	0.00%	1,249,688	31.90%
12/31/2011	-	456,731	456,731	0.00%	1,266,891	36.05%
12/31/2012	-	469,883	469,883	0.00%	1,260,674	37.27%

NOTE: The City decided not to have an actuarial valuation done for the years ended December 31, 1999-2001.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 36,799	50.44%
2009	38,109	48.71%
2010	42,569	43.60%
2011	49,596	41.69%
2012	51,924	52.98%
2013	53,854	41.42%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at 3.0%	
Cost of living adjustments	None

CITY OF BELMONT, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b)-(a))/(c)
12/31/2008	\$ -	\$ 1,016,415	\$ 1,016,415	0.00%	\$ 4,327,151	23.50%
12/31/2011	-	1,886,697	1,886,697	0.00%	4,718,623	40.00%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 127,836	17.30%
2012	128,061	19.54%
2013	128,061	15.58%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	9.50-5.00%
Year of Ultimate trend rate	2018

* Includes inflation at 3.00%

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,256,514	\$ 5,233,831	\$ (22,683)	\$ 5,077,341
Prior years	-	114,040	114,040	105,909
Penalties and interest	16,000	17,865	1,865	19,184
Total ad valorem taxes	<u>5,272,514</u>	<u>5,365,736</u>	<u>93,222</u>	<u>5,202,434</u>
Other Taxes and Licenses:				
Privilege licenses	25,000	27,686	2,686	113,222
Lease vehicle tax	18,000	21,499	3,499	22,349
Vehicle license tax	<u>35,000</u>	<u>35,851</u>	<u>851</u>	<u>19,770</u>
Total other taxes and licenses	<u>78,000</u>	<u>85,036</u>	<u>7,036</u>	<u>155,341</u>
Unrestricted Intergovernmental:				
Local option sales tax	1,528,282	1,601,020	72,738	1,561,343
Utility franchise tax	600,000	722,437	122,437	699,104
Solid waste disposal tax	7,000	4,942	(2,058)	6,889
Beer and wine tax	<u>42,300</u>	<u>42,288</u>	<u>(12)</u>	<u>43,717</u>
Total unrestricted intergovernmental	<u>2,177,582</u>	<u>2,370,687</u>	<u>193,105</u>	<u>2,311,053</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	292,000	292,512	512	278,595
Wellness funds	-	-	-	2,500
Police grants	4,300	5,325	1,025	10,373
On-behalf payments, fire	10,000	-	(10,000)	-
State grants	-	-	-	44,404
Other grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,295</u>
Total restricted intergovernmental revenues	<u>306,300</u>	<u>297,837</u>	<u>(8,463)</u>	<u>339,167</u>
Permits and Fees:				
Zoning permits	<u>66,000</u>	<u>74,602</u>	<u>8,602</u>	<u>60,674</u>
Total permits and fees	<u>66,000</u>	<u>74,602</u>	<u>8,602</u>	<u>60,674</u>

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Sales and Services:				
Recreation department fees	155,000	151,808	(3,192)	134,642
Sale of cemetery lots	13,000	13,320	320	2,605
Cemetery interment fees	5,000	6,060	1,060	6,125
Fire protection services	800	758	(42)	758
Sale of surplus property	10,000	11,171	1,171	11,237
Facility usage fees	-	2,130	2,130	3,079
Alarm registration fee	500	820	320	1,260
Total sales and services	184,300	186,067	1,767	159,706
Investment Earnings	10,000	9,647	(353)	11,932
Other General Revenues:				
Miscellaneous	134,830	74,046	(60,784)	145,732
SRO contribution	15,000	15,000	-	15,000
Special police funds	500	2,630	2,130	2,205
Total other general revenues	150,330	91,676	(58,654)	162,937
Total revenues	8,245,026	8,481,288	236,262	8,403,244
Expenditures:				
General Government:				
Mayor and Council:				
Fees	27,635	27,635	-	26,830
Group insurance	11,052	11,052	-	7,869
Travel and training	4,100	4,098	2	5,289
Supplies	400	263	137	169
Dues and memberships	12,306	12,306	-	11,969
Miscellaneous	2,124	2,123	1	2,091
Total	57,617	57,477	140	54,217

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Administration and Finance:				
Salaries	278,892	274,624	4,268	273,248
Employee benefits	85,432	84,749	683	82,836
Professional services	132,160	131,616	544	157,765
Telephone	7,500	7,485	15	10,816
Heating	1,500	1,363	137	1,063
Travel and training	5,200	5,217	(17)	6,851
Equipment maintenance	2,000	2,331	(331)	2,258
Equipment rental	708	708	-	708
Building repairs	14,250	14,225	25	2,629
Advertisement	200	571	(371)	492
Postage	900	892	8	1,009
Office supplies	3,000	2,856	144	2,150
Supplies	4,500	1,856	2,644	3,941
Car allowance	4,800	4,800	-	4,800
Subscriptions	1,500	1,477	23	1,347
Insurance and bonds	8,015	7,990	25	7,987
Building cleaning service	700	645	55	493
Miscellaneous expense	-	350	(350)	11,823
Community promotion	116,500	116,501	(1)	108,393
Bank charges	11,500	18,767	(7,267)	11,530
Water and sewer fees	1,500	1,378	122	1,040
Stormwater fees	288	288	-	288
Electricity	8,000	6,893	1,107	7,832
Capital outlay	475	1,230	(755)	472
Total	<u>689,520</u>	<u>688,812</u>	<u>708</u>	<u>701,771</u>
City Attorney:				
Fees	9,000	9,000	-	9,000
Special compensation	90,000	89,875	125	83,902
Travel and training	600	576	24	532
Total	<u>99,600</u>	<u>99,451</u>	<u>149</u>	<u>93,434</u>

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Planning and Zoning:				
Salaries	241,425	248,477	(7,052)	223,503
Employee benefits	77,186	74,269	2,917	70,236
Professional services	3,500	2,941	559	13,963
Travel and training	1,500	1,345	155	1,238
Telephone	2,800	3,142	(342)	2,580
Advertisement	1,250	1,432	(182)	1,359
Miscellaneous	32,500	31,972	528	53,224
Supplies	1,500	1,296	204	2,081
Vehicle maintenance	1,500	1,109	391	1,727
Office supplies	3,000	2,186	814	3,216
Gas and lubricants	1,700	1,691	9	1,762
Water and sewer fees	325	300	25	293
Storm water fees	216	216	-	216
Code enforcement	1,000	923	77	750
Subscriptions and dues	1,250	40	1,210	1,056
Insurance	13,225	13,214	11	14,773
Equipment maintenance	500	223	277	364
Equipment rentals	4,003	3,576	427	-
Total	<u>388,380</u>	<u>388,352</u>	<u>28</u>	<u>392,341</u>
Total general government	<u>1,235,117</u>	<u>1,234,092</u>	<u>1,025</u>	<u>1,241,763</u>
Public Safety:				
Police:				
Salaries	1,639,000	1,625,358	13,642	1,691,784
Employee benefits	439,707	446,200	(6,493)	435,738
Professional services	37,000	50,234	(13,234)	22,377
Retirement	108,692	116,273	(7,581)	118,229
Separation allowance	19,950	19,947	3	25,911
Mandated	80,008	82,288	(2,280)	84,446
Special compensation	10,000	9,600	400	9,700
Telephone	50,000	51,322	(1,322)	59,935
Heating	2,000	1,570	430	1,926
Travel and training	6,000	5,362	638	4,714
Building repairs	1,000	1,118	(118)	44,019

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Equipment maintenance	20,000	12,287	7,713	37,519
Vehicle maintenance	35,000	31,926	3,074	36,410
Equipment rental	30,000	22,147	7,853	44,162
Gas and lubricants	75,000	77,350	(2,350)	89,184
Water and sewer fees	1,322	1,276	46	1,194
Stormwater fees	828	828	-	828
Electricity	25,000	24,316	684	22,796
Miscellaneous	11,000	11,603	(603)	34,948
Advertisement	750	750	-	-
Postage	1,000	952	48	1,097
Office supplies	2,000	3,285	(1,285)	2,964
Supplies	5,400	5,425	(25)	7,506
State fees	3,000	2,345	655	2,849
Uniforms	15,000	15,672	(672)	23,764
Subscriptions and dues	500	170	330	210
Insurance	135,000	134,837	163	116,886
K-9 supplies	1,500	1,499	1	1,761
Undercover operations	6,600	6,585	15	9,868
Total	<u>2,762,257</u>	<u>2,762,525</u>	<u>(268)</u>	<u>2,932,725</u>
Fire:				
Salaries	658,252	666,846	(8,594)	640,571
Employee benefits	242,238	244,746	(2,508)	234,660
Special compensation	31,137	30,674	463	31,136
Professional services	3,500	3,472	28	1,520
Telephone	3,500	3,512	(12)	2,926
Postage	350	350	-	175
Heating	4,000	3,982	18	1,649
Travel and training	4,000	3,763	237	8,071
Building maintenance	5,200	6,002	(802)	3,637
Equipment maintenance	13,000	12,983	17	6,977
Vehicle maintenance	30,000	27,544	2,456	26,349
Gas and lubricants	15,000	15,781	(781)	18,252
Water and sewer fees	1,980	2,053	(73)	1,870
Stormwater fees	252	252	-	252
Electricity	5,255	4,873	382	6,061

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Advertisements	100	750	(650)	-
Office supplies	1,000	1,030	(30)	2,114
Supplies	10,000	7,566	2,434	7,903
Uniforms	11,500	5,106	6,394	9,563
Insurance and bonds	46,200	45,029	1,171	89,544
Subscriptions	2,643	2,546	97	3,767
State fees	-	60	(60)	-
Capital outlay	-	-	-	4,887
Gaston County Radio Agreement	1,300	1,152	148	1,261
South Point VFD contract	16,500	17,442	(942)	22,012
On-behalf payments - employee benefits	10,000	-	10,000	-
Total	<u>1,116,907</u>	<u>1,107,514</u>	<u>9,393</u>	<u>1,125,157</u>
Total public safety	<u>3,879,164</u>	<u>3,870,039</u>	<u>9,125</u>	<u>4,057,882</u>
Transportation:				
Streets:				
Salaries	386,360	413,714	(27,354)	324,869
Employee benefits	122,463	119,766	2,697	105,163
Professional services	5,000	4,712	288	35,420
Telephone	11,000	9,968	1,032	9,315
Travel and training	1,500	327	1,173	87
Building repair	1,000	517	483	2,303
Equipment maintenance	10,000	4,075	5,925	8,984
Vehicle maintenance	12,500	7,299	5,201	14,404
Gas and lubricants	18,000	18,316	(316)	20,718
Electricity street lights	167,500	189,753	(22,253)	169,076
Water and sewer fees	2,500	2,354	146	2,069
Office supplies	1,000	804	196	596
Advertisement	1,000	1,102	(102)	116
Materials and supplies	20,000	17,800	2,200	24,196
State fees	1,600	1,554	46	1,578
Contracted street repairs	221,551	173,986	47,565	205,519
Routine street repairs	60,000	63,884	(3,884)	50,000
Curb and gutter repair	250	250	-	-
Insurance and bonds	29,625	29,237	388	30,063
Employee uniforms	4,000	3,851	149	3,577

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Contracted services - cemetery	28,000	27,733	267	30,000
Contracted mowing	74,000	73,867	133	64,343
Beautification projects	19,000	18,958	42	5,271
Rail crossing guards	1,500	1,329	171	1,329
Equipment	-	20	(20)	413
Improvements	-	-	-	6,085
Total transportation	<u>1,199,349</u>	<u>1,185,176</u>	<u>14,173</u>	<u>1,115,494</u>
Environmental Protection:				
Sanitation:				
Professional services	613,391	581,968	31,423	604,007
Stormwater fees	-	76	(76)	-
Total environmental protection	<u>613,391</u>	<u>582,044</u>	<u>31,347</u>	<u>604,007</u>
Cultural and Recreational:				
Parks and Recreation:				
Salaries	188,696	185,554	3,142	246,077
Employee benefits	57,488	56,407	1,081	74,443
Professional services	13,100	13,598	(498)	18,545
Special compensation	30,000	30,394	(394)	26,675
Telephone	9,100	8,578	522	10,755
Building repairs	500	344	156	868
Equipment maintenance	2,200	1,266	934	2,643
Vehicle maintenance	2,500	2,501	(1)	1,619
Heating	1,400	1,144	256	898
Travel and training	2,500	2,453	47	1,925
Uniforms	600	593	7	255
Stowe Park maintenance	10,065	5,162	4,903	8,239
Miscellaneous	750	3,431	(2,681)	1,517
Water and sewer fees	7,500	8,507	(1,007)	7,781
Gas and lubricants	3,500	3,473	27	4,214
Equipment rental	2,300	1,616	684	1,881
Land usage	6,600	6,600	-	300
Electricity	22,000	21,991	9	22,810
Facility usage	5,700	4,505	1,195	7,020
Advertisement	4,800	4,791	9	2,004

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Postage	750	750	-	569
Office supplies	1,000	647	353	1,024
Supplies	51,000	43,162	7,838	62,744
State fees	180	81	99	704
Subscriptions	775	767	8	1,081
Insurance and bonds	16,000	15,918	82	16,834
Community events	47,000	51,168	(4,168)	32,900
Improvements	700	698	2	-
Total cultural and recreational	<u>488,704</u>	<u>476,099</u>	<u>12,605</u>	<u>556,325</u>
Capital Outlay:				
Capital purchases	<u>533,949</u>	<u>532,496</u>	<u>1,453</u>	<u>350,887</u>
Debt Service:				
Principal retirement	463,203	451,266	11,937	434,502
Interest and fees	<u>120,899</u>	<u>117,909</u>	<u>2,990</u>	<u>133,844</u>
Total debt service	<u>584,102</u>	<u>569,175</u>	<u>14,927</u>	<u>568,346</u>
Total expenditures	<u>8,533,776</u>	<u>8,449,121</u>	<u>84,655</u>	<u>8,494,704</u>
Revenues over (under) expenditures	<u>(288,750)</u>	<u>32,167</u>	<u>320,917</u>	<u>(91,460)</u>
Other Financing Sources (Uses):				
Long term debt issued	<u>288,750</u>	<u>288,750</u>	-	<u>98,000</u>
Total other financing sources (uses)	<u>288,750</u>	<u>288,750</u>	-	<u>98,000</u>
Net change in fund balance	<u>\$ -</u>	<u>320,917</u>	<u>\$ 320,917</u>	<u>6,540</u>
Fund Balance:				
Beginning of year - July 1		<u>2,786,575</u>		<u>2,780,035</u>
End of year - June 30		<u>\$ 3,107,492</u>		<u>\$ 2,786,575</u>

CITY OF BELMONT, NORTH CAROLINA

**MAJOR CAPITAL PROJECT CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 3,568	\$ 3,568	\$ 4,445
Other Financing Sources (Uses):				
Transfer to General Fund	(140,000)	-	140,000	-
Total other financing sources (uses)	(140,000)	-	140,000	-
Revenues over other financing sources (uses)	(140,000)	3,568	143,568	4,445
Appropriated fund balance	140,000	-	(140,000)	-
Net change in fund balance	\$ -	3,568	\$ 3,568	4,445
Fund Balance:				
Beginning of year, July 1		1,345,127		1,340,682
End of year - June 30		\$ 1,348,695		\$ 1,345,127

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	Special Revenue Funds		CPF	Total
	Stormwater Fund	Safe Routes to School Grant Fund	Brook Street Soccer Park Grant Fund	
Assets:				
Cash and cash equivalents	\$ 625,295	\$ 4,237	\$ -	\$ 629,532
Accounts receivable, net	32,077	-	-	32,077
Inventories	703	-	-	703
Restricted cash and cash equivalents	-	-	992,885	992,885
Total assets	<u>\$ 658,075</u>	<u>\$ 4,237</u>	<u>\$ 992,885</u>	<u>\$ 1,655,197</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,955	\$ -	\$ -	\$ 4,955
Total liabilities	<u>4,955</u>	<u>-</u>	<u>-</u>	<u>4,955</u>
Deferred Inflows of Resources	<u>32,077</u>	<u>-</u>	<u>-</u>	<u>32,077</u>
Fund Balances:				
Restricted				
Cultural and Recreation	-	-	992,885	992,885
Assigned	621,043	4,237	-	625,280
Total fund balances	<u>621,043</u>	<u>4,237</u>	<u>992,885</u>	<u>1,618,165</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 658,075</u>	<u>\$ 4,237</u>	<u>\$ 992,885</u>	<u>\$ 1,655,197</u>

CITY OF BELMONT, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue Funds</u>		<u>CPF</u>	<u>Total</u>
	<u>Stormwater Fund</u>	<u>Safe Routes to School Grant Fund</u>	<u>Backstreet Soccer Park Grant Fund</u>	
Revenues:				
Sales and services	\$ 387,213	\$ -	\$ -	\$ 387,213
Grant proceeds	-	20,900	-	20,900
Investment earnings	-	-	201	201
Total revenues	<u>387,213</u>	<u>20,900</u>	<u>201</u>	<u>408,314</u>
Expenditures:				
Cultural and recreational	-	-	282,316	282,316
Environmental protection	235,511	-	-	235,511
Debt service:				
Principal	17,752	-	-	17,752
Interest and fees	<u>6,503</u>	<u>-</u>	<u>-</u>	<u>6,503</u>
Total expenditures	<u>259,766</u>	<u>-</u>	<u>282,316</u>	<u>542,082</u>
Revenues over (under) expenditures	<u>127,447</u>	<u>20,900</u>	<u>(282,115)</u>	<u>(133,768)</u>
Other Financing Sources (Uses):				
Long-term debt issued	<u>23,250</u>	<u>-</u>	<u>1,275,000</u>	<u>1,298,250</u>
Total other financing sources (uses)	<u>23,250</u>	<u>-</u>	<u>1,275,000</u>	<u>1,298,250</u>
Net change in fund balances	150,697	20,900	992,885	1,164,482
Fund Balances:				
Beginning of year - July 1	<u>470,346</u>	<u>(16,663)</u>	<u>-</u>	<u>453,683</u>
End of year - June 30	<u>\$ 621,043</u>	<u>\$ 4,237</u>	<u>\$ 992,885</u>	<u>\$ 1,618,165</u>

CITY OF BELMONT, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 384,000	\$ 387,213	\$ 3,213	\$ 386,014
Expenditures:				
Environmental protection:				
Salaries	110,760	107,462	3,298	71,335
Employee benefits	35,622	34,536	1,086	27,747
Professional services	56,277	31,342	24,935	41,797
Telephone	750	1,169	(419)	655
Travel and training	1,000	914	86	130
Gas and lubricants	7,500	5,814	1,686	6,124
Office supplies	1,000	705	295	443
Supplies	41,400	21,996	19,404	7,296
Utilities	3,000	3,464	(464)	3,312
Subscriptions and dues	2,500	1,950	550	2,080
Capital outlay	23,250	26,159	(2,909)	80,754
Debt service:				
Principal	16,590	17,752	(1,162)	16,590
Interest and fees	8,312	6,503	1,809	8,991
Total expenditures	307,961	259,766	48,195	267,254
Revenues over (under) expenditures	76,039	127,447	51,408	118,760
Other Financing Sources (Uses):				
Long-term debt issued	23,250	23,250	-	-
Transfer to Capital Reserve Fund	(99,289)	-	99,289	-
Total other financing sources	(76,039)	23,250	99,289	-
Net change in fund balance	\$ -	150,697	\$ 150,697	118,760
Fund Balance:				
Beginning of year - July 1		470,346		351,586
End of year - June 30		\$ 621,043		\$ 470,346

CITY OF BELMONT, NORTH CAROLINA

SAFE ROUTES TO SCHOOL GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Grant proceeds	\$ 298,700	\$ -	\$ 20,900	\$ 20,900	(277,800)
Expenditures:					
Economic and physical development:					
Administration	298,700	22,263	-	22,263	(276,437)
Total expenditures	298,700	22,263	-	22,263	(276,437)
Revenues over (under) expenditures	-	(22,263)	20,900	(1,363)	(1,363)
Other Financing Sources (Uses):					
Transfer from General Fund	-	5,600	-	5,600	5,600
Total other financing sources (uses)	-	5,600	-	5,600	5,600
Net change in fund balance	\$ -	\$ (16,663)	20,900	\$ 4,237	\$ 4,237
Fund Balance:					
Beginning of year, July 1			(16,663)		
End of year, June 30			\$ 4,237		

CITY OF BELMONT, NORTH CAROLINA

BROOK STREET SOCCER PARK PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Design	\$ 78,375	\$ -	\$ 19,499	\$ 19,499	\$ (58,876)
Construction and administration	1,127,775	-	255,670	255,670	(872,105)
Contingency	68,850	-	7,147	7,147	(61,703)
Total expenditures	<u>1,275,000</u>	<u>-</u>	<u>282,316</u>	<u>282,316</u>	<u>(992,684)</u>
Revenues over (under) expenditures	<u>(1,275,000)</u>	<u>-</u>	<u>(282,316)</u>	<u>(282,316)</u>	<u>992,684</u>
Other Financing Sources (Uses):					
Long-term debt issued	1,275,000	-	1,275,000	1,275,000	-
Investment earnings	<u>-</u>	<u>-</u>	<u>201</u>	<u>201</u>	<u>201</u>
Total other financing sources (uses)	<u>1,275,000</u>	<u>-</u>	<u>1,275,201</u>	<u>1,275,201</u>	<u>201</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>992,885</u>	<u>\$ 992,885</u>	<u>\$ 992,885</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 992,885</u>		

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 2,475,000	\$ 2,555,524	\$ 80,524	2,424,337
Sewer charges	2,175,000	2,189,570	14,570	2,044,294
Water and sewer taps	45,000	41,310	(3,690)	56,674
Reconnections	22,500	24,585	2,085	27,952
Service connection fees	14,000	12,340	(1,660)	13,130
Penalties	55,000	54,791	(209)	50,721
Pretreatment fees	8,700	9,425	725	8,356
Impact fees	-	229,575	229,575	265,460
Inspection fees	6,600	7,180	580	4,598
System development fees	-	32,848	32,848	31,268
Maintenance fees	40,000	49,410	9,410	46,475
Miscellaneous revenues	10,100	14,833	4,733	36,409
Total operating revenues	<u>4,851,900</u>	<u>5,221,391</u>	<u>369,491</u>	<u>5,009,674</u>
Non-Operating Revenues:				
Interest income	-	188	188	234
Total revenues	<u>4,851,900</u>	<u>5,221,579</u>	<u>369,679</u>	<u>5,009,908</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	587,229	597,525	(10,296)	627,938
Employee benefits	226,979	233,009	(6,030)	233,040
Professional services	47,000	45,263	1,737	32,779
Telephone	10,000	10,395	(395)	8,349
Travel and training	3,000	2,969	31	2,762
Equipment maintenance	12,526	10,236	2,290	16,257
Vehicle maintenance	17,500	17,266	234	23,494
Gas and lubricants	50,000	46,381	3,619	68,515
Equipment rental	-	195	(195)	-
Postage	18,500	21,235	(2,735)	18,814
Electricity	11,000	10,820	180	12,285
Advertisements	850	838	12	107
Office supplies	4,300	4,218	82	2,887
Supplies	50,000	48,141	1,859	55,392
Materials	50,000	49,465	535	46,469

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Uniforms	9,800	9,765	35	6,478
Contracted repairs	50,000	34,293	15,707	37,278
Utility cuts and repairs	50,000	57,350	(7,350)	49,929
Subscriptions and dues	2,500	2,078	422	2,657
State/federal mandate	4,500	4,308	192	1,942
Wastewater services	1,657	1,948	(291)	1,752
Insurance and bonds	40,675	40,302	373	42,962
Total water administration and distribution	<u>1,248,016</u>	<u>1,248,000</u>	<u>16</u>	<u>1,292,086</u>
Water Treatment Plant:				
Salaries	460,691	477,597	(16,906)	451,328
Employee benefits	167,985	169,195	(1,210)	161,975
Professional services	1,300	1,304	(4)	1,286
Telephone	7,500	7,734	(234)	10,293
Postage	500	500	-	567
Heating	8,000	6,469	1,531	5,112
Travel and training	1,200	1,182	18	1,940
Plant repairs	70,000	34,308	35,692	77,831
Equipment maintenance	7,608	14,070	(6,462)	10,051
Vehicle maintenance	2,000	1,298	702	1,497
Gas lubricants	4,500	4,351	149	3,494
State fees	5,800	5,812	(12)	5,025
Materials	6,000	6,304	(304)	5,906
Contract services	70,000	70,066	(66)	55,353
Sludge disposal	19,000	18,962	38	15,592
Electricity	96,000	97,344	(1,344)	98,634
Advertisements	775	1,104	(329)	1,932
Office supplies	1,500	1,374	126	1,437
Supplies	10,650	5,371	5,279	4,440
Water treatment	75,648	84,767	(9,119)	64,949
Lab supplies	13,000	12,597	403	10,951
Uniforms	3,000	2,946	54	4,041
Subscriptions and dues	5,100	5,070	30	5,023
Insurance and bonds	25,750	24,805	945	26,482
Total water treatment plant	<u>1,063,507</u>	<u>1,054,530</u>	<u>8,977</u>	<u>1,025,139</u>

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Waste Collection and Treatment:				
Salaries	312,613	318,616	(6,003)	310,614
Employee benefits	124,836	124,686	150	120,220
Professional services	9,200	7,651	1,549	28,818
Telephone	15,000	12,968	2,032	14,285
Postage	500	225	275	475
Travel and training	3,500	3,354	146	1,106
Sludge disposal	35,000	34,715	285	26,123
Mills pre-treatment testing	8,000	7,518	482	7,998
Lab testing	63,000	65,145	(2,145)	57,119
Plant repairs	50,000	47,561	2,439	62,542
Equipment maintenance	25,193	24,587	606	46,251
Vehicle maintenance	5,000	6,028	(1,028)	2,322
State fees	6,600	6,200	400	6,696
Gas and lubricants	15,000	16,349	(1,349)	11,412
Electricity	220,000	218,113	1,887	226,822
Wastewater services	40,756	46,623	(5,867)	53,732
Advertisements	850	832	18	635
Office supplies	2,000	1,450	550	2,034
Supplies	7,000	6,768	232	7,162
Uniforms	3,000	2,967	33	4,502
Subscriptions and dues	500	357	143	723
Lab supplies	67,500	62,260	5,240	72,969
Insurance bonds	23,295	23,221	74	22,789
Total waste collection and treatment	<u>1,038,343</u>	<u>1,038,194</u>	<u>149</u>	<u>1,087,349</u>
Debt Service:				
Interest and fees	109,060	100,690	8,370	122,002
Principal retirement	<u>723,369</u>	<u>515,433</u>	<u>207,936</u>	<u>664,103</u>
Total debt service	<u>832,429</u>	<u>616,123</u>	<u>216,306</u>	<u>786,105</u>
Capital Outlay				
	<u>376,999</u>	<u>376,972</u>	<u>27</u>	<u>288,758</u>
Total capital outlay	<u>376,999</u>	<u>376,972</u>	<u>27</u>	<u>288,758</u>
Total expenditures	<u>4,559,294</u>	<u>4,333,819</u>	<u>225,475</u>	<u>4,479,437</u>

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>292,606</u>	<u>887,760</u>	<u>595,154</u>	<u>530,471</u>
Other Financing Sources (Uses):				
Installment financing agreement	158,000	158,000	-	-
Transfer to Capital Reserve W&S Fund	<u>(450,606)</u>	<u>-</u>	<u>450,606</u>	<u>-</u>
Total other financing sources (uses)	<u>(292,606)</u>	<u>158,000</u>	<u>450,606</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,045,760</u>	<u>\$ 1,045,760</u>	<u>\$ 530,471</u>

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 1,045,760</u>	<u>\$ 530,471</u>
Reconciling items:			
Payment of debt principal		515,433	664,103
Capital outlay		376,972	287,861
Increase (decrease) in accrued vacation pay		(1,584)	(14,940)
Change in other post-employment benefits		(32,822)	(30,251)
Capital Reserve Fund - interest		5,444	6,784
Interest expense accrual		(8,238)	-
Depreciation and amortization		(839,583)	(872,150)
Loan proceeds		(158,000)	-
Increase (decrease) in inventory		(8,969)	(13,700)
Increase (decrease) in accrued revenues		<u>-</u>	<u>(3,197)</u>
Total reconciling items		<u>(151,347)</u>	<u>24,510</u>
Change in net position (Exhibit H)		<u>\$ 894,413</u>	<u>\$ 554,981</u>

CITY OF BELMONT, NORTH CAROLINA

WEST OUTFALL ENTERPRISE FUND CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2013

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant proceeds	\$ 1,046,520	\$ 895,228	\$ -	\$ 895,228	\$ (151,292)
Local contribution	26,163	-	-	-	(26,163)
Total revenues	<u>1,072,683</u>	<u>895,228</u>	<u>-</u>	<u>895,228</u>	<u>(177,455)</u>
Expenditures:					
Economic and physical development:					
Administration	-	45,096	-	45,096	-
Construction	-	867,687	-	867,687	-
Total expenditures	<u>1,072,683</u>	<u>912,783</u>	<u>-</u>	<u>912,783</u>	<u>(159,900)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (17,555)</u>	<u>\$ -</u>	<u>\$ (17,555)</u>	<u>\$ (17,555)</u>

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 5,444	\$ 5,444	\$ 6,784
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(46,868)	-	46,868	-
Appropriated fund balance	46,868	-	(46,868)	-
Total other financing sources (uses)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 5,444	\$ 5,444	\$ 6,784

CITY OF BELMONT, NORTH CAROLINA

BELMONT TOURISM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Occupancy tax	\$ 70,000	\$ 75,602	\$ 5,602	\$ 77,761
Expenditures:				
Economic and physical development:				
Tourism program	100,000	96,327	3,673	53,809
Total expenditures	100,000	96,327	3,673	53,809
Revenues over (under) expenditures	(30,000)	(20,725)	9,275	23,952
Other Financing Sources (Uses):				
Appropriated fund balance	30,000	-	(30,000)	-
Total other financing sources (uses)	30,000	-	(30,000)	-
Net change in fund balance	\$ -	(20,725)	\$ (20,725)	23,952
Fund Balance:				
Beginning of year - July 1		116,462		92,510
End of year - June 30		\$ 95,737		\$ 116,462

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2011-2012	\$ -	\$ 5,409,530	\$ 5,308,544	\$ 100,986
2010-2011	108,573	-	70,351	38,222
2009-2010	33,151	-	9,095	24,056
2008-2009	24,687	-	4,500	20,187
2007-2008	17,504	-	1,899	15,605
2006-2007	12,111	-	1,474	10,637
2005-2006	6,109	-	1,416	4,693
2004-2005	5,338	-	1,390	3,948
2003-2004	5,275	-	852	4,423
2002-2003	3,562	-	112	3,450
2001-2002	<u>4,830</u>	<u>-</u>	<u>4,830</u>	<u>-</u>
Total	<u>\$ 221,140</u>	<u>\$ 5,409,530</u>	<u>\$ 5,404,463</u>	226,207
Less allowance for uncollectible ad valorem taxes receivable				<u>(65,976)</u>
Ad valorem taxes receivable, net				<u>\$ 160,231</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)			\$ 5,365,736	
Less penalties and interest collected			(17,865)	
Taxes written off and refunded			4,830	
Miscellaneous			<u>51,762</u>	
Total collections and credits			<u>\$ 5,404,463</u>	

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 1,104,152,000	\$ 0.475	\$ 5,244,722	\$ 4,849,624	\$ 395,098
Discoveries - Current Year Taxes	41,273,474	0.475	196,050	144,514	51,536
Abatements	(6,577,263)		(31,242)	(21,175)	(10,067)
Total property valuation	<u>\$ 1,138,848,211</u>				
Net Levy			5,409,530	4,972,963	436,567
Uncollected taxes at June 30, 2013			(100,986)	(46,414)	(54,572)
Current Year's Taxes Collected			<u>\$ 5,308,544</u>	<u>\$ 4,926,549</u>	<u>\$ 381,995</u>
Current Levy Collection Percentage			<u>98.13%</u>	<u>99.07%</u>	<u>87.50%</u>

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying Financial Statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2013, and the related Notes to the Financial Statements, which collectively comprise the City of Belmont's basic Financial Statements, and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the 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, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies, 2013-001, 2013-002 and 2013-003, described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Belmont's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 22, 2013

CITY OF BELMONT, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Significant deficiencies identified that are not considered to be material weaknesses? No

Non-compliance material to financial statements noted? No

CITY OF BELMONT, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Finding 2013-001 Significant Audit Adjustments:

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

Condition: A significant audit adjustment is a proposed correction of the basic Financial Statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the City's system of controls did not detect and prevent such errors. Management relies on its external auditor to identify and propose entries to convert the modified accrual records to a basis of accounting consistent with generally accepted accounting principles.

Effect: There is a risk that financial statements might be inaccurate, incomplete, or lack proper disclosure.

Cause: Due to the relatively small size of the City's Accounting Department, as well as the operational nature of the City, the main focus of management is to account, monitor, and report financial resources and activities on the modified accrual or budgetary basis. Thus, use of full accrual financial statements and related disclosures is not utilized in the normal course of business.

Context: Significant audit adjustments were made with regards to accrual adjustments required by GAAP.

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

Name of Contact Person: Michelle Davis, Deputy Finance Officer

Corrective Action/Management Response: Management concurs. Management is aware that year-end audit adjustments are typically required. The City will continue to enhance the capabilities of its internal staff by ensuring additional training and educational opportunities are made available and attended so as to allow staff, while still limited in number, to assume additional responsibilities for financial reporting. The City will examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the City's available financial resources.

CITY OF BELMONT, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Finding 2013-002 - Controls Over Financial Reporting:

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

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the City's personnel with regards to drafting full accrual, full disclosure financial statements.

Effect: The City requires assistance from the external auditor in drafting the financial statements.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Context: City personnel cannot draft full disclosure GAAP financial statements.

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

Name of Contact Person: Michelle Davis, Deputy Finance Officer

Corrective Action/Management's Response: Management is aware of the weakness, but due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The City will exercise due care in reviewing the financial statements drafted by the external auditor. The City acknowledges and accepts responsibility for the accuracy of the audited financial statements.

CITY OF BELMONT, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Finding 2013-003 – Controls Over Financial Reporting- Prior Period Adjustment

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

Condition: Audit and accounting standards require errors in prior periods that are detected in a subsequent year be reported as prior period adjustments, resulting in a restatement of net position and/or fund balance. The prior period adjustment indicates that the systems of internal control are not operating as intended. A material error was not detected by the City's system of internal controls. In the current year, an error was detected in the business activities beginning net position due to the recording of a loan as revenue instead of a note payable.

Context: While performing testing on the financial statements and inquiry on the classification of the debt shown as revenue in the prior year, we noted the condition described above.

Effect: Net position of business-type funds was overstated at June 30, 2012 by \$895,228.

Cause: Management oversight in recording of project debt.

Recommendation: As part of the internal control structure, management should evaluate the cause of the error and implement control procedures to prevent prior period adjustments in the future.

Name of Contact Person: Michelle Davis, Deputy Finance Officer

Corrective Action/Management Response: Management concurs and will examine the adjustments required as a result of our audit.

CITY OF BELMONT, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2012-1: Repeated as 2013-001

Finding 2012-2: Repeated as 2013-002

Finding 2012-3: Corrected

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