

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

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

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2014

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Ron Foulk

Charlie Flowers

Ryan Schrift

Martha Stowe

Richard Turner

OFFICIALS

Barry Webb, City Manager

Michelle Wood, Finance Director

CITY OF BELMONT, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Belmont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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, 2014 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014 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 the City of Belmont's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 28, 2014

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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, 2014. 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

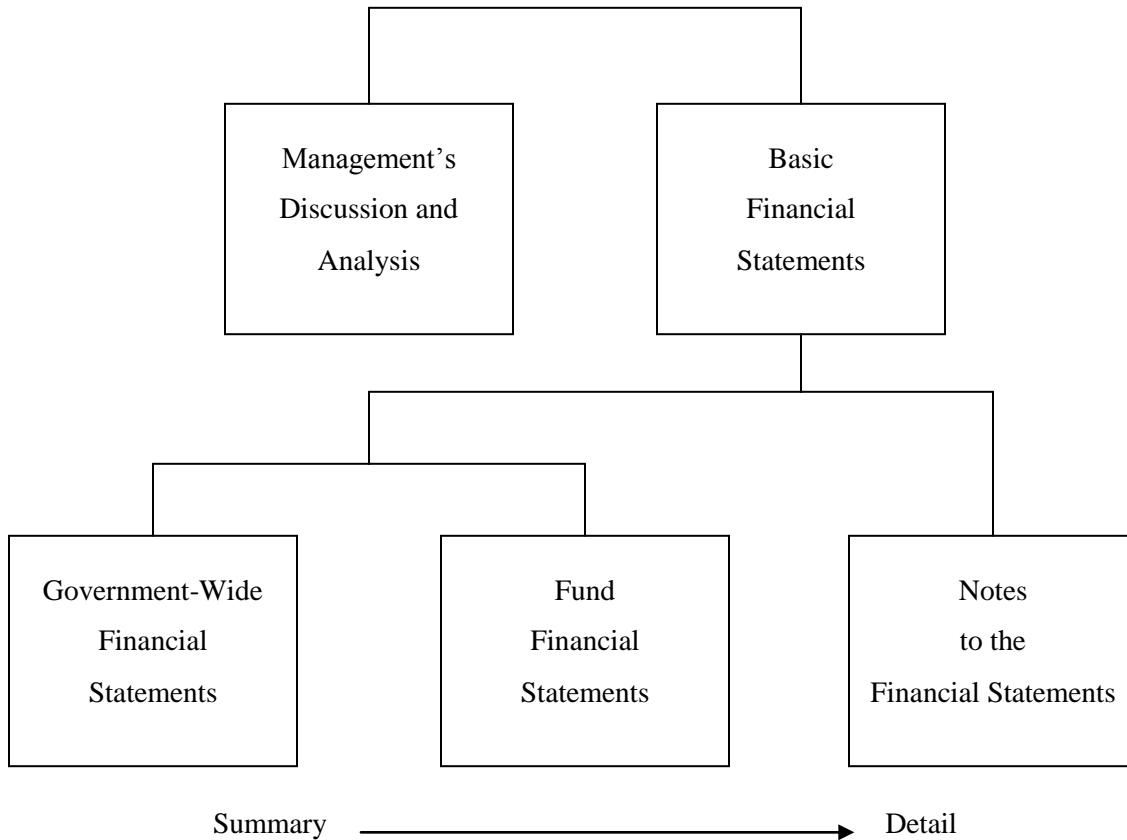
- The assets of the City of Belmont exceeded its liabilities at the close of the fiscal year by \$27,326,300 (net position).
- The government's total net position increased by \$1,507,931 due to increases in both governmental and business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$5,379,035, with a net decrease of \$695,317. Approximately 16.5% of this total amount, or \$888,966, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,613,828, or 27.9%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding increased by \$104,901 (1.4%) 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 25-54 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 55 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 6,043,584	\$ 6,671,491	\$ 6,190,130	\$ 4,874,445	\$ 12,233,714	\$ 11,545,936
Capital assets	10,840,983	9,588,371	14,025,596	13,802,759	24,866,579	23,391,130
Total assets	16,884,567	16,259,862	20,215,726	18,677,204	37,100,293	34,937,066
Liabilities:						
Long-term liabilities	5,289,847	5,088,600	3,643,994	3,470,834	8,933,841	8,559,434
Other liabilities	1,319,253	1,087,226	763,215	619,581	2,082,468	1,706,807
Total liabilities	6,609,100	6,175,826	4,407,209	4,090,415	11,016,309	10,266,241
Net Position:						
Net investment in capital assets	6,853,035	6,315,343	10,674,984	10,561,585	17,528,019	16,876,928
Restricted	615,538	1,498,186	-	-	615,538	1,498,186
Unrestricted	3,580,458	2,977,957	5,602,285	4,465,298	9,182,743	7,443,255
Total net position	\$ 11,049,031	\$ 10,791,486	\$ 16,277,269	\$ 15,026,883	\$ 27,326,300	\$ 25,818,369

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 \$27,326,300 as of June 30, 2014. The City's net position increased by \$1,507,931 for the fiscal year ended June 30, 2014. However, the largest portion (64.1%) 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, \$615,538, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,182,743 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 \$405,886, or 4.75%, higher than the previous fiscal year and totaled 104.38% of budget. The majority of this increase was generated by higher Ad Valorem Taxes and Local Option Sales Tax revenues.
- General Fund expenditures were approximately \$824,857, or 9.68%, higher than the previous fiscal year. Much of this overall increase reflected higher capital-related expenditures, with \$361,735 of the increase coming from higher capital outlays and \$142,059 from higher debt service payments related to capital projects. When looked at in combination with overall General Fund revenues and the issuance of additional long term debt associated with the capital outlay increase, the final position reflected a fund balance increase of \$213,796. The effect of increased capital outlay and long-term debt on the City's net position is reflected in the increased depreciation and interest expense.
- Water and sewer operating revenues were approximately \$836,440, or 16.02%, higher than the previous fiscal year and totaled 116.82% of budget. Nearly one-half of this total increase was generated by additional water sales and sewer charges.
- Water and sewer expenditures were approximately \$490,475, or 11.32%, higher than the previous fiscal year and totaled 99.09% of budget.

City of Belmont's Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 659,377	\$ 6,046,318	\$ 6,705,695	\$ 647,882	\$ 5,220,601	\$ 5,868,483
Operating grants and contributions	352,191	-	352,191	318,737	-	318,737
General revenues:						
Property taxes	5,627,775	-	5,627,775	5,365,736	-	5,365,736
Other taxes	2,621,427	-	2,621,427	2,455,723	-	2,455,723
Other	122,111	18,852	140,963	105,092	6,422	111,514
Total revenues	<u>9,382,881</u>	<u>6,065,170</u>	<u>15,448,051</u>	<u>8,893,170</u>	<u>5,227,023</u>	<u>14,120,193</u>
Expenses:						
General government	1,462,905	-	1,462,905	1,286,225	-	1,286,225
Public safety	3,672,946	-	3,672,946	3,950,322	-	3,950,322
Transportation	1,430,083	-	1,430,083	1,273,144	-	1,273,144
Environmental protection	1,085,622	-	1,085,622	819,276	-	819,276
Cutlural and recreation	1,220,317	-	1,220,317	783,099	-	783,099
Economic and physical development	76,393	-	76,393	-	-	-
Water and sewer	-	4,814,784	4,814,784	-	4,332,610	4,332,610
Interest	177,070	-	177,070	139,332	-	139,332
Total expenses	<u>9,125,336</u>	<u>4,814,784</u>	<u>13,940,120</u>	<u>8,251,398</u>	<u>4,332,610</u>	<u>12,584,008</u>
Increase (decrease) in net position	<u>257,545</u>	<u>1,250,386</u>	<u>1,507,931</u>	<u>641,772</u>	<u>894,413</u>	<u>1,536,185</u>
Net Position:						
Beginning of year, as previously stated - July 1	10,791,486	15,026,883	25,818,369	10,149,714	15,027,698	25,177,412
Prior period adjustment	-	-	-	-	(895,228)	(895,228)
Beginning of year, as restated	<u>10,791,486</u>	<u>15,026,883</u>	<u>25,818,369</u>	<u>10,149,714</u>	<u>14,132,470</u>	<u>24,282,184</u>
End of year - June 30	<u>\$ 11,049,031</u>	<u>\$ 16,277,269</u>	<u>\$ 27,326,300</u>	<u>\$ 10,791,486</u>	<u>\$ 15,026,883</u>	<u>\$ 25,818,369</u>

Governmental Activities. Governmental activities increased the City's net position by \$257,545, thereby accounting for 17.1% of the increase in net position of the City of Belmont. Key elements of this increase are as follows:

- Overall, both revenues and functional expenses increased over those for the prior fiscal year, but revenues, which increased by \$472,013, still exceeded functional expenses by \$257,545.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$1,250,386, accounting for 82.9% of the change in the government's net position. Key elements of this increase are as follows:

- Total charges for service increased by \$828,717, well more than the increase in 2013-2014 expenses.

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 \$2,825,814, while total fund balance reached \$3,321,288. The City currently has an available fund balance of 32.30% of General Fund expenditures, while total fund balance represents 37.96% of the same amount.

At June 30, 2014, the governmental funds of the City of Belmont reported a combined fund balance of \$5,379,035 with a net decrease of \$695,317.

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 \$5,602,285. The total changes in net position for the Water and Sewer Fund were \$1,250,386. 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, 2014 totals \$24,866,579 (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	
	2014	2014	2014	2013	2013	2013
Land	\$ 2,957,411	\$ 75,890	\$ 3,033,301	\$ 2,790,270	\$ 75,890	\$ 2,866,160
Buildings	4,384,865	3,639,245	8,024,110	4,467,774	3,794,656	8,262,430
Other improvements	618,999	1,565,925	2,184,924	646,625	1,581,224	2,227,849
Machinery and equipment	495,116	1,148,837	1,643,953	558,034	836,769	1,394,803
Vehicles and motorized equipment	1,115,379	-	1,115,379	660,059	-	660,059
Distribution systems	-	6,920,947	6,920,947	-	6,432,072	6,432,072
Other non-depreciable items	5,687	31,911	37,598	5,687	31,911	37,598
Natural gas fill station	-	131,938	131,938	-	137,454	137,454
Construction in progress	1,263,526	510,903	1,774,429	459,922	912,783	1,372,705
Total	\$ 10,840,983	\$ 14,025,596	\$ 24,866,579	\$ 9,588,371	\$ 13,802,759	\$ 23,391,130

Long-Term Debt. As of June 30, 2014, the City of Belmont had total debt outstanding of \$7,611,988. Of this amount, \$3,350,612 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	
	2014	2014	2014	2013	2013	2013
Capitalized leases	\$ 479,700	\$ -	\$ 479,700	\$ 468,787	\$ -	\$ 468,787
Notes payable	3,781,676	3,350,612	7,132,288	3,797,126	3,241,174	7,038,300
Total	\$ 4,261,376	\$ 3,350,612	\$ 7,611,988	\$ 4,265,913	\$ 3,241,174	\$ 7,507,087

The City of Belmont's total debt increased by \$104,901, or 1.4%, 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 \$90,067,449.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 49 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- In the past year, Belmont has witnessed additional improvement in its overall economic indicators, continuing a reverse of the trends that had been experienced during the economic downturn that was in place for several years. In regards to housing, the number of permits issued in 2013 for new house/townhouse construction reached 105, more than doubling the total of 49 issued in 2009 at the worst of the downturn. An even higher pace has been experienced during the first six months of 2014, with an additional 57 permits issued. On the commercial side, a number of new businesses began operations in Belmont during Fiscal Year 2013-2014, a good proportion of which was located in the downtown area, including a new natural foods store and numerous medical and other professional offices.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Based on the actual results from this fiscal year, additional growth is again anticipated in some of the major General Fund revenues in the coming fiscal year. Overall, total General Fund revenues are projected to increase by 5.04% over the adopted Fiscal Year 2013-2014 budget total. An important component of this overall revenue growth is the increase projected for each of the two largest General Fund revenues – Current Year Ad Valorem Taxes (+4.65%) and Local Option Sales Taxes (+3.13%) – which, together, account for approximately 80% of total General Fund revenues.

In line with revenues, budgeted expenditures in the General Fund for the coming fiscal year are also projected to increase by 5.04% from the prior fiscal year. A 3% adjustment for salaries has been included within the Fiscal Year 2014-2015 budget, along with one new position in the Police Department. A large part of the overall increase in expenditures is driven by the inclusion of funds in the approved budget to allow the City to move forward with some of its highest priority capital projects. Primarily, this consists of the development of a new riverfront park and renovation of the building utilized by the Public Works Department.

Business-Type Activities: Water and sewer rates will increase for Fiscal Year 2014-2015, with overall water charges increasing 6.5% and wastewater charges increasing 9.0%. These increases are in conformance with the recommendations from the City's approved rate plan, which was first adopted by City Council as part of the Fiscal Year 2011-2012 budget and amended for the upcoming Fiscal Year 2014-2015 budget. The major focus of the rate plan is to utilize additional revenues generated by these increases strictly to address the Capital Improvement Program (CIP) for the Water and Sewer Fund. The overall budget for the Water and Sewer Fund will increase by 2.59%. As with the General Fund, a 3.0% adjustment for salaries has been included, but no new positions are added. Continued emphasis will be given to moving ahead with the highest priority capital projects from the CIP.

Requests for Information

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,894,094	\$ 5,191,379	\$ 10,085,473	\$ 65,092
Taxes receivables, net	110,592	-	110,592	-
Accounts receivable, net	35,963	749,642	785,605	-
Note receivable	10,104	-	10,104	-
Prepaid items	18,096	-	18,096	-
Due from other governments	403,546	-	403,546	-
Inventories	74,823	153,364	228,187	-
Total current assets	<u>5,547,218</u>	<u>6,094,385</u>	<u>11,641,603</u>	<u>65,092</u>
Restricted assets:				
Cash and cash equivalents	<u>485,414</u>	<u>95,745</u>	<u>581,159</u>	<u>-</u>
Non-current assets:				
Long-term note receivable	<u>10,952</u>	<u>-</u>	<u>10,952</u>	<u>-</u>
Capital assets:				
Non-depreciable	4,226,624	618,704	4,845,328	-
Depreciable, net of accumulated depreciation	<u>6,614,359</u>	<u>13,406,892</u>	<u>20,021,251</u>	<u>-</u>
Total capital assets	<u>10,840,983</u>	<u>14,025,596</u>	<u>24,866,579</u>	<u>-</u>
Total non-current assets	<u>10,851,935</u>	<u>14,025,596</u>	<u>24,877,531</u>	<u>-</u>
Total assets	<u>16,884,567</u>	<u>20,215,726</u>	<u>37,100,293</u>	<u>65,092</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	496,944	163,578	660,522	128
Accrued interest	48,745	35,140	83,885	-
Long-term liabilities, due within one year	773,564	468,752	1,242,316	-
Payable from restricted assets:				
Customer deposits	<u>-</u>	<u>95,745</u>	<u>95,745</u>	<u>-</u>
Total current liabilities	<u>1,319,253</u>	<u>763,215</u>	<u>2,082,468</u>	<u>128</u>
Long-term liabilities, due in more than one year	<u>4,516,283</u>	<u>3,175,242</u>	<u>7,691,525</u>	<u>-</u>
Total liabilities	<u>5,835,536</u>	<u>3,938,457</u>	<u>9,773,993</u>	<u>128</u>
Net Position:				
Net investment in capital assets	6,853,035	10,674,984	17,528,019	-
Restricted for:				
Stabilization by State statute	403,552	-	403,552	-
Streets	211,986	-	211,986	-
Other	-	-	-	64,964
Unrestricted	<u>3,580,458</u>	<u>5,602,285</u>	<u>9,182,743</u>	<u>-</u>
Total net position	<u>\$ 11,049,031</u>	<u>\$ 16,277,269</u>	<u>\$ 27,326,300</u>	<u>\$ 64,964</u>

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

CITY OF BELMONT, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>		
Function/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 1,462,905	\$ 83,593	\$ 24,334
Public safety	3,672,946	23,690	30,811
Transportation	1,430,083	-	295,796
Environmental protection	1,085,622	394,050	-
Cultural and recreational	1,220,317	158,044	1,250
Economic and physical development	76,393	-	-
Interest on long-term debt	177,070	-	-
Total governmental activities	<u>9,125,336</u>	<u>659,377</u>	<u>352,191</u>
Business-Type Activities:			
Water and sewer	4,814,784	6,046,318	-
Total business-type activities	<u>4,814,784</u>	<u>6,046,318</u>	<u>-</u>
Total primary government	<u>\$ 13,940,120</u>	<u>\$ 6,705,695</u>	<u>\$ 352,191</u>
Component Unit:			
Belmont Tourism Development Authority	<u>\$ 107,117</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

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

				Component Unit
Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority	
\$ (1,354,978)	\$ -	\$ (1,354,978)	\$	-
(3,618,445)	-	(3,618,445)		-
(1,134,287)	-	(1,134,287)		-
(691,572)	-	(691,572)		-
(1,061,023)	-	(1,061,023)		-
(76,393)	-	(76,393)		-
(177,070)	-	(177,070)		-
<u>(8,113,768)</u>	<u>-</u>	<u>(8,113,768)</u>		<u>-</u>
-	1,231,534	1,231,534		-
-	1,231,534	1,231,534		-
<u>(8,113,768)</u>	<u>1,231,534</u>	<u>(6,882,234)</u>		<u>-</u>
				<u>(107,117)</u>
5,627,775	-	5,627,775		-
2,621,427	-	2,621,427		76,344
17,400	7,339	24,739		-
-	11,513	11,513		-
104,711	-	104,711		-
<u>8,371,313</u>	<u>18,852</u>	<u>8,390,165</u>		<u>76,344</u>
257,545	1,250,386	1,507,931		(30,773)
<u>10,791,486</u>	<u>15,026,883</u>	<u>25,818,369</u>		<u>95,737</u>
<u>\$ 11,049,031</u>	<u>\$ 16,277,269</u>	<u>\$ 27,326,300</u>	<u>\$</u>	<u>64,964</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 3,018,444	\$ 1,353,342	\$ 522,308	\$ 4,894,094
Taxes receivable, net	110,592	-	-	110,592
Accounts receivable, net	306	-	35,657	35,963
Note receivable	21,056	-	-	21,056
Prepaid items	18,096	-	-	18,096
Due from other governments	403,546	-	-	403,546
Inventory	73,826	-	997	74,823
Cash, restricted	211,986	-	273,428	485,414
Total assets	<u>\$ 3,857,852</u>	<u>\$ 1,353,342</u>	<u>\$ 832,390</u>	<u>\$ 6,043,584</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 404,616	\$ -	\$ 92,328	\$ 496,944
Total liabilities	<u>404,616</u>	<u>-</u>	<u>92,328</u>	<u>496,944</u>
Deferred Inflows of Resources:				
Property taxes receivable	110,592	-	-	110,592
Other receivables	21,356	-	35,657	57,013
Total deferred inflows of resources	<u>131,948</u>	<u>-</u>	<u>35,657</u>	<u>167,605</u>
Fund Balances:				
Non-spendable:				
Inventories	73,826	-	-	73,826
Prepaid items	18,096	-	-	18,096
Restricted:				
Stabilization by State statute	403,552	-	-	403,552
Streets	211,986	-	-	211,986
Cultural and recreation	-	-	273,428	273,428
Committed for capital reserve	-	1,353,342	-	1,353,342
Assigned:				
Assigned, other	-	-	514,878	514,878
Unassigned	2,613,828	-	(83,901)	2,529,927
Total fund balances	<u>3,321,288</u>	<u>1,353,342</u>	<u>704,405</u>	<u>5,379,035</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,857,852</u>	<u>\$ 1,353,342</u>	<u>\$ 832,390</u>	<u>\$ 6,043,584</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

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	\$ 5,379,035
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,840,983
Liabilities for earned revenues considered deferred inflows of resources in fund statements	167,605
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(48,745)
Compensated absences	(398,775)
Net pension obligation	(192,692)
Other post-employment benefits obligation	(437,004)
Note payable	(3,781,676)
Capital leases payable	<u>(479,700)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 11,049,031</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Ad valorem taxes	\$ 5,627,775	\$ -	\$ -	\$ 5,627,775
Other taxes and licenses	166,252	-	-	166,252
Unrestricted intergovernmental	2,455,175	-	-	2,455,175
Restricted intergovernmental	351,107	-	1,250	352,357
Permits and fees	62,206	-	-	62,206
Sales and services	203,121	-	394,050	597,171
Investment earnings	12,507	4,647	246	17,400
Other general revenues	104,545	-	-	104,545
Total revenues	<u>8,982,688</u>	<u>4,647</u>	<u>395,546</u>	<u>9,382,881</u>
Expenditures:				
Current:				
General government	1,351,761	-	-	1,351,761
Public safety	3,998,893	-	-	3,998,893
Transportation	1,335,463	-	-	1,335,463
Environmental protection	606,483	-	468,505	1,074,988
Cultural and recreational	395,083	-	803,604	1,198,687
Economic and physical development	76,344	-	49	76,393
Debt service:				
Principal	578,437	-	26,700	605,137
Interest and other charges	132,797	-	10,448	143,245
Capital outlay	894,231	-	-	894,231
Total expenditures	<u>9,369,492</u>	<u>-</u>	<u>1,309,306</u>	<u>10,678,798</u>
Revenues over (under) expenditures	<u>(386,804)</u>	<u>4,647</u>	<u>(913,760)</u>	<u>(1,295,917)</u>
Other Financing Sources (Uses):				
Long-term debt issued	600,600	-	-	600,600
Total other financing sources (uses)	<u>600,600</u>	<u>-</u>	<u>-</u>	<u>600,600</u>
Net change in fund balances	213,796	4,647	(913,760)	(695,317)
Fund Balances:				
Beginning of year - July 1	<u>3,107,492</u>	<u>1,348,695</u>	<u>1,618,165</u>	<u>6,074,352</u>
End of year - June 30	<u>\$ 3,321,288</u>	<u>\$ 1,353,342</u>	<u>\$ 704,405</u>	<u>\$ 5,379,035</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, 2014**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ (695,317)
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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.	1,252,612
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(64,678)
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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.	4,537
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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	(33,825)
Compensated absences	(34,056)
Other post-employment benefits obligation	(140,130)
Net pension obligation	<u>(31,598)</u>

Total changes in net position of governmental activities (Exhibit B)	<u><u>\$ 257,545</u></u>
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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, 2014**

	<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	\$ 5,280,000	\$ 5,407,894	\$ 5,627,775	\$ 219,881
Other taxes and licenses	73,000	178,000	166,252	(11,748)
Unrestricted intergovernmental	2,352,000	2,352,000	2,455,175	103,175
Restricted intergovernmental	305,500	319,912	351,107	31,195
Permits and fees	40,000	45,000	62,206	17,206
Sales and services	178,375	188,375	203,121	14,746
Investment earnings	10,000	10,000	12,507	2,507
Miscellaneous	45,000	95,000	104,545	9,545
Total revenues	<u>8,283,875</u>	<u>8,596,181</u>	<u>8,982,688</u>	<u>386,507</u>
Expenditures:				
Current:				
General government	1,184,060	1,292,321	1,351,761	(59,440)
Environmental protection	624,814	607,265	606,483	782
Public safety	3,964,921	3,988,926	3,998,893	(9,967)
Transportation	1,313,018	1,343,948	1,335,463	8,485
Cultural and recreation	463,861	396,548	395,083	1,465
Economic and physical development	-	110,000	76,344	33,656
Debt service:				
Principal	506,186	575,000	578,437	(3,437)
Interest and other charges	151,222	137,000	132,797	4,203
Capital outlay	<u>225,793</u>	<u>797,773</u>	<u>894,231</u>	<u>(96,458)</u>
Total expenditures	<u>8,433,875</u>	<u>9,248,781</u>	<u>9,369,492</u>	<u>(120,711)</u>
Revenues over (under) expenditures	<u>(150,000)</u>	<u>(652,600)</u>	<u>(386,804)</u>	<u>265,796</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	600,600	600,600	-
Transfers to other funds	-	(50,000)	-	50,000
Transfers from other funds	<u>150,000</u>	<u>102,000</u>	<u>-</u>	<u>(102,000)</u>
Total other financing sources (uses)	<u>150,000</u>	<u>652,600</u>	<u>600,600</u>	<u>(52,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	213,796	<u>\$ 213,796</u>
Fund Balance:				
Beginning of year - July 1			<u>3,107,492</u>	
End of year - June 30			<u>\$ 3,321,288</u>	

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,191,379
Accounts receivable (net)	749,642
Inventories	153,364
Total current assets	<u>6,094,385</u>
Restricted assets:	
Cash and cash equivalents	<u>95,745</u>
Non-current assets:	
Capital assets:	
Non-depreciable	618,704
Depreciable, net of accumulated depreciation	<u>13,406,892</u>
Total non-current assets	<u>14,025,596</u>
Total assets	<u>20,215,726</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	163,578
Accrued interest	35,140
Current portion of compensated absences	50,000
Current portion of long-term debt	418,752
Payable from restricted assets:	
Customer deposits	<u>95,745</u>
Total current liabilities	<u>763,215</u>
Non-current liabilities:	
Compensated absences	66,110
Other post-employment benefits	177,272
Non-current portion of long-term debt	<u>2,931,860</u>
Total non-current liabilities	<u>3,175,242</u>
Total liabilities	<u>3,938,457</u>
Net Position:	
Net investment in capital assets	10,674,984
Unrestricted	<u>5,602,285</u>
Total net position	<u>\$ 16,277,269</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, 2014

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 5,136,962
Other operating revenues	909,356
Total operating revenues	<u>6,046,318</u>
Operating Expenses:	
Water administration and distribution	1,451,928
Water treatment plant	1,218,913
Waste collection and treatment	1,177,411
Depreciation	829,332
Total operating expenses	<u>4,677,584</u>
Operating income (loss)	<u>1,368,734</u>
Non-Operating Revenues (Expenses):	
Investment earnings	7,339
Insurance claims	11,513
Interest and other charges	<u>(137,200)</u>
Total non-operating revenues (expenses)	<u>(118,348)</u>
Change in net position	1,250,386
Net Position:	
Beginning of year - July 1	<u>15,026,883</u>
End of year - June 30	<u>\$ 16,277,269</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, 2014

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 5,932,168
Cash paid for goods and services	(1,783,553)
Cash paid to or on behalf of employees for services	(1,917,178)
Customer deposits, net	<u>6,169</u>
Net cash provided (used) by operating activities	<u>2,237,606</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from insurance claim	11,513
Acquisition and construction of capital assets	(1,052,169)
Proceeds from long-term debt	499,532
Principal paid on long-term debt	(390,094)
Interest paid on long-term debt	<u>(110,298)</u>
Net cash provided (used) in capital and related financing activities	<u>(1,041,516)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>7,339</u>
Net increase (decrease) in cash and cash equivalents	1,203,429
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>4,083,695</u>
End of year - June 30	<u>\$ 5,287,124</u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ 1,368,734</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	829,332
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(114,150)
(Increase) decrease in inventories	1,894
Increase (decrease) in accounts payable and accrued liabilities	139,513
Increase (decrease) in compensated absences payable	6,114
Increase (decrease) in customer deposits	<u>6,169</u>
Total adjustments	<u>868,872</u>
Net cash provided (used) by operating activities	<u>\$ 2,237,606</u>

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

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CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, and to 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, 2014

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

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, 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 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 Street and Todd Street 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, 2014

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, 2014

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. 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, 2014

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, 2014, 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 and TDA 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 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, 2014

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, 2013.

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. Brook Street Soccer Park Money is classified as restricted because its use is restricted by revenue source for the development of the Brook Street Soccer Park. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Governmental Activities:

General Fund:

Restricted for streets - Powell Bill	\$ 211,986
Other governmental funds:	
Unexpended bond proceeds	<u>273,428</u>
Total governmental activities	<u>\$ 485,414</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	<u>\$ 95,745</u>
Total business-type activities	<u>\$ 95,745</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

The estimated useful lives are as follows:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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. The City currently has no item matching this criterion. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period and so will not be recognized as revenues until then. The City has two items that meets this criterion – property taxes receivable and other receivables.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Long-Term Obligations

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

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

Compensated Absences

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

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

Net Position/Fund Balances

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

Fund Balances

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$273,428 as of June 30, 2014.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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	\$ 3,321,288
Less:	
Inventories	73,826
Prepaid items	18,096
Restricted for stabilization by State statute	403,552
Restricted for streets	211,986
Working Capital/Fund Balance Policy	<u>2,149,045</u>
Remaining fund balance	<u>\$ 464,783</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, 2014

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2014, the expenditures made in the General Fund materially exceeded the authorized appropriations made by the governing board for the administration and finance department by \$63,367, the fire department by \$9,987, and capital purchases by \$96,458. This over-expenditure occurred because obligations were incurred, but not yet paid, before the end of the year and were not properly reflected in the final amendments to the budget for the fiscal year.

3. 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, 2014, the City's deposits, including the TDA's, had a carrying amount of \$10,686,978 and a bank balance of \$10,685,728. Of the bank balance, \$762,805 was covered by federal depository insurance, and \$9,922,923 was covered by collateral held under the Pooling Method. At June 30, 2014, the City's petty cash totaled \$800.

At June 30, 2014, the carrying amount of deposits for the TDA was \$65,092. This amount is included in the City's deposits because the TDA's cash and investments are co-mingled with the City's.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Investments

At June 30, 2014, the City had \$43,946 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.

Receivables

Receivables at Exhibit A at June 30, 2014 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	\$ 306	\$ 169,971	\$ 21,056	\$ 403,546	\$ 594,879
Other governmental	<u>35,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,657</u>
Total receivables	35,963	169,971	21,056	403,546	630,536
Allowance for doubtful accounts	<u>-</u>	<u>(59,379)</u>	<u>-</u>	<u>-</u>	<u>(59,379)</u>
Total governmental activities	<u>\$ 35,963</u>	<u>\$ 110,592</u>	<u>\$ 21,056</u>	<u>\$ 403,546</u>	<u>\$ 571,157</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,952</u>	<u>\$ -</u>	<u>\$ 10,952</u>
Enterprise Fund:					
Water and Sewer	\$ 832,653	\$ -	\$ -	\$ -	\$ 832,653
Allowance for doubtful accounts	<u>(83,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,011)</u>
Total business-type activities	<u>\$ 749,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 749,642</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,790,270	\$ 167,141	\$ -	\$ 2,957,411
Other	5,687	-	-	5,687
Construction in progress	459,922	803,604	-	1,263,526
Total non-depreciated capital assets	3,255,879	970,745	-	4,226,624
Depreciable Capital Assets:				
Buildings	5,457,384	25,196	-	5,482,580
Other improvements	1,425,842	-	-	1,425,842
Equipment	2,737,027	82,050	-	2,819,077
Vehicles and motorized equipment	2,835,668	569,103	-	3,404,771
Total depreciable capital assets	12,455,921	676,349	-	13,132,270
Less Accumulated Depreciation:				
Buildings	989,610	108,105	-	1,097,715
Other improvements	779,217	27,626	-	806,843
Equipment	2,178,993	144,968	-	2,323,961
Vehicles and motorized equipment	2,175,609	113,783	-	2,289,392
Total accumulated depreciation	6,123,429	\$ 394,482	\$ -	6,517,911
Total depreciable capital assets, net	6,332,492			6,614,359
Governmental activities capital assets, net	\$ 9,588,371			\$ 10,840,983

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

General government	\$ 14,368
Public safety	281,894
Transportation	74,384
Cultural and recreational	18,941
Environmental protection	4,895
Total	\$ 394,482

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2014.

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Business-Type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 75,890	\$ -	\$ -	\$ 75,890
Other	31,911	-	-	31,911
Construction in progress	912,783	510,903	912,783	510,903
Total non-depreciable capital assets	<u>1,020,584</u>	<u>510,903</u>	<u>912,783</u>	<u>618,704</u>
 Depreciable Capital Assets:				
Buildings	10,352,783	28,596	-	10,381,379
Improvements other than buildings	1,633,405	-	-	1,633,405
Distribution systems	13,689,016	912,783	-	14,601,799
Machinery and equipment	6,194,437	512,670	87,882	6,619,225
Natural gas fill station	226,818	-	-	226,818
Total depreciable capital assets	<u>32,096,459</u>	<u>1,454,049</u>	<u>87,882</u>	<u>33,462,626</u>
 Less Accumulated Depreciation:				
Buildings	6,558,127	184,007	-	6,742,134
Improvements other than buildings	52,181	15,299	-	67,480
Distribution systems	7,256,944	423,908	-	7,680,852
Machinery and equipment	5,357,668	200,602	87,882	5,470,388
Natural gas fill station	89,364	5,516	-	94,880
Total accumulated depreciation	<u>19,314,284</u>	<u>\$ 829,332</u>	<u>\$ 87,882</u>	<u>20,055,734</u>
 Total depreciable capital assets, net	 <u>12,782,175</u>			 <u>13,406,892</u>
 Business-type activities capital assets, net	 <u>\$ 13,802,759</u>			 <u>\$ 14,025,596</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,840,983	\$ 14,025,596
Long-term debt	(4,261,376)	(3,350,612)
Unspent debt proceeds	<u>273,428</u>	<u>-</u>
Net investment in capital assets	<u>\$ 6,853,035</u>	<u>\$ 10,674,984</u>

Construction Commitments

The City has active construction projects as of June 30, 2014. At year-end, remaining commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
2013 Sewer Rehabilitation Contract	\$ -	\$ 223,572
2014 Spring Resurfacing Program	-	225,000
Brook Street Soccer Complex	<u>991,100</u>	<u>77,470</u>
Total	<u>\$ 991,100</u>	<u>\$ 526,042</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2014 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 163,722	\$ 240,894	\$ 404,616
Other governmental	<u>89,591</u>	<u>2,737</u>	<u>92,328</u>
Total	<u>\$ 253,313</u>	<u>\$ 243,631</u>	<u>\$ 496,944</u>
Business-Type Activities:			
Water and Sewer	<u>\$ 118,622</u>	<u>\$ 44,956</u>	<u>\$ 163,578</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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 7.07% and 7.28%, 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, 2014, 2013, and 2012 were \$346,908, \$329,964, and \$330,150, 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, 2013, the system's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1
Current employees	<u>29</u>
Total	<u>30</u>

A separate report was not issued for the Plan.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

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	\$ 56,212
Interest on net pension obligation	8,055
Adjustment to annual required contribution	<u>(13,125)</u>
Annual pension cost	51,142
Contributions made	<u>19,544</u>
Increase (decrease) in net pension obligation	31,598
Net Pension Obligation:	
Beginning of year - July 1	<u>161,094</u>
End of year - June 30	<u>\$ 192,692</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 50,884	54.06%	\$ 131,153
6/30/2013	52,250	42.70%	161,094
6/30/2014	51,142	38.22%	192,692

Funded Status and Funding Progress. As of December 31, 2013, 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 \$466,294. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,237,578, and the ratio of the UAAL to the covered payroll was 37.68%.

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, 2014 were \$97,627, which consisted of \$63,280 from the City and \$34,347 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, 2014 were \$264,666, which consisted of \$164,071 from the City and \$100,595 from the City employees.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City, to the Firefighter'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 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. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan. The City Council may amend the benefit provision.

Retired Employees' Years of Creditable Service	City Paid Benefits
Less than 25 years of service	not eligible
25 years of services or more and under 10 prior years with the City	not eligible
25 years of service or more and	100% cost paid by the City

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>109</u>
Total	<u><u>112</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.

The current ARC rate is 5.52% of annual covered payroll. For the current year, the City contributed \$36,648, or .87%, 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 \$7,246. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 165,885	\$ 67,756	\$ 233,641
Interest on net OPEB obligation	11,875	4,787	16,662
Adjustments to annual required contribution	(11,344)	(4,573)	(15,917)
Annual OPEB cost (expense)	166,416	67,970	234,386
Contributions made	(26,286)	(10,362)	(36,648)
Increase (decrease) in net OPEB obligation	140,130	57,608	197,738
Net OPEB Obligation:			
Beginning of year - July 1	296,874	119,664	416,538
End of year - June 30	<u>\$ 437,004</u>	<u>\$ 177,272</u>	<u>\$ 614,276</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 234,386	15.6%	\$ 614,276
2013	129,745	15.4%	416,538
2012	129,173	19.4%	306,740

Fund Status and Funding Progress. As of December 31, 2013, 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 \$2,405,007. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,229,189, and the ratio of the UAAL to the covered payroll was 56.9%. 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 value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2013 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 7.75% 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, 2013 was 30 years.

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

For the fiscal year ended June 30, 2014, the City made no contributions to the State for death benefits. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

A temporary relief period, based on the number of years the employer has contributed as of December 31, 2010, was established as follows:

No. Years Contributing	Years Relief	Contributions Resume
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

Deferred Inflows of Resources

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

	Unavailable Revenues
Taxes receivable, net	\$ 110,592
Stormwater receivables	35,657
Sale of surplus note receivable	21,056
Lighting assessment receivable	300
Total	\$ 167,605

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.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

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, 2014

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.

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

An 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.

An 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 following is an analysis of the assets recorded under capital leases by the City at June 30, 2014:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings, vehicles, and motorized equipment	\$ 1,337,979	\$ 702,219	\$ 635,760

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities
2015	\$ 91,939
2016	91,939
2017	56,085
2018	56,085
2019	56,085
2020-2024	280,425
2025-2028	<u>56,085</u>
Total minimum lease payments	688,643
Less: amount representing interest	<u>(208,943)</u>
Present value of minimum lease payments	<u>\$ 479,700</u>

Notes Payable

Serviced by General Fund:

2003 Note payable to bank for construction of a new police station, to be repaid in 30 semi-annual installments of \$95,000 through November 30, 2018; including interest at 3.59%	\$ 855,000
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in 30 semi-annual installments of \$53,457 through July 30, 2024; including interest at 4.09%	1,122,589
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%	187,169
2012 Note payable to bank for the Brook Street Soccer Park Capital Project, to be repaid in 25 semi-annual installments of \$53,125 through December 3, 2016; including interest at 2.36%	1,168,750
2014 Note payable to bank for the vehicles and equipment, to be repaid in 11 semi-annual installments of \$46,831 through December 8, 2018; including interest at 1.62%	<u>448,168</u>
Total	<u>\$ 3,781,676</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2014 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 19 equal annual installments of \$144,900, with a final payment of \$144,768 on May 1, 2015; plus interest at 3.57%	\$ 144,768
2008 Note payable to bank for construction of South Outfall Project, to be repaid in 14 semi-annual installments of \$45,030, with a final payment of \$63,350 on January 17, 2003; plus interest at 3.58%	993,581
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in 30 semi-annual installments of \$77,420 through July 30, 2024; including interest at 4.09%	812,910
2012 Note payable to NCDENR for construction of West Outfall Project, to be repaid in 20 annual installments of \$45,096 through May 1, 2032; plus interest at 2.22%	805,036
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%	94,785
2014 Note payables to NCDENR for the meter replacement project, to be repaid in 20 annual installments of \$24,980 through May 1, 2034; interest-free	<u>499,532</u>
Total	<u>\$ 3,350,612</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 551,328	\$ 105,186	\$ 418,752	\$ 92,003
2016	553,712	87,662	277,922	78,597
2017	556,134	73,123	281,993	70,359
2018	494,218	58,569	253,599	61,984
2019	400,762	45,018	257,431	53,984
2020-2024	1,065,817	1,115,623	1,218,392	145,057
2025-2029	159,705	2,936	389,088	26,326
2030-2034	-	-	253,435	6,007
Total	<u>\$ 3,781,676</u>	<u>\$ 1,488,117</u>	<u>\$ 3,350,612</u>	<u>\$ 534,317</u>

At June 30, 2014, the City of Belmont had a legal debt margin of \$90,067,449.

Changes in Long-Term Liabilities

	July 1, 2013	Increases	Decreases	June 30, 2014	Current Maturities
Governmental Activities:					
Notes payable	\$ 3,797,126	\$ 495,000	\$ 510,450	\$ 3,781,676	\$ 551,328
Capitalized leases	468,787	105,600	94,687	479,700	62,236
Net pension obligation	161,094	51,142	19,544	192,692	-
Other post-employment benefits	296,874	166,416	26,286	437,004	-
Compensated absences	<u>364,719</u>	<u>192,729</u>	<u>158,673</u>	<u>398,775</u>	<u>160,000</u>
Governmental activities long-term liabilities	<u>5,088,600</u>	<u>1,010,887</u>	<u>809,640</u>	<u>5,289,847</u>	<u>773,564</u>
Business-Type Activities:					
Notes payable	3,241,174	499,532	390,094	3,350,612	418,752
Other post-employment benefits	119,664	67,970	10,362	177,272	-
Compensated absences	<u>109,996</u>	<u>55,933</u>	<u>49,819</u>	<u>116,110</u>	<u>50,000</u>
Business-type activities long-term liabilities	<u>3,470,834</u>	<u>623,435</u>	<u>450,275</u>	<u>3,643,994</u>	<u>468,752</u>
Total	<u>\$ 8,559,434</u>	<u>\$ 1,634,322</u>	<u>\$ 1,259,915</u>	<u>\$ 8,933,841</u>	<u>\$ 1,242,316</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$10,832 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 \$8,580 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, 2014. 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.

4. Interfund Balances and Activity

The City had no interfund balances at June 30, 2014.

The City had one transfer from the Water and Sewer Fund to the Water and Sewer Capital Project Fund of \$10,224 for debt issuance costs during the current year.

5. 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, 2014, the City reported revenues and expenditures for the payments of \$19,412 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, 2014. 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, 2014

6. 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.

CITY OF BELMONT, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)			
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%
12/31/2013	-	466,294	466,294	0.00%	1,237,578	37.68%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution	Percentage Contributed
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%
2014	56,212	34.77%

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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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, 2014

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%
12/31/2013	-	2,405,007	2,405,007	0.00%	4,229,189	56.90%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 118,971	18.58%
2011	127,836	17.30%
2012	128,061	19.54%
2013	128,061	15.58%
2014	233,641	15.69%

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, 2013
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	7.75-5.00%
Year of Ultimate trend rate	2019

* 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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,160,000	\$ 5,379,944	\$ 219,944	\$ 5,233,831
Prior years	227,894	215,754	(12,140)	114,040
Penalties and interest	20,000	32,077	12,077	17,865
Total ad valorem taxes	<u>5,407,894</u>	<u>5,627,775</u>	<u>219,881</u>	<u>5,365,736</u>
Other Taxes and Licenses:				
Privilege licenses	15,000	16,224	1,224	27,686
Lease vehicle tax	20,000	23,771	3,771	21,499
Occupancy tax	105,000	76,344	(28,656)	75,602
Vehicle license tax	38,000	49,913	11,913	35,851
Total other taxes and licenses	<u>178,000</u>	<u>166,252</u>	<u>(11,748)</u>	<u>160,638</u>
Unrestricted Intergovernmental:				
Local option sales tax	1,600,000	1,683,313	83,313	1,601,020
Utility franchise tax	700,000	720,070	20,070	722,437
Solid waste disposal tax	7,000	5,897	(1,103)	4,942
Beer and wine tax	45,000	45,895	895	42,288
Total unrestricted intergovernmental	<u>2,352,000</u>	<u>2,455,175</u>	<u>103,175</u>	<u>2,370,687</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	295,000	295,796	796	292,512
Wellness funds	2,500	-	(2,500)	-
Unauthorized substance tax	3,000	11,399	8,399	4,952
Police grants	-	-	-	373
On-behalf payments, fire	19,412	19,412	-	16,093
State grants	-	24,500	24,500	-
Total restricted intergovernmental revenues	<u>319,912</u>	<u>351,107</u>	<u>31,195</u>	<u>313,930</u>
Permits and Fees:				
Zoning permits	45,000	62,206	17,206	74,602
Total permits and fees	<u>45,000</u>	<u>62,206</u>	<u>17,206</u>	<u>74,602</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Sales and Services:				
Recreation department fees	159,125	158,044	(1,081)	151,808
Sale of cemetery lots	8,000	15,262	7,262	13,320
Cemetery interment fees	-	6,125	6,125	6,060
Fire protection services	750	728	(22)	758
Sale of surplus property	20,000	20,812	812	11,171
Facility usage fees	-	1,270	1,270	2,130
Alarm registration fee	500	880	380	820
Total sales and services	188,375	203,121	14,746	186,067
Investment Earnings	10,000	12,507	2,507	9,647
Other General Revenues:				
Miscellaneous	80,000	72,047	(7,953)	74,046
SRO contribution	15,000	30,138	15,138	15,000
Special police funds	-	2,360	2,360	2,630
Total other general revenues	95,000	104,545	9,545	91,676
Total revenues	8,596,181	8,982,688	386,507	8,572,983
Expenditures:				
General Government:				
Mayor and Council:				
Fees	27,632	27,635	(3)	27,635
Group insurance	19,876	19,869	7	11,052
Travel and training	4,200	4,248	(48)	4,098
Supplies	1,000	1,044	(44)	263
Dues and memberships	13,331	13,299	32	12,306
Miscellaneous	2,224	2,121	103	2,123
Total	68,263	68,216	47	57,477

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Administration and Finance:				
Salaries	277,850	337,125	(59,275)	274,624
Employee benefits	89,726	89,135	591	84,749
Professional services	121,720	133,828	(12,108)	131,616
Telephone	9,000	9,590	(590)	7,485
Heating	1,600	1,569	31	1,363
Travel and training	7,000	6,068	932	5,217
Equipment maintenance	2,400	2,343	57	2,331
Equipment rental	708	708	-	708
Building repairs	1,000	887	113	14,225
Advertisement	500	280	220	571
Postage	900	961	(61)	892
Office supplies	3,000	2,221	779	2,856
Supplies	3,800	3,770	30	1,856
Car allowance	4,800	4,800	-	4,800
Subscriptions	1,500	1,439	61	1,477
Insurance and bonds	8,856	8,715	141	7,990
Building cleaning service	560	588	(28)	645
Miscellaneous expense	25,000	17,447	7,553	350
Community promotion	115,150	115,149	1	116,501
Bank charges	26,000	25,987	13	18,767
Water and sewer fees	1,112	755	357	1,378
Stormwater fees	288	288	-	288
Electricity	9,000	11,184	(2,184)	6,893
Capital outlay	-	-	-	1,230
Total	711,470	774,837	(63,367)	688,812
City Attorney:				
Fees	9,000	9,000	-	9,000
Special compensation	100,000	97,180	2,820	89,875
Travel and training	1,000	619	381	576
Total	110,000	106,799	3,201	99,451

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Planning and Zoning:				
Salaries	247,500	250,806	(3,306)	248,477
Employee benefits	80,201	75,963	4,238	74,269
Professional services	35,000	34,495	505	2,941
Travel and training	4,500	4,095	405	1,345
Telephone	8,000	8,379	(379)	3,142
Advertisement	1,250	1,319	(69)	1,432
Miscellaneous	200	226	(26)	31,972
Supplies	3,500	3,738	(238)	1,296
Vehicle maintenance	250	149	101	1,109
Office supplies	3,000	2,937	63	2,186
Gas and lubricants	1,500	1,528	(28)	1,691
Water and sewer fees	325	323	2	300
Storm water fees	216	216	-	216
Code enforcement	500	330	170	923
Subscriptions and dues	1,250	2,060	(810)	40
Insurance	13,096	12,920	176	13,214
Equipment maintenance	-	-	-	223
Equipment rentals	2,300	2,425	(125)	3,576
Total	<u>402,588</u>	<u>401,909</u>	<u>679</u>	<u>388,352</u>
Total general government	<u>1,292,321</u>	<u>1,351,761</u>	<u>(59,440)</u>	<u>1,234,092</u>
Public Safety:				
Police:				
Salaries	1,598,405	1,596,278	2,127	1,625,358
Employee benefits	481,244	492,323	(11,079)	446,200
Professional services	54,000	50,516	3,484	50,234
Retirement	115,744	123,133	(7,389)	116,273
Separation allowance	19,544	19,544	-	19,947
Mandated	80,073	80,180	(107)	82,288
Special compensation	10,000	9,970	30	9,600
Telephone	50,000	51,996	(1,996)	51,322
Heating	2,500	2,209	291	1,570
Travel and training	10,000	8,536	1,464	5,362

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Police (Continued):				
Building repairs	2,000	1,816	184	1,118
Equipment maintenance	28,000	27,157	843	12,287
Vehicle maintenance	45,000	40,427	4,573	31,926
Equipment rental	30,000	26,938	3,062	22,147
Gas and lubricants	75,000	81,815	(6,815)	77,350
Water and sewer fees	1,322	943	379	1,276
Stormwater fees	828	828	-	828
Electricity	26,000	24,709	1,291	24,316
Miscellaneous	19,000	15,615	3,385	11,603
Advertisement	250	-	250	750
Postage	1,200	1,148	52	952
Unemployment	9,202	6,246	2,956	-
Office supplies	3,000	2,546	454	3,285
Supplies	5,000	4,891	109	5,425
State fees	4,000	3,287	713	2,345
Uniforms	20,000	18,166	1,834	15,672
Subscriptions and dues	50	45	5	170
Insurance	122,480	122,774	(294)	134,837
K-9 supplies	2,000	1,826	174	1,499
Undercover operations	3,200	3,160	40	6,585
Total	<u>2,819,042</u>	<u>2,819,022</u>	<u>20</u>	<u>2,762,525</u>
Fire:				
Salaries	666,007	660,519	5,488	666,846
Employee benefits	261,910	267,007	(5,097)	244,746
Special compensation	31,827	31,827	-	30,674
Professional services	2,500	2,513	(13)	3,472
Telephone	3,500	2,919	581	3,512
Postage	400	407	(7)	350
Heating	2,750	2,648	102	3,982
Travel and training	3,000	2,771	229	3,763
Building maintenance	11,000	10,018	982	6,002
Equipment maintenance	11,000	10,919	81	12,983
Vehicle maintenance	55,000	65,684	(10,684)	27,544

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Fire (Continued):				
Gas and lubricants	15,000	18,261	(3,261)	15,781
Water and sewer fees	1,980	1,885	95	2,053
Stormwater fees	252	252	-	252
Electricity	6,000	5,943	57	4,873
Advertisements	-	-	-	750
Office supplies	1,750	1,670	80	1,030
Supplies	10,000	10,408	(408)	7,566
Uniforms	5,000	6,431	(1,431)	5,106
Insurance and bonds	44,076	40,055	4,021	45,029
Subscriptions	5,000	4,484	516	2,546
State fees	-	-	-	60
Capital outlay	1,100	1,068	32	-
Gaston County Radio Agreement	500	419	81	1,152
South Point VFD contract	10,920	12,351	(1,431)	17,442
On-behalf payments - employee benefits	19,412	19,412	-	16,093
Total	<u>1,169,884</u>	<u>1,179,871</u>	<u>(9,987)</u>	<u>1,123,607</u>
Total public safety	<u>3,988,926</u>	<u>3,998,893</u>	<u>(9,967)</u>	<u>3,886,132</u>
Transportation:				
Streets:				
Salaries	414,363	454,541	(40,178)	413,714
Employee benefits	151,984	136,553	15,431	119,766
Professional services	5,000	7,114	(2,114)	4,712
Telephone	7,500	9,815	(2,315)	9,968
Heating	-	8	(8)	-
Travel and training	500	225	275	327
Building repair	1,500	505	995	517
Equipment maintenance	8,000	7,149	851	4,075
Vehicle maintenance	10,000	11,094	(1,094)	7,299
Gas and lubricants	18,000	20,035	(2,035)	18,316
Electricity street lights	172,500	205,238	(32,738)	189,753
Water and sewer fees	3,200	2,800	400	2,354
Office supplies	1,000	1,083	(83)	804

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Streets (Continued):				
Advertisement	-	489	(489)	1,102
Materials and supplies	30,000	20,721	9,279	17,800
State fees	2,000	1,855	145	1,554
Contracted street repairs	250,000	186,531	63,469	173,986
Routine street repairs	60,000	59,999	1	63,884
Curb and gutter repair	-	-	-	250
Insurance and bonds	31,451	33,473	(2,022)	29,237
Employee uniforms	4,700	4,635	65	3,851
Contracted services - cemetery	28,000	28,000	-	27,733
Contracted mowing	81,750	81,750	-	73,867
Beautification projects	21,000	20,043	957	18,958
Rail crossing guards	1,500	1,329	171	1,329
Equipment	-	-	-	20
Improvements	40,000	40,478	(478)	-
Total transportation	<u>1,343,948</u>	<u>1,335,463</u>	<u>8,485</u>	<u>1,185,176</u>
Environmental Protection:				
Sanitation:				
Professional services	607,265	606,483	782	581,968
Stormwater fees	-	-	-	76
Total environmental protection	<u>607,265</u>	<u>606,483</u>	<u>782</u>	<u>582,044</u>
Cultural and Recreational:				
Parks and Recreation:				
Salaries	126,860	144,987	(18,127)	185,554
Employee benefits	39,891	39,636	255	56,407
Professional services	5,500	5,993	(493)	13,598
Special compensation	35,000	31,795	3,205	30,394
Telephone	8,000	8,403	(403)	8,578
Building repairs	800	718	82	344
Equipment maintenance	1,500	1,166	334	1,266
Vehicle maintenance	1,200	1,306	(106)	2,501
Heating	1,400	1,275	125	1,144
Travel and training	2,100	2,440	(340)	2,453

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Parks and Recreation (Continued):				
Uniforms	2,250	221	2,029	593
Stowe Park maintenance	-	-	-	5,162
Miscellaneous	2,200	2,359	(159)	3,431
Water and sewer fees	17,816	9,814	8,002	8,507
Gas and lubricants	3,200	2,485	715	3,473
Equipment rental	-	-	-	1,616
Land usage	6,900	6,600	300	6,600
Electricity	22,050	24,648	(2,598)	21,991
Facility usage	2,200	2,018	182	4,505
Advertisement	1,000	2,090	(1,090)	4,791
Postage	750	742	8	750
Office supplies	1,200	868	332	647
Supplies	59,410	55,673	3,737	43,162
State fees	500	339	161	81
Subscriptions	750	725	25	767
Insurance and bonds	19,071	15,983	3,088	15,918
Community events	35,000	32,799	2,201	51,168
Improvements	-	-	-	698
Total cultural and recreational	<u>396,548</u>	<u>395,083</u>	<u>1,465</u>	<u>476,099</u>
Economic and Physical Development:				
Tourism development	<u>110,000</u>	<u>76,344</u>	<u>33,656</u>	<u>75,602</u>
Capital Outlay:				
Capital purchases	<u>797,773</u>	<u>894,231</u>	<u>(96,458)</u>	<u>532,496</u>
Debt Service:				
Principal retirement	575,000	578,437	(3,437)	451,266
Interest and fees	<u>137,000</u>	<u>132,797</u>	<u>4,203</u>	<u>117,909</u>
Total debt service	<u>712,000</u>	<u>711,234</u>	<u>766</u>	<u>569,175</u>
Total expenditures	<u>9,248,781</u>	<u>9,369,492</u>	<u>(120,711)</u>	<u>8,540,816</u>
Revenues over (under) expenditures	<u>(652,600)</u>	<u>(386,804)</u>	<u>265,796</u>	<u>32,167</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Transfers to other funds:				
Safe Routes to Schools Grant Fund	(50,000)	-	50,000	-
Transfers from other funds:				
Capital Reserve Fund	102,000	-	(102,000)	-
Long-term debt issued	<u>600,600</u>	<u>600,600</u>	<u>-</u>	<u>288,750</u>
Total other financing sources (uses)	<u>652,600</u>	<u>600,600</u>	<u>(52,000)</u>	<u>288,750</u>
Net change in fund balance	<u>\$ -</u>	<u>213,796</u>	<u>\$ 213,796</u>	<u>320,917</u>
Fund Balance:				
Beginning of year - July 1		<u>3,107,492</u>		<u>2,786,575</u>
End of year - June 30		<u>\$ 3,321,288</u>		<u>\$ 3,107,492</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, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 4,647	\$ 4,647	\$ 3,568
Other Financing Sources (Uses):				
Transfer to General Fund	(102,000)	-	102,000	-
Appropriated fund balance	102,000	-	(102,000)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	4,647	\$ 4,647	3,568
Fund Balance:				
Beginning of year, July 1		1,348,695		1,345,127
End of year - June 30		\$ 1,353,342		\$ 1,348,695

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Special Revenue Funds		Capital Project Fund	Total
	Stormwater Fund	Safe Routes to School Grant Fund	Brook Street Soccer Park Project Fund	
Assets:				
Cash and cash equivalents	\$ 516,870	\$ 5,438	\$ -	\$ 522,308
Accounts receivable, net	35,657	-	-	35,657
Inventories	997	-	-	997
Restricted cash and cash equivalents	-	-	273,428	273,428
Total assets	<u>\$ 553,524</u>	<u>\$ 5,438</u>	<u>\$ 273,428</u>	<u>\$ 832,390</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,427	\$ -	\$ 83,901	\$ 92,328
Total liabilities	<u>8,427</u>	<u>-</u>	<u>83,901</u>	<u>92,328</u>
Deferred Inflows of Resources	<u>35,657</u>	<u>-</u>	<u>-</u>	<u>35,657</u>
Fund Balances:				
Restricted:				
Cultural and recreational	-	-	273,428	273,428
Assigned	509,440	5,438	-	514,878
Unassigned	-	-	(83,901)	(83,901)
Total fund balances	<u>509,440</u>	<u>5,438</u>	<u>189,527</u>	<u>704,405</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 553,524</u>	<u>\$ 5,438</u>	<u>\$ 273,428</u>	<u>\$ 832,390</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, 2014**

	<u>Special Revenue Funds</u>		<u>Capital Project</u>	<u>Total</u>
	<u>Stormwater</u>	<u>Safe Routes to</u>	<u>Fund</u>	
	<u>Fund</u>	<u>School Grant</u>	<u>Brook Street</u>	
		<u>Fund</u>	<u>Soccer Park</u>	
			<u>Project Fund</u>	
Revenues:				
Sales and services	\$ 394,050	\$ -	\$ -	\$ 394,050
Grant proceeds	-	1,250	-	1,250
Investment earnings	-	-	246	246
Total revenues	<u>394,050</u>	<u>1,250</u>	<u>246</u>	<u>395,546</u>
Expenditures:				
Cultural and recreational	-	-	803,604	803,604
Environmental protection	468,505	-	-	468,505
Economic and physical development	-	49	-	49
Debt service:				
Principal	26,700	-	-	26,700
Interest and fees	<u>10,448</u>	-	-	<u>10,448</u>
Total expenditures	<u>505,653</u>	<u>49</u>	<u>803,604</u>	<u>1,309,306</u>
Net change in fund balances	(111,603)	1,201	(803,358)	(913,760)
Fund Balances:				
Beginning of year - July 1	<u>621,043</u>	<u>4,237</u>	<u>992,885</u>	<u>1,618,165</u>
End of year - June 30	<u>\$ 509,440</u>	<u>\$ 5,438</u>	<u>\$ 189,527</u>	<u>\$ 704,405</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 384,000	\$ 394,050	\$ 10,050	\$ 387,213
Expenditures:				
Environmental protection:				
Salaries	105,200	103,393	1,807	107,462
Employee benefits	39,011	35,056	3,955	34,536
Professional services	52,840	49,179	3,661	31,342
Telephone	1,000	1,454	(454)	1,169
Travel and training	-	-	-	914
Gas and lubricants	9,000	10,976	(1,976)	5,814
Office supplies	1,000	924	76	705
Supplies	32,100	23,320	8,780	21,996
Utilities	3,000	4,435	(1,435)	3,464
Subscriptions and dues	2,500	1,543	957	1,950
Capital outlay	238,225	238,225	-	26,159
Debt service:				
Principal	27,000	26,700	300	17,752
Interest and fees	10,500	10,448	52	6,503
Total expenditures	521,376	505,653	15,723	259,766
Revenues over (under) expenditures	(137,376)	(111,603)	25,773	127,447
Other Financing Sources (Uses):				
Long-term debt issued	-	-	-	23,250
Appropriated fund balance	137,376	-	(137,376)	-
Total other financing sources (uses)	137,376	-	(137,376)	23,250
Net change in fund balance	\$ -	(111,603)	\$ (111,603)	150,697
Fund Balance:				
Beginning of year - July 1		621,043		470,346
End of year - June 30		\$ 509,440		\$ 621,043

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, 2014

	<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>	
Revenues:					
Grant proceeds	\$ 298,700	\$ 20,900	\$ 1,250	\$ 22,150	(276,550)
Expenditures:					
Economic and physical development:					
Administration	298,700	22,263	49	22,312	276,388
Total expenditures	298,700	22,263	49	22,312	276,388
Revenues over (under) expenditures	-	(1,363)	1,201	(162)	(162)
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	\$ -	\$ 4,237	1,201	\$ 5,438	\$ 5,438
Fund Balance:					
Beginning of year, July 1			4,237		
End of year, June 30			\$ 5,438		

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, 2014

	<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>	
Revenues:					
Investment earnings	\$ -	\$ 201	\$ 246	\$ 447	\$ 447
Expenditures:					
Design	78,375	19,499	-	19,499	58,876
Construction and administration	1,127,775	255,670	803,604	1,059,274	68,501
Contingency	<u>68,850</u>	<u>7,147</u>	<u>-</u>	<u>7,147</u>	<u>61,703</u>
Total expenditures	<u>1,275,000</u>	<u>282,316</u>	<u>803,604</u>	<u>1,085,920</u>	<u>189,080</u>
Revenues over (under) expenditures	<u>(1,275,000)</u>	<u>(282,115)</u>	<u>(803,358)</u>	<u>(1,085,473)</u>	<u>189,527</u>
Other Financing Sources (Uses):					
Long-term debt issued	<u>1,275,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,275,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 992,885</u>	<u>(803,358)</u>	<u>\$ 189,527</u>	<u>\$ 189,527</u>
Fund Balance:					
Beginning of year, July 1			<u>992,885</u>		
End of year, June 30			<u>\$ 189,527</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 2,600,000	\$ 2,730,860	\$ 130,860	\$ 2,555,524
Sewer charges	2,300,000	2,406,102	106,102	2,189,570
Water and sewer taps	45,000	42,634	(2,366)	41,310
Reconnections	25,000	24,979	(21)	24,585
Service connection fees	13,000	13,771	771	12,340
Penalties	50,000	47,800	(2,200)	54,791
Pretreatment fees	8,700	9,064	364	9,425
Impact fees	-	227,232	227,232	229,575
Inspection fees	27,000	28,666	1,666	7,180
System development fees	-	377,170	377,170	32,848
Maintenance fees	52,000	65,863	13,863	49,410
Miscellaneous revenues	65,300	83,690	18,390	14,833
Total operating revenues	<u>5,186,000</u>	<u>6,057,831</u>	<u>871,831</u>	<u>5,221,391</u>
Non-Operating Revenues:				
Interest income	-	245	245	188
Total revenues	<u>5,186,000</u>	<u>6,058,076</u>	<u>872,076</u>	<u>5,221,579</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	572,099	575,708	(3,609)	597,525
Employee benefits	261,716	259,429	2,287	233,009
Professional services	33,000	33,001	(1)	14,046
Telephone	8,500	9,968	(1,468)	10,395
Travel and training	3,575	3,585	(10)	2,969
Equipment maintenance	65,972	65,174	798	10,236
Vehicle maintenance	15,000	14,293	707	17,266
Gas and lubricants	30,000	30,745	(745)	46,381
Equipment rental	75	231	(156)	195
Postage	18,500	19,771	(1,271)	21,235
Electricity	13,000	13,394	(394)	10,820
Advertisements	-	339	(339)	838
Office supplies	6,000	5,576	424	4,218
Supplies	56,000	53,595	2,405	48,141

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Expenditures (continued):				
Water Administration and Distribution (continued):				
Materials	60,000	58,633	1,367	49,465
Uniforms	8,200	8,163	37	9,765
Contracted repairs	83,000	82,796	204	34,293
Utility cuts and repairs	50,000	50,000	-	57,350
Subscriptions and dues	3,000	3,024	(24)	2,078
State/federal mandate	1,200	1,378	(178)	4,308
Wastewater services	1,685	1,797	(112)	1,948
Insurance and bonds	38,224	37,408	816	40,302
Total water administration and distribution	1,328,746	1,328,008	738	1,216,783
Water Treatment Plant:				
Salaries	478,000	477,995	5	477,597
Employee benefits	180,750	177,421	3,329	169,195
Professional services	1,500	1,331	169	1,304
Telephone	8,000	7,996	4	7,734
Postage	600	570	30	500
Heating	7,500	6,814	686	6,469
Travel and training	800	749	51	1,182
Plant repairs	66,000	65,381	619	34,308
Equipment maintenance	63,714	67,307	(3,593)	14,070
Vehicle maintenance	1,800	1,774	26	1,298
Gas lubricants	3,000	3,387	(387)	4,351
State fees	5,700	5,680	20	5,812
Materials	5,000	5,304	(304)	6,304
Contract services	77,000	77,352	(352)	70,066
Sludge disposal	18,240	18,239	1	18,962
Electricity	122,000	127,211	(5,211)	97,344
Advertisements	815	815	-	1,104
Office supplies	1,600	1,555	45	1,374
Supplies	5,000	6,570	(1,570)	5,371
Water treatment	105,648	100,890	4,758	84,767
Lab supplies	14,500	13,798	702	12,597
Uniforms	3,000	2,931	69	2,946

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Water Treatment Plant (continued):				
Subscriptions and dues	5,110	5,110	-	5,070
Insurance and bonds	27,404	26,452	952	24,805
Total water treatment plant	1,202,681	1,202,632	49	1,054,530
Waste Collection and Treatment:				
Salaries	343,500	344,705	(1,205)	318,616
Employee benefits	141,617	145,642	(4,025)	124,686
Professional services	8,000	58,050	(50,050)	7,651
Telephone	12,000	12,326	(326)	12,968
Postage	500	487	13	225
Travel and training	2,700	2,628	72	3,354
Sludge disposal	40,000	35,699	4,301	34,715
Mills pre-treatment testing	8,000	7,518	482	7,518
Lab testing	63,000	63,816	(816)	65,145
Plant repairs	90,000	44,147	45,853	47,561
Equipment maintenance	88,714	83,233	5,481	24,587
Vehicle maintenance	5,000	4,143	857	6,028
State fees	5,800	5,660	140	6,200
Gas and lubricants	12,000	9,552	2,448	16,349
Electricity	240,000	248,840	(8,840)	218,113
Wastewater services	80,756	77,639	3,117	46,623
Advertisements	750	570	180	832
Office supplies	1,500	1,283	217	1,450
Supplies	5,500	5,769	(269)	6,768
Uniforms	3,600	3,517	83	2,967
Subscriptions and dues	535	535	-	357
Lab supplies	72,400	71,353	1,047	62,260
Equipment rental	1,000	654	346	-
Insurance bonds	25,204	24,230	974	23,221
Total waste collection and treatment	1,252,076	1,251,996	80	1,038,194
Debt Service:				
Interest and fees	98,117	110,298	(12,181)	100,690
Principal retirement	444,322	390,094	54,228	515,433
Total debt service	542,439	500,392	42,047	616,123

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Capital Outlay	<u>543,000</u>	<u>541,266</u>	<u>1,734</u>	<u>408,189</u>
Total expenditures	<u>4,868,942</u>	<u>4,824,294</u>	<u>44,648</u>	<u>4,333,819</u>
Revenues over (under) expenditures	<u>317,058</u>	<u>1,233,782</u>	<u>916,724</u>	<u>887,760</u>
Other Financing Sources (Uses):				
Installment financing agreement	-	-	-	158,000
Transfer to Capital Project Fund	(10,224)	(10,224)	-	-
Transfer from Capital Reserve Fund	275,000	-	(275,000)	-
Transfer to Capital Reserve Fund	<u>(581,834)</u>	<u>-</u>	<u>581,834</u>	<u>-</u>
Total other financing sources (uses)	<u>(317,058)</u>	<u>(10,224)</u>	<u>306,834</u>	<u>158,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,223,558</u>	<u>\$ 1,223,558</u>	<u>\$ 1,045,760</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 1,223,558</u>		<u>\$ 1,045,760</u>
Reconciling items:				
Payment of debt principal		390,094		515,433
Assets capitalized		541,266		376,972
(Increase) decrease in accrued vacation pay		(6,114)		(1,584)
Change in other post-employment benefits		(57,608)		(32,822)
Capital Reserve Fund - interest		7,094		5,444
Interest expense accrual		(26,902)		(8,238)
Depreciation and amortization		(829,332)		(839,583)
Transfer to Capital Project Fund		10,224		-
Loan proceeds		-		(158,000)
Increase (decrease) in inventory		<u>(1,894)</u>		<u>(8,969)</u>
Total reconciling items		<u>26,828</u>		<u>(151,347)</u>
Change in net position (Exhibit H)		<u>\$ 1,250,386</u>		<u>\$ 894,413</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, 2014

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
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>(1,072,683)</u>	<u>(912,783)</u>	<u>-</u>	<u>(912,783)</u>	<u>159,900</u>
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	26,163	26,163	-	26,163	-
State revolving loan proceeds	<u>1,046,520</u>	<u>895,228</u>	<u>-</u>	<u>895,228</u>	<u>(151,292)</u>
Total other financing sources (uses)	<u>1,072,683</u>	<u>921,391</u>	<u>-</u>	<u>921,391</u>	<u>(151,292)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 8,608</u>	<u>\$ -</u>	<u>\$ 8,608</u>	<u>\$ 8,608</u>

CITY OF BELMONT, NORTH CAROLINA

WATER MAIN REPLACEMENT ENTERPRISE FUND CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2014

	<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:					
Economic and physical development:					
Construction	\$ 521,442	\$ -	\$ 510,903	\$ 510,903	\$ 10,539
Total expenditures	<u>521,442</u>	<u>-</u>	<u>510,903</u>	<u>510,903</u>	<u>10,539</u>
Revenues over (under) expenditures	<u>(521,442)</u>	<u>-</u>	<u>(510,903)</u>	<u>(510,903)</u>	<u>10,539</u>
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	10,224	-	10,224	10,224	-
State revolving loan proceeds	<u>511,218</u>	<u>-</u>	<u>499,532</u>	<u>499,532</u>	<u>(11,686)</u>
Total other financing sources (uses)	<u>521,442</u>	<u>-</u>	<u>509,756</u>	<u>509,756</u>	<u>(11,686)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,147)</u>	<u>\$ (1,147)</u>	<u>\$ (1,147)</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, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 7,094	\$ 7,094	\$ 5,444
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 7,094	\$ 7,094	\$ 5,444

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 BALANCE SHEET
 JUNE 30, 2014**

Assets:

Cash and cash equivalents	\$ 65,092
Total assets	<u>\$ 65,092</u>

Liabilities:

Accounts payable and accrued liabilities	\$ 128
Total liabilities	<u>128</u>

Fund Balance:

Restricted for tourism	<u>64,964</u>
Total fund balance	<u>64,964</u>

Total liabilities and fund balance	<u>\$ 65,092</u>
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Reconciliation of the Balance Sheet to the Statement of Net Position:

There are no reconciling items.

CITY OF BELMONT, NORTH CAROLINA

BELMONT TOURISM DEVELOPMENT AUTHORITY

COMPONENT UNIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Occupancy tax	\$ 70,000	\$ 76,344	\$ 6,344	\$ 75,602
Expenditures:				
Economic and physical development:				
Tourism program	110,000	107,117	2,883	96,329
Total expenditures	110,000	107,117	2,883	96,329
Revenues over (under) expenditures	(40,000)	(30,773)	9,227	(20,725)
Other Financing Sources (Uses):				
Appropriated fund balance	40,000	-	(40,000)	-
Total other financing sources (uses)	40,000	-	(40,000)	-
Net change in fund balance	\$ -	(30,773)	\$ (30,773)	(20,725)
Fund Balance:				
Beginning of year - July 1		95,737		116,462
End of year - June 30		\$ 64,964		\$ 95,737

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 5,600,774	\$ 5,544,572	\$ 56,202
2012-2013	100,986	-	74,763	26,223
2011-2012	38,222	-	14,810	23,412
2010-2011	24,056	-	6,364	17,692
2009-2010	20,187	-	6,547	13,640
2008-2009	15,605	-	4,156	11,449
2007-2008	10,637	-	1,265	9,372
2006-2007	4,693	-	340	4,353
2005-2006	3,948	-	293	3,655
2004-2005	4,423	-	450	3,973
2003-2004	3,450	-	3,450	-
	<u>\$ 226,207</u>	<u>\$ 5,600,774</u>	<u>\$ 5,657,010</u>	169,971
				<u>(59,379)</u>
				<u>\$ 110,592</u>
Reconciliation with Revenues:				
				\$ 5,627,775
				(32,077)
				3,450
				<u>57,862</u>
				<u>\$ 5,657,010</u>

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 1,159,196,421	\$ 0.475	\$ 5,506,183	\$ 4,961,365	\$ 544,818
Discoveries - Current Year Taxes	<u>26,537,053</u>	0.475	<u>126,051</u>	<u>117,448</u>	<u>8,603</u>
Abatements	<u>(6,623,158)</u>		<u>(31,460)</u>	<u>(23,024)</u>	<u>(8,436)</u>
Total property valuation	<u>\$ 1,179,110,316</u>				
Net Levy			5,600,774	5,055,789	544,985
Uncollected taxes at June 30, 2014			<u>(56,202)</u>	<u>(39,130)</u>	<u>(17,072)</u>
Current Year's Taxes Collected			<u>\$ 5,544,572</u>	<u>\$ 5,016,659</u>	<u>\$ 527,913</u>
Current Levy Collection Percentage			<u>99.00%</u>	<u>99.23%</u>	<u>96.87%</u>

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2014, 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 28, 2014.

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 over financial reporting 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 Responses, 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, 2014-001, 2014-002 and 2014-003, described in the accompanying Schedule of Findings and Responses 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is identified in the accompanying Schedule of Findings and Responses as item 2014-003.

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 Responses. 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 28, 2014

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

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?	None reported
Non-compliance material to financial statements noted?	Yes

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

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

Finding 2014-001 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 of the City 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 Wood, Deputy Finance Director

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 RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

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

Finding 2014-002 - 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 Wood, Finance Director

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 RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

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

Finding 2014-003 – Expenditures in Excess of Appropriations

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made. These requirements imply the City has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

Condition: In the current year, there was a violation of the N.C. General Statute 159-8(a) with regards to expenditures exceeding appropriations and, therefore, a failure in the pre-audit requirement. The budget amendment and pre-audit process was not effective.

Cause: Inadequate budget monitoring by management. The City expended more than what had been appropriated because budget amendments were not sufficient to account for items incurred near year-end but not yet paid.

Effect: Budget amendments were not completed and approved by the Board during the current year causing the City to be over-expended in the General Fund.

Context: While performing audit procedures, we noted the condition described above.

Recommendation: Management and the Board should ensure that amounts are pre-audited prior to obligation and disbursement of funds and proper review of budget reports is completed to ensure compliance in future years.

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action/Management's Response: Management concurs with the condition, context, and recommendations. Management and the Board will ensure that pre-audit of expenditures is completed prior to disbursement of funds to ensure compliance in future years.

CITY OF BELMONT, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding 2013-001: Repeated as 2014-001

Finding 2013-002: Repeated as 2014-002

Finding 2013-003: Corrected

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