

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2016

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Ron Foulk

Charlie Flowers

Ryan Schrift

Martha Stowe

Richard Turner

OFFICIALS

Adrian Miller, City Manager

Michelle Wood, Finance Director

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CITY OF BELMONT, NORTH CAROLINA

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Belmont
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, 2016, 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016 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 Schedule of Funding Progress, the Other Post-Employment Benefit's Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and 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, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, and 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, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures; including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial 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, other schedules and the Schedule of Expenditures of Federal and State Awards 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 January 23, 2017 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
January 23, 2017

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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, 2016. 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

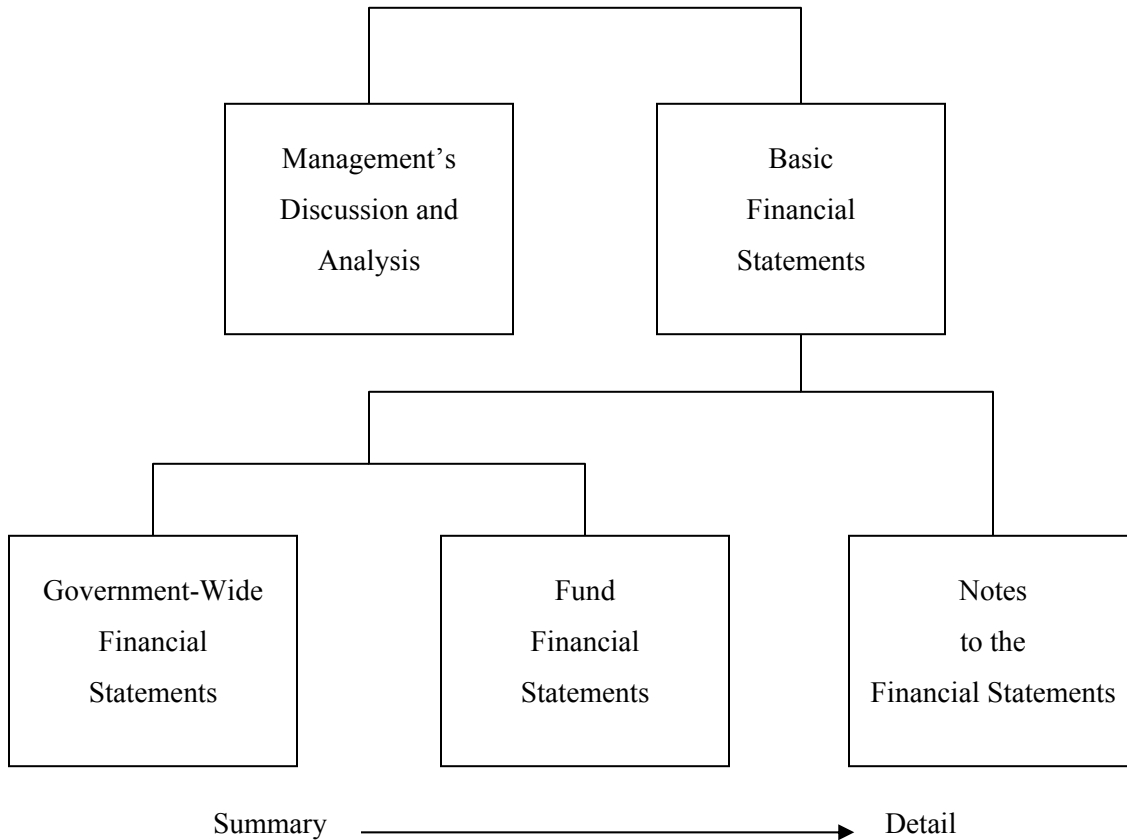
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$31,912,235 (net position).
- The government's total net position increased by \$3,107,184 due to increases in both governmental and business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$6,487,387, with a net increase of \$760,725. Approximately 23.91% of this total amount, or \$1,551,222, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,274,817, or 33.7%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding increased by \$1,931,204 (28.3%), 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 25-58 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 59 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 7,898,400	\$ 6,529,709	\$ 9,542,604	\$ 7,297,475	\$ 17,441,004	\$ 13,827,184
Capital assets	13,531,611	10,770,248	13,637,364	14,042,952	27,168,975	24,813,200
Total assets	21,430,011	17,299,957	23,179,968	21,340,427	44,609,979	38,640,384
Total deferred outflows	234,693	340,561	95,861	139,103	330,554	479,664
Liabilities:						
Long-term liabilities	7,841,456	5,046,862	3,217,602	3,296,362	11,059,058	8,343,224
Other liabilities	1,313,388	306,109	368,149	247,530	1,681,537	553,639
Total liabilities	9,154,844	5,352,971	3,585,751	3,543,892	12,740,595	8,896,863
Total deferred inflows	204,270	1,006,875	83,433	411,259	287,703	1,418,134
Net Position:						
Net investment in						
capital assets	8,207,379	6,930,624	10,985,406	11,113,772	19,192,785	18,044,396
Restricted	787,550	477,603	-	-	787,550	477,603
Unrestricted	3,310,661	3,872,445	8,621,239	6,410,607	11,931,900	10,283,052
Total net position	\$ 12,305,590	\$ 11,280,672	\$ 19,606,645	\$ 17,524,379	\$ 31,912,235	\$ 28,805,051

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Belmont exceeded liabilities and deferred inflows by \$31,912,235 as of June 30, 2016. The City's net position increased by \$3,107,184 for the fiscal year ended June 30, 2016. However, the largest portion (57.9%) 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, \$787,550 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,931,900 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 \$230,342, or 2.43%, higher than the previous fiscal year and totaled 100.16% 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 \$307,201, or 3.26%, higher than the previous fiscal year. Much of this overall increase reflected higher capital-related expenditures. 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 \$438,108. 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 \$525,403, or 8.67%, higher than the previous fiscal year and totaled 99.50% of budget. This increase was totally attributable to one revenue source, System Development Fees, which are based on charges for development activity.
- Water and sewer expenditures were approximately \$814,721, or 16.89%, higher than the previous fiscal year and totaled 99.69% of budget.

City of Belmont's Changes in Net Position

Figure 3

	Governmental			Business-Type		
	Activities	Activities	Total	Activities	Activities	Total
	2016	2016	2016	2015	2015	2015
Revenues:						
Program revenues:						
Charges for services	\$ 660,018	\$ 7,001,834	\$ 7,661,852	\$ 689,903	\$ 6,564,487	\$ 7,254,390
Operating grants and contributions	829,295	-	829,295	377,274	-	377,274
General revenues:						
Property taxes	5,876,544	-	5,876,544	5,712,264	-	5,712,264
Other taxes	3,122,630	-	3,122,630	2,883,467	-	2,883,467
Other	139,475	6,681	146,156	216,740	25,359	242,099
Total revenues	<u>10,627,962</u>	<u>7,008,515</u>	<u>17,636,477</u>	<u>9,879,648</u>	<u>6,589,846</u>	<u>16,469,494</u>
Expenses:						
General government	1,271,195	-	1,271,195	1,463,780	-	1,463,780
Public safety	4,313,104	-	4,313,104	4,400,064	-	4,400,064
Transportation	1,251,222	-	1,251,222	1,539,328	-	1,539,328
Environmental protection	1,243,859	-	1,243,859	884,782	-	884,782
Cutlural and recreation	892,714	-	892,714	579,875	-	579,875
Economic and physical development	490,319	-	490,319	85,065	-	85,065
Water and sewer	-	4,926,249	4,926,249	-	5,100,742	5,100,742
Interest	140,631	-	140,631	102,644	-	102,644
Total expenses	<u>9,603,044</u>	<u>4,926,249</u>	<u>14,529,293</u>	<u>9,055,538</u>	<u>5,100,742</u>	<u>14,156,280</u>
Increase (decrease) in net position	<u>1,024,918</u>	<u>2,082,266</u>	<u>3,107,184</u>	<u>824,110</u>	<u>1,489,104</u>	<u>2,313,214</u>
Net Position:						
Beginning of year, as previously stated - July	11,280,672	17,524,379	28,805,051	11,049,031	16,277,269	27,326,300
Restatement	-	-	-	(592,469)	(241,994)	(834,463)
Beginning of year, as restated	<u>11,280,672</u>	<u>17,524,379</u>	<u>28,805,051</u>	<u>10,456,562</u>	<u>16,035,275</u>	<u>26,491,837</u>
End of year - June 30	<u>\$ 12,305,590</u>	<u>\$ 19,606,645</u>	<u>\$ 31,912,235</u>	<u>\$ 11,280,672</u>	<u>\$ 17,524,379</u>	<u>\$ 28,805,051</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,024,918, thereby accounting for 33.0% 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 \$727,258, still exceeded functional expenses by \$58,011.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$2,082,266, accounting for 70.24% of the change in the government's net position. Key elements of this increase are as follows:

- Total charges for service increased by \$437,347.

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 \$3,515,025, while total fund balance reached \$4,129,363. The City currently has an available fund balance of 36.12% of General Fund expenditures, while total fund balance represents 42.44% of the same amount.

At June 30, 2016, the governmental funds of the City of Belmont reported a combined fund balance of \$6,487,387, with a net increase of \$760,725.

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 \$8,621,239. The total changes in net position for the Water and Sewer Fund were \$2,082,266. 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, 2016 totals \$27,168,975 (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 38 of this report.

City of Belmont’s Capital Assets (Net of Depreciation)

Figure 4

	<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>2016</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Land	\$ 3,164,369	\$ 75,890	\$ 3,240,259	\$ 2,968,078	\$ 75,890	\$ 3,043,968
Buildings	4,208,889	3,951,813	8,160,702	4,277,494	4,097,762	8,375,256
Other improvements	618,769	1,696,479	2,315,248	613,203	1,555,029	2,168,232
Machinery and equipment	687,974	1,078,139	1,766,113	557,207	1,105,235	1,662,442
Vehicles and motorized equipment	1,053,892	-	1,053,892	1,031,404	-	1,031,404
Infrastructure	1,160,625	-	1,160,625	-	-	-
Distribution systems	-	6,685,226	6,685,226	-	7,050,703	7,050,703
Other non-depreciable items	5,687	28,911	34,598	5,687	31,911	37,598
Natural gas fill station	-	120,906	120,906	-	126,422	126,422
Construction in progress	2,631,406	-	2,631,406	1,317,175	-	1,317,175
Total	<u>\$ 13,531,611</u>	<u>\$ 13,637,364</u>	<u>\$ 27,168,975</u>	<u>\$ 10,770,248</u>	<u>\$ 14,042,952</u>	<u>\$ 24,813,200</u>

Long-Term Debt. As of June 30, 2016, the City of Belmont had total debt outstanding of \$8,739,862. Of this amount, \$2,651,958 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

	<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>2016</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Capitalized leases	\$ 352,979	\$ -	\$ 352,979	\$ 382,268	\$ -	\$ 382,268
Notes payable	5,734,925	2,651,958	8,386,883	3,497,210	2,929,180	6,426,390
Total	<u>\$ 6,087,904</u>	<u>\$ 2,651,958</u>	<u>\$ 8,739,862</u>	<u>\$ 3,879,478</u>	<u>\$ 2,929,180</u>	<u>\$ 6,808,658</u>

The City of Belmont's total debt increased by \$1,931,204, or 28.4%, 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 \$89,494,983.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 53 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- In the past year, Belmont has continued to experience additional improvement in its overall economic indicators. In regards to housing, the number of permits issued in FY2015-2016 for new house/townhouse construction reached 129, 11 fewer than the total of 140 issued in FY2014-2015, but still higher than the previous several years. The total value of these new houses/townhouses is \$23,492,736.00. In addition to the single family permits, the City issued ten multifamily permits with a project value of \$15,317,000. On the commercial side, a number of new businesses either began active operations or construction in Belmont during FY2015-2016. The central business district continued to add new locally owned businesses and create jobs, and there was new commercial construction along the major commercial corridor of Wilkinson Boulevard.

Budget Highlights for the Fiscal Year Ending June 30, 2017

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 9% over the adopted FY 2015-2016 budget total. An important component of this overall revenue growth is the increase projected again this coming year for the two largest General Fund revenues – Current Year Ad Valorem Taxes (+2.1%) and Local Option Sales Taxes (+38%) – which, together, account for 75% 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 9% from the prior fiscal year. A 3% adjustment for salaries has been included within the FY 2015-2016 budget, as well as a 2.5% merit increase for qualifying employees. A large part of the overall increase in expenditures is driven by increases in solid waste services and funding for capital projects. Debt service for the recently completed Kevin Loftin Riverfront Park is included in this budget.

Business-Type Activities: Water and sewer rates will remain steady for FY 2016-2017 after five years of increases. The rates will remain steady after staff reviewed the results of the utility rate plan from 2011 and determined that there was sufficient funding to complete several of the capital projects identified for the utility system in 2011. 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 & Sewer Fund. The overall budget for the Water & Sewer Fund will increase by 12.3%. As with the General Fund, a 3% adjustment for salaries has been included and a 2.5% merit increase for qualifying employees. 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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 6,163,014	\$ 8,396,129	\$ 14,559,143	\$ 66,896
Taxes receivables, net	78,560	-	78,560	-
Accounts receivable, net	35,247	883,124	918,371	-
Prepaid items	104	-	104	-
Due from other governments	547,341	-	547,341	-
Inventories	70,254	157,929	228,183	-
Total current assets	<u>6,894,520</u>	<u>9,437,182</u>	<u>16,331,702</u>	<u>66,896</u>
Restricted assets:				
Cash and cash equivalents	<u>1,003,880</u>	<u>105,422</u>	<u>1,109,302</u>	<u>-</u>
Capital assets:				
Non-depreciable	5,801,462	104,801	5,906,263	-
Depreciable, net of accumulated depreciation	<u>7,730,149</u>	<u>13,532,563</u>	<u>21,262,712</u>	<u>-</u>
Total capital assets	<u>13,531,611</u>	<u>13,637,364</u>	<u>27,168,975</u>	<u>-</u>
Total non-current assets	<u>13,531,611</u>	<u>13,637,364</u>	<u>27,168,975</u>	<u>-</u>
Total assets	<u>21,430,011</u>	<u>23,179,968</u>	<u>44,609,979</u>	<u>66,896</u>
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	<u>234,693</u>	<u>95,861</u>	<u>330,554</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	1,297,207	258,034	1,555,241	1,200
Payable from restricted assets:				
Customer deposits	-	105,422	105,422	-
Accrued interest	<u>16,181</u>	<u>4,693</u>	<u>20,874</u>	<u>-</u>
Total current liabilities	<u>1,313,388</u>	<u>368,149</u>	<u>1,681,537</u>	<u>-</u>
Long-Term liabilities:				
Net pension liability	305,739	124,879	430,618	-
Long-term liabilities, due within one year	1,231,235	330,024	1,561,259	-
Long-term liabilities, due in more than one year	<u>6,304,482</u>	<u>2,762,699</u>	<u>9,067,181</u>	<u>-</u>
Total long-term liabilities	<u>7,841,456</u>	<u>3,217,602</u>	<u>11,059,058</u>	<u>-</u>
Total liabilities	<u>9,154,844</u>	<u>3,585,751</u>	<u>12,740,595</u>	<u>1,200</u>
Deferred Inflows of Resources:				
Pension deferrals	<u>204,270</u>	<u>83,433</u>	<u>287,703</u>	<u>-</u>
Net Position:				
Net investment in capital assets	8,207,379	10,985,406	19,192,785	-
Restricted for:				
Stabilization by State statute	547,342	-	547,342	-
Streets	240,208	-	240,208	-
Economic and physical development	-	-	-	65,696
Unrestricted	<u>3,310,661</u>	<u>8,621,239</u>	<u>11,931,900</u>	<u>-</u>
Total net position	<u>\$ 12,305,590</u>	<u>\$ 19,606,645</u>	<u>\$ 31,912,235</u>	<u>\$ 65,696</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, 2016

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Function/Programs:			
Governmental Activities:			
General government	\$ 1,271,195	\$ 95,368	\$ 516,980
Public safety	4,313,104	27,662	3,632
Transportation	1,251,222	-	303,914
Environmental protection	1,243,859	397,465	-
Cultural and recreational	892,714	139,523	4,769
Economic and physical development	490,319	-	-
Interest on long-term debt	140,631	-	-
Total governmental activities	<u>9,603,044</u>	<u>660,018</u>	<u>829,295</u>
Business-Type Activities:			
Water and sewer	<u>4,926,249</u>	<u>7,001,834</u>	<u>-</u>
Total primary government	<u>\$ 14,529,293</u>	<u>\$ 7,661,852</u>	<u>\$ 829,295</u>
Component Unit:			
Belmont Tourism Development Authority	<u>\$ 92,721</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	Net Revenue (Expense) and Changes in Net Position			Component
	Governmental Activities	Business-Type Activities	Total	Unit Belmont Tourism Development Authority
Function/Programs:				
Governmental Activities:				
General government	\$ (658,847)	\$ -	\$ (658,847)	\$ -
Public safety	(4,281,810)	-	(4,281,810)	-
Transportation	(947,308)	-	(947,308)	-
Environmental protection	(846,394)	-	(846,394)	-
Cultural and recreational	(748,422)	-	(748,422)	-
Economic and physical development	(490,319)	-	(490,319)	-
Interest on long-term debt	(140,631)	-	(140,631)	-
Total governmental activities	(8,113,731)	-	(8,113,731)	-
Business-Type Activities:				
Water and sewer	-	2,075,585	2,075,585	-
Total primary government	(8,113,731)	2,075,585	(6,038,146)	-
Component Unit:				
Belmont Tourism Development Authority				(92,721)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	5,876,544	-	5,876,544	-
Other taxes	3,122,630	-	3,122,630	94,771
Unrestricted investment earnings	16,436	6,681	23,117	-
Miscellaneous	123,039	-	123,039	-
Total general revenues	9,138,649	6,681	9,145,330	94,771
Change in net position	1,024,918	2,082,266	3,107,184	2,050
Net Position:				
Beginning of year - July 1	11,280,672	17,524,379	28,805,051	63,646
End of year - June 30	\$ 12,305,590	\$ 19,606,645	\$ 31,912,235	\$ 65,696

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Riverfront Park Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 4,356,957	\$ -	\$ 1,806,057	\$ 6,163,014
Taxes receivable, net	78,560	-	-	78,560
Accounts receivable, net	270	-	34,977	35,247
Due from other governments	547,341	-	-	547,341
Prepaid items	104	-	-	104
Inventory	66,892	-	3,362	70,254
Cash, restricted	240,208	124,374	639,298	1,003,880
Total assets	<u>\$ 5,290,332</u>	<u>\$ 124,374</u>	<u>\$ 2,483,694</u>	<u>\$ 7,898,400</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,082,140	\$ 206,967	\$ 8,100	\$ 1,297,207
Deferred Inflows of Resources:				
Property taxes receivable	78,560	-	-	78,560
Other receivables	269	-	34,977	35,246
Total deferred inflows of resources	<u>78,829</u>	<u>-</u>	<u>34,977</u>	<u>113,806</u>
Fund Balances:				
Non-spendable:				
Prepaid items	104	-	-	104
Inventories	66,892	-	3,362	70,254
Restricted:				
Stabilization by State statute	547,342	-	-	547,342
Streets	240,208	-	-	240,208
Cultural and recreation	-	124,374	34,846	159,220
Economic and physical development	-	-	604,452	604,452
Committed	-	-	1,362,352	1,362,352
Assigned	-	-	435,605	435,605
Unassigned	3,274,817	(206,967)	-	3,067,850
Total fund balances	<u>4,129,363</u>	<u>(82,593)</u>	<u>2,440,617</u>	<u>6,487,387</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,290,332</u>	<u>\$ 124,374</u>	<u>\$ 2,483,694</u>	<u>\$ 7,898,400</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Total</u>
Reconciliation of the Balance Sheet to the Statement of Net Position:	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance - governmental funds	\$ 6,487,387
Net pension liability	(305,739)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	234,693
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,531,611
Liabilities for earned revenues considered deferred inflows of resources in fund statements	113,806
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(16,181)
Compensated absences	(412,544)
Net pension obligation (LEO)	(244,132)
Pension related deferrals	(204,270)
Other post-employment benefits obligation	(791,137)
Note payable	(5,734,925)
Capital leases payable	<u>(352,979)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 12,305,590</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, 2016

	<u>General Fund</u>	<u>Riverfront Park Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Ad valorem taxes	\$ 5,876,544	\$ -	\$ -	\$ 5,876,544
Other taxes and licenses	168,034	-	-	168,034
Unrestricted intergovernmental	2,954,596	-	-	2,954,596
Restricted intergovernmental	322,243	507,052	-	829,295
Permits and fees	78,408	-	-	78,408
Sales and services	184,145	-	397,465	581,610
Investment earnings	11,505	104	4,827	16,436
Other general revenues	123,042	-	-	123,042
Total revenues	<u>9,718,517</u>	<u>507,156</u>	<u>402,292</u>	<u>10,627,965</u>
Expenditures:				
Current:				
General government	1,463,121	-	-	1,463,121
Public safety	4,082,002	-	-	4,082,002
Transportation	1,245,688	-	-	1,245,688
Environmental protection	654,518	-	577,934	1,232,452
Cultural and recreational	419,707	2,089,749	5,008	2,514,464
Economic and physical development	94,771	-	395,548	490,319
Debt service:				
Principal	726,827	-	14,747	741,574
Interest and other changes	133,211	-	3,845	137,056
Capital outlay	910,564	-	-	910,564
Total expenditures	<u>9,730,409</u>	<u>2,089,749</u>	<u>997,082</u>	<u>12,817,240</u>
Revenues over (under) expenditures	(11,892)	(1,582,593)	(594,790)	(2,189,275)
Other Financing Sources (Uses):				
Long-term debt issued	450,000	1,500,000	1,000,000	2,950,000
Net change in fund balances	438,108	(82,593)	405,210	760,725
Fund Balances:				
Beginning of year - July 1	3,691,255	-	2,035,407	5,726,662
End of year - June 30	<u>\$ 4,129,363</u>	<u>\$ (82,593)</u>	<u>\$ 2,440,617</u>	<u>\$ 6,487,387</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, 2016

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 760,725
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.	2,761,363
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	2,674
Change in deferred outflow - pension	(105,868)
Change in deferred inflows - pension	802,608
Change in net pension liability	(704,151)
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.	(2,208,426)
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	(3,578)
Compensated absences	(71,654)
Other post-employment benefits obligation	(185,891)
Unfunded LEO obligation	<u>(22,884)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 1,024,918</u>

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

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 5,745,000	\$ 5,839,000	\$ 5,876,544	\$ 37,544
Other taxes and licenses	133,000	156,000	168,034	12,034
Unrestricted intergovernmental	2,600,500	2,982,000	2,954,596	(27,404)
Restricted intergovernmental	327,826	323,941	322,243	(1,698)
Permits and fees	75,000	70,700	78,408	7,708
Sales and services	168,750	183,688	184,145	457
Investment earnings	10,000	10,000	11,505	1,505
Miscellaneous	84,000	137,720	123,042	(14,678)
Total revenues	<u>9,144,076</u>	<u>9,703,049</u>	<u>9,718,517</u>	<u>15,468</u>
Expenditures:				
Current:				
General government	1,460,864	1,463,511	1,463,121	390
Environmental protection	660,000	655,200	654,518	682
Public safety	4,106,990	4,131,166	4,082,002	49,164
Transportation	1,275,187	1,339,574	1,245,688	93,886
Cultural and recreation	448,797	449,577	419,707	29,870
Economic and physical development	75,000	94,000	94,771	(771)
Debt service:				
Principal	976,525	700,500	726,827	(26,327)
Interest and other changes	111,410	133,250	133,211	39
Capital outlay	129,303	926,000	910,564	15,436
Total expenditures	<u>9,244,076</u>	<u>9,892,778</u>	<u>9,730,409</u>	<u>162,369</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(189,729)</u>	<u>(11,892)</u>	<u>177,837</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	450,000	450,000	-
Transfers to other funds	-	(260,271)	-	260,271
Appropriated fund balance	100,000	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>189,729</u>	<u>450,000</u>	<u>260,271</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	438,108	<u>\$ 438,108</u>
Fund Balance:				
Beginning of year - July 1			<u>3,691,255</u>	
End of year - June 30			<u>\$ 4,129,363</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, 2016

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 8,396,129
Accounts receivable (net)	883,124
Inventories	157,929
Total current assets	<u>9,437,182</u>
Restricted assets:	
Cash and cash equivalents	<u>105,422</u>
Non-current assets:	
Capital assets:	
Non-depreciable	104,801
Depreciable, net of accumulated depreciation	13,532,563
Total non-current assets	<u>13,637,364</u>
Total assets	<u>23,179,968</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	<u>95,861</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	258,034
Accrued interest	4,693
Current portion of compensated absences	48,000
Current portion of long-term debt	282,024
Payable from restricted assets:	
Customer deposits	105,422
Total current liabilities	<u>698,173</u>
Non-current liabilities:	
Net pension liability	124,879
Compensated absences	70,805
Other post-employment benefits	321,960
Non-current portion of long-term debt	2,369,934
Total non-current liabilities	<u>2,887,578</u>
Total liabilities	<u>3,585,751</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>83,433</u>
Net Position:	
Net investment in capital assets	10,985,406
Unrestricted	8,621,239
Total net position	<u>\$ 19,606,645</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, 2016

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 6,373,237
Other operating revenues	<u>628,597</u>
Total operating revenues	<u>7,001,834</u>
Operating Expenses:	
Water administration and distribution	1,294,346
Water treatment plant	1,426,090
Waste collection and treatment	1,133,508
Depreciation	<u>983,428</u>
Total operating expenses	<u>4,837,372</u>
Operating income (loss)	<u>2,164,462</u>
Non-Operating Revenues (Expenses):	
Investment earnings	6,681
Interest and other charges	<u>(88,877)</u>
Total non-operating revenues (expenses)	<u>(82,196)</u>
Change in net position	2,082,266
Net Position:	
Beginning of year - July 1	<u>17,524,379</u>
End of year - June 30	<u>\$ 19,606,645</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, 2016

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 6,788,375
Cash paid for goods and services	(1,714,145)
Cash paid to or on behalf of employees for services	(1,941,263)
Customer deposits, net	<u>5,204</u>
Net cash provided (used) by operating activities	<u>3,138,171</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(577,840)
Principal paid on long-term debt	(277,222)
Interest paid on long-term debt	<u>(89,277)</u>
Net cash provided (used) in capital and related financing activities	<u>(944,339)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>6,681</u>
Net increase (decrease) in cash and cash equivalents	2,200,513
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>6,301,038</u>
End of year - June 30	<u>\$ 8,501,551</u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ 2,164,462</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	983,428
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(213,459)
(Increase) decrease in deferred pension outflows	43,242
Decrease in net pension asset	162,732
Increase in net pension liability	124,879
Decrease deferred inflows - pension	(327,826)
(Increase) decrease in inventories	6,111
Increase (decrease) in accounts payable and accrued liabilities	191,640
Increase (decrease) in compensated absences payable	(2,242)
Increase (decrease) in customer deposits	<u>5,204</u>
Total adjustments	<u>973,709</u>
Net cash provided (used) by operating activities	<u>\$ 3,138,171</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, 2016

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 under Session Law 2005-220. 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, 2016

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.

Riverfront Park Project. The Project consists of the development of the Kevin Loftin Riverfront Park, which will consist of all site work and construction activity for a wildlife observation platform, amphitheater, canoe/kayak floating dock, motorized boat launch, fenced-in natural playground, restroom facility, picnic shelters, walking trail, parking area, and associated improvements on a 9.9 acre site owned by the City of Belmont.

The City reports the following nonmajor governmental funds:

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

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Comprehensive Paving Program Project Fund The 2016 Comprehensive Paving Program includes the repair and resurfacing of approximately 21,000 linear feet of street pavement throughout the City of Belmont. There are 52 street segments included in the program and they are located in all sections of the City. They will be resurfaced with at least 1 inch of asphalt surface course. As the bid pricing permits, additional street segments will be added to reach the \$1 million budget. The streets included in the program were selected based on the City's Pavement Condition Survey completed by a consultant in 2013. All of the street segments selected have pavement condition ratings of 20 or less, based upon a maximum rating of 100 for brand new streets.

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.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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. Sales taxes are considered a shared revenue for the City because the tax is levied by Gaston County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the 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.

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, 2016

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, 2016, 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 and Tourism Development Authority 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 (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2015.

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. Riverfront Park Project Money is classified as restricted because its use is restricted by revenue source for the development of the Riverfront Park. 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. Comprehensive Paving Program Money is classified as restricted because its use is restricted by revenue source for the repair and resurfacing of street pavement throughout the City. 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	\$ 240,208
Other governmental funds (unspent debt proceeds):	
Riverfront Park Project Fund	124,374
Brook Street Soccer Park Project Fund	34,846
Comprehensive Paving Program Project Fund	<u>604,452</u>
Total governmental activities	<u>\$ 1,003,880</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 105,422
Total business-type activities	<u>\$ 105,422</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

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 one item matching this criteria – Contributions to Pension Plans. 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 several items that meet this criteria – property taxes receivable, other receivables and pension deferrals that result from the implementation of GASB 68 Statement.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

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 for Economic and Physical Development – portion of fund balance that is restricted by revenue source for Comprehensive Paving Program Project Fund.

The difference between restricted fund balance on Exhibit C and restricted net position on exhibit A is unexpended bond proceeds in the amount of \$763,672.

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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Capital Reserve Fund – portion of fund balance in the amount of \$1,362,352 that has been budgeted by the Board for use in the Capital Reserve Fund.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Assigned Fund Balance

Assigned Fund Balance – portion of fund balance that the City of Belmont intends to use for specific purposes. City Council has the responsibility for assigning fund balance by majority vote.

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.

The following schedule provides management and citizens with information on assigned fund balance:

Stormwater Fund	\$ 430,167
Safe Routes to School Grant Fund	<u>5,438</u>
Total assigned fund balance	<u>\$ 435,605</u>

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 General Fund is the only fund that can maintain an unassigned fund balance.

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%.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 4,129,363
Less:	
Inventories	66,892
Prepaid items	104
Restricted for stabilization by State statute	547,342
Restricted for streets	240,208
Working Capital/Fund Balance Policy	<u>2,425,762</u>
Remaining fund balance	<u>\$ 849,055</u>

Pensions

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

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, 2016

2. Detail Notes On All Funds

A. Assets

Deposits

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

At June 30, 2016, the City's deposits, had a carrying amount of \$15,456,182 and a bank balance of \$15,915,034. Of the bank balance, \$1,211,160 was covered by federal depository insurance, and \$14,703,874 was covered by collateral held under the Pooling Method. At June 30, 2016, the City's petty cash totaled \$800.

At June 30, 2016, the carrying amount of deposits for the TDA was \$66,896. This amount is included in the City's deposits because the TDA's cash and investments are co-mingled with the City's.

Investments

At June 30, 2016, the City had \$211,463 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Receivables

Receivables at Exhibit A at June 30, 2016 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 270	\$ 138,739	\$ 547,341	\$ 686,350
Other governmental	<u>34,977</u>	<u>-</u>	<u>-</u>	<u>34,977</u>
Total receivables	35,247	138,739	547,341	721,327
Allowance for doubtful accounts	<u>-</u>	<u>(60,179)</u>	<u>-</u>	<u>(60,179)</u>
Total governmental activities	<u>\$ 35,247</u>	<u>\$ 78,560</u>	<u>\$ 547,341</u>	<u>\$ 661,148</u>
Business-Type Activities:				
Water and Sewer	\$ 999,521	\$ -	\$ -	\$ 999,521
Allowance for doubtful accounts	<u>(116,397)</u>	<u>-</u>	<u>-</u>	<u>(116,397)</u>
Total business-type activities	<u>\$ 883,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,124</u>

The due from other governments that is owed to the City consists of the following:

	<u>Governmental Activities</u>
Local option sales tax	\$ 472,904
North Carolina administrative reimbursement	<u>74,437</u>
Total	<u>\$ 547,341</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,968,078	\$ 196,291	\$ -	\$ 3,164,369
Other	5,687	-	-	5,687
Construction in progress	<u>1,317,175</u>	<u>2,502,829</u>	<u>1,188,598</u>	<u>2,631,406</u>
Total non-depreciated capital assets	<u>4,290,940</u>	<u>2,699,120</u>	<u>1,188,598</u>	<u>5,801,462</u>
Depreciable Capital Assets:				
Buildings	5,503,500	45,359	-	5,548,859
Other improvements	1,425,842	27,467	-	1,453,309
Equipment	3,042,466	327,635	-	3,370,101
Infrastructure	-	1,175,226	-	1,175,226
Vehicles and motorized equipment	<u>3,424,763</u>	<u>212,691</u>	<u>218,311</u>	<u>3,419,143</u>
Total depreciable capital assets	<u>13,396,571</u>	<u>1,788,378</u>	<u>218,311</u>	<u>14,966,638</u>
Less Accumulated Depreciation:				
Buildings	1,226,006	113,964	-	1,339,970
Other improvements	812,639	21,901	-	834,540
Equipment	2,485,259	196,868	-	2,682,127
Infrastructure	-	14,601	-	14,601
Vehicles and motorized equipment	<u>2,393,359</u>	<u>190,203</u>	<u>218,311</u>	<u>2,365,251</u>
Total accumulated depreciation	<u>6,917,263</u>	<u>\$ 537,537</u>	<u>\$ 218,311</u>	<u>7,236,489</u>
Total depreciable capital assets, net	<u>6,479,308</u>			<u>7,730,149</u>
Governmental activities capital assets, net	<u>\$ 10,770,248</u>			<u>\$ 13,531,611</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

General government	\$ 36,968
Public safety	364,426
Transportation	75,692
Cultural and recreational	5,614
Environmental protection	<u>54,837</u>
Total	<u>\$ 537,537</u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2016.

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 75,890	\$ -	\$ -	\$ -	\$ 75,890
Other	<u>31,911</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>28,911</u>
Total non-depreciable capital assets	<u>107,801</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>104,801</u>
Depreciable Capital Assets:					
Buildings	11,000,038	20,332	-	3,000	11,023,370
Improvements other than buildings	1,633,405	148,456	-	-	1,781,861
Distribution systems	15,167,900	81,708	-	-	15,249,608
Machinery and equipment	6,880,551	327,344	(22,400)	-	7,185,495
Natural gas fill station	<u>226,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,818</u>
Total depreciable capital assets	<u>34,908,712</u>	<u>577,840</u>	<u>(22,400)</u>	<u>3,000</u>	<u>35,467,152</u>
Less Accumulated Depreciation:					
Buildings	6,902,276	169,281	-	-	7,071,557
Improvements other than buildings	78,376	7,006	-	-	85,382
Distribution systems	8,117,197	447,185	-	-	8,564,382
Machinery and equipment	5,775,316	354,440	(22,400)	-	6,107,356
Natural gas fill station	<u>100,396</u>	<u>5,516</u>	<u>-</u>	<u>-</u>	<u>105,912</u>
Total accumulated depreciation	<u>20,973,561</u>	<u>\$ 983,428</u>	<u>\$ (22,400)</u>	<u>\$ -</u>	<u>21,934,589</u>
Total depreciable capital assets, net	<u>13,935,151</u>				<u>13,532,563</u>
Business-type activities capital assets, net	<u>\$ 14,042,952</u>				<u>\$ 13,637,364</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 13,531,611	\$ 13,637,364
Long-term debt	(5,734,925)	(2,651,958)
Capital lease	(352,979)	-
Unspent debt proceeds	<u>763,672</u>	<u>-</u>
Net investment in capital assets	<u>\$ 8,207,379</u>	<u>\$ 10,985,406</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 247,714	\$ 834,426	\$ 1,082,140
Other governmental	<u>4,666</u>	<u>210,401</u>	<u>215,067</u>
Total	<u>\$ 252,380</u>	<u>\$ 1,044,827</u>	<u>\$ 1,297,207</u>
 Business-Type Activities:			
Water and Sewer	<u>\$ 190,405</u>	<u>\$ 67,629</u>	<u>\$ 258,034</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Belmont is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$330,554 for the year ended June 30, 2016.

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

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

At June 30, 2016, the City reported a liability of \$430,618 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.09595%, which was an increase of 0.00080% from its proportion measure as of June 30, 2014.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

For the year ended June 30, 2016, the City recognized pension expense of \$340,993. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 101,220
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	122,596
Changes in proportion and differences between City contributions and proportionate share of contributions	-	63,887
City contributions subsequent to the measurement date	330,554	-
Total	\$ 330,554	\$ 287,703

\$330,554 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2017	\$ (162,318)
2018	(162,318)
2019	(162,037)
2020	198,970
Total	\$ (287,703)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	<u>6.0%</u>	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	<u>\$3,002,759</u>	<u>\$ 430,618</u>	<u>\$(1,736,354)</u>

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

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2015, the system's membership consisted of:

Retirees and beneficiaries currently receiving benefits	3
Current employees	<u>33</u>
Total	<u><u>36</u></u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members

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, 2014 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 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The remaining amortization period at December 31, 2014 was 16 years.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$	69,487
Interest on net pension obligation		11,062
Adjustment to annual required contribution		<u>(19,442)</u>
Annual pension cost		61,107
Contributions made		<u>38,223</u>
Increase (decrease) in net pension obligation		22,884
Net Pension Obligation:		
Beginning of year - July 1		<u>221,248</u>
 End of year - June 30	 \$	 <u><u>244,132</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 51,142	38.22%	\$ 192,692
6/30/2015	57,679	50.49%	221,248
6/30/2016	61,107	62.55%	244,132

Funded Status and Funding Progress. As of December 31, 2015, 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 \$712,996. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,484,384, and the ratio of the UAAL to the covered payroll was 48.03%.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 were \$79,143, which consisted of \$56,624 from the City and \$22,519 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, 2016 were \$140,394, which consisted of \$92,580 from the City and \$47,814 from the City employees.

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 prior 10 years with the City	100% cost paid by the City until age 65

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	78	31
Total	81	31

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 6.64% of annual covered payroll. For the current year, the City contributed \$20,641, or .49%, 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, 2016**

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	\$ 199,394	\$ 81,442	\$ 280,836
Interest on net OPEB obligation	24,210	9,845	34,055
Adjustments to annual required contribution	(23,129)	(9,405)	(32,534)
Annual OPEB cost (expense)	200,475	81,882	282,357
Contributions made	(14,584)	(6,057)	(20,641)
Increase (decrease) in net OPEB obligation	185,891	75,825	261,716
Net OPEB Obligation:			
Beginning of year - July 1	605,246	246,135	851,381
End of year - June 30	\$ 791,137	\$ 321,960	\$ 1,113,097

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 282,357	7.3%	\$ 1,113,097
2015	273,754	13.4%	851,381
2014	234,386	15.6%	614,276

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, 2016

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. The City has no liability beyond the payment of monthly contributions. The contributions to the death benefit plan cannot be separated between the post-employment benefit amount and the other amount. 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.

Deferred Outflows/Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plans in current fiscal year	<u>\$ 330,554</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 287,703
Taxes receivable, net	78,560
Stormwater receivables	34,977
Lighting assessment receivable	<u>269</u>
Total deferred inflows	<u>\$ 401,509</u>

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two 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, and workers' compensation coverage up to statutory limits. 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 property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

The City carries employee health insurance through Aetna with unlimited lifetime maximum coverage.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 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.

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.

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.

The following is an analysis of the assets recorded under capital leases by the City at June 30, 2016:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings, vehicles, paving, and motorized equipment	<u>\$ 2,050,000</u>	<u>\$ 205,000</u>	<u>\$ 1,845,000</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30	Governmental Activities
2017	\$ 56,085
2018	56,085
2019	56,085
2020	56,085
2021	56,085
2022-2025	<u>224,340</u>
Total minimum lease payments	504,765
Less: amount representing interest	<u>(151,786)</u>
Present value of minimum lease payments	<u><u>\$ 352,979</u></u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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%	\$ 475,000
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%	912,449
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%	63,007
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%	956,250
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%	273,251
2015 Note payable to bank for the Riverfront Park , to be repaid in 30 semi-annual installments of \$50,000 through September 2, 2030; including interest at 2.89%	1,450,000
2016 Note payable to bank for installment financing for paving project , to be repaid in 10 semi-annual installments of \$104,464 through May 31, 2021; including interest at 1.604%	1,000,000
2016 Note payable to bank for miscellaneous equipment, to be repaid in 10 semi-annual installments of \$47,464 through December 29, 2020; including interest at 1.96%	450,000
2014 Note payable to bank for police vehicles/equipment, to be repaid in 5 annual installments of \$41,544 through October 30, 2018; including interest at 1.93%	119,970
2014 Note payable to bank for police vehicles, to be repaid in 4 semi-annual installments of \$35,477 through October 1, 2016; including interest at 1.37%	<u>34,998</u>
Total	<u><u>\$ 5,734,925</u></u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2016 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:

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, 2023; plus interest at 3.58%	\$ 799,357
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%	654,383
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%	716,182
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%	32,458
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>449,578</u>
Total	<u><u>\$ 2,651,958</u></u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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
2017	\$ 1,010,150	\$ 145,619	\$ 282,024	\$ 71,239
2018	919,189	120,992	253,264	62,866
2019	831,418	97,170	257,097	54,873
2020	608,062	78,845	261,068	46,742
2021	613,225	63,911	265,182	38,468
2022-2026	1,302,881	157,939	864,974	82,091
2027-2031	450,000	32,513	354,564	24,843
2032-2034	-	-	113,785	2,981
Total	\$ 5,734,925	\$ 696,989	\$ 2,651,958	\$ 384,103

At June 30, 2016, the City of Belmont had a legal debt margin of \$89,494,983.

Changes in Long-Term Liabilities:

	July 1, 2015	Increases	Decreases	June 30, 2016	Current Maturities
Governmental Activities:					
Notes payable	\$ 3,497,210	\$ 2,950,000	\$ 712,285	\$ 5,734,925	\$ 1,010,150
Capitalized leases	382,268	-	29,289	352,979	56,085
Net pension obligation (LEO)	221,248	61,107	38,223	244,132	-
Net pension liability (LGERS)	-	305,739	-	305,739	-
Other post-employment benefits	605,246	200,475	14,584	791,137	-
Compensated absences	340,890	200,430	128,776	412,544	165,000
Governmental activities long-term liabilities	<u>5,046,862</u>	<u>3,717,751</u>	<u>923,157</u>	<u>7,841,456</u>	<u>1,231,235</u>
Business-Type Activities:					
Notes payable	2,929,180	-	277,222	2,651,958	282,024
Net pension liability (LGERS)	-	124,879	-	124,879	-
Other post-employment benefits	246,135	81,882	6,057	321,960	-
Compensated absences	121,047	61,046	63,288	118,805	48,000
Business-type activities long-term liabilities	<u>3,296,362</u>	<u>267,807</u>	<u>346,567</u>	<u>3,217,602</u>	<u>330,024</u>
Total	\$ 8,343,224	\$ 3,985,558	\$ 1,269,724	\$ 11,059,058	\$ 1,561,259

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

3. Stewardship, Compliance, and Accountability

A. Expenditures Exceeding Appropriations & Pre-Audit Procedures

The City had excess expenditures over appropriations as of June 30, 2016 as follows:

<u>Fund</u>	<u>Amount</u>
Stormwater Fund	<u>\$ 79,224</u>

The City was in violation of the General Statute regarding pre-audit procedures of expenditures and vendor contracts as of June 30, 2016. The City will monitor budgetary and pre-audit compliance more closely in the future.

B. Deficit Fund Balance

At year-end, the City reported deficit fund balance in the following funds:

<u>Fund</u>	<u>Amount</u>
Riverfront Park Project Fund	<u>\$ 82,593</u>

The City will monitor costs related to the Riverfront Park Project fund and will take measures to ensure the fund does not operate in a deficit in the future. Future transfers will be used to offset any deficits.

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

CITY OF BELMONT, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll (B-A)/C
12/31/2010	\$ -	\$ 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%
12/31/2014	-	501,094	501,094	0.00%	1,257,822	39.84%
12/31/2015	-	712,996	712,996	0.00%	1,484,384	48.03%

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

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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	3.57%
Projected salary increases*	3.50% to 7.35%
*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, 2016

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%
2015	272,656	7.57%
2016	280,836	7.35%

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

CITY OF BELMONT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS*

Local Governmental Employees' Retirement System			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Belmont's proportion of the net pension liability (asset) (%)	0.09595%	0.09515%	0.09800%
City of Belmont's proportion of the net pension liability (asset) (\$)	\$ 430,618	\$ (561,144)	\$ 1,181,276
City of Belmont's covered-employee payroll	\$ 4,917,601	\$ 4,867,058	\$ 4,608,158
City of Belmont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.76%	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

CITY OF BELMONT, NORTH CAROLINA

CITY OF BELMONT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARSLocal Governmental Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 330,554	\$ 479,664	\$ 346,813
Contributions in relation to the contractually required contribution	<u>330,554</u>	<u>479,664</u>	<u>346,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Belmont's covered-employee payroll	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058
Contributions as a percentage of covered-employee payroll	6.79%	9.75%	7.13%

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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,709,000	\$ 5,735,660	\$ 26,660	\$ 5,577,390
Prior years	115,000	126,110	11,110	115,395
Penalties and interest	15,000	14,774	(226)	19,479
Total ad valorem taxes	<u>5,839,000</u>	<u>5,876,544</u>	<u>37,544</u>	<u>5,712,264</u>
Other Taxes and Licenses:				
Privilege licenses	-	-	-	1,864
Lease vehicle tax	24,000	24,240	240	21,330
Occupancy tax	94,000	94,771	771	85,065
Vehicle license tax	38,000	49,023	11,023	45,488
Total other taxes and licenses	<u>156,000</u>	<u>168,034</u>	<u>12,034</u>	<u>153,747</u>
Unrestricted Intergovernmental:				
Local option sales tax	2,000,000	1,972,554	(27,446)	1,824,798
Utility franchise tax	927,500	927,697	197	850,492
Solid waste disposal tax	7,000	6,841	(159)	3,712
Beer and wine tax	47,500	47,504	4	50,718
Total unrestricted intergovernmental	<u>2,982,000</u>	<u>2,954,596</u>	<u>(27,404)</u>	<u>2,729,720</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	303,913	303,914	1	302,519
Wellness funds	8,500	4,769	(3,731)	3,676
Unauthorized substance tax	1,600	3,632	2,032	4,785
On-behalf payments, fire	-	-	-	9,694
State grants	9,928	9,928	-	-
Other grants	-	-	-	56,600
Total restricted intergovernmental revenues	<u>323,941</u>	<u>322,243</u>	<u>(1,698)</u>	<u>377,274</u>
Permits and Fees:				
Zoning permits	<u>70,700</u>	<u>78,408</u>	<u>7,708</u>	<u>89,001</u>
Total permits and fees	<u>70,700</u>	<u>78,408</u>	<u>7,708</u>	<u>89,001</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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Recreation department fees	140,000	139,523	(477)	181,781
Sale of cemetery lots	11,710	12,910	1,200	6,625
Cemetery interment fees	4,050	4,050	-	7,025
Fire protection services	750	614	(136)	707
Sale of surplus property	24,958	24,958	-	11,494
Facility usage fees	600	600	-	50
Alarm registration fee	1,620	1,490	(130)	640
Total sales and services	<u>183,688</u>	<u>184,145</u>	<u>457</u>	<u>208,322</u>
Investment Earnings	<u>10,000</u>	<u>11,505</u>	<u>1,505</u>	<u>11,243</u>
Other General Revenues:				
Miscellaneous	100,620	85,594	(15,026)	154,663
SRO contribution	36,000	36,342	342	50,075
Special police funds	1,100	1,106	6	1,866
Total other general revenues	<u>137,720</u>	<u>123,042</u>	<u>(14,678)</u>	<u>206,604</u>
Total revenues	<u>9,703,049</u>	<u>9,718,517</u>	<u>15,468</u>	<u>9,488,175</u>
Expenditures:				
General Government:				
Mayor and Council:				
Fees	29,508	29,507	1	28,464
Group insurance	22,700	22,640	60	24,768
Travel and training	6,800	6,880	(80)	5,991
Supplies	500	464	36	510
Dues and memberships	17,523	17,523	-	14,726
Miscellaneous	2,379	2,207	172	2,213
Total	<u>79,410</u>	<u>79,221</u>	<u>189</u>	<u>76,672</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
Administration and Finance:				
Salaries	311,100	314,201	(3,101)	285,375
Employee benefits	88,125	86,891	1,234	86,638
Professional services	257,370	260,591	(3,221)	275,276
Telephone	8,000	8,137	(137)	10,546
Heating	900	835	65	1,313
Travel and training	9,000	9,184	(184)	5,910
Equipment maintenance	3,250	3,228	22	2,832
Equipment rental	781	781	-	726
Building repairs	2,550	2,532	18	1,309
Advertisement	650	832	(182)	883
Postage	900	639	261	869
Office supplies	2,600	2,747	(147)	2,621
Supplies	12,000	11,383	617	6,911
Car allowance	4,800	4,800	-	5,200
Subscriptions	1,585	1,062	523	1,690
Insurance and bonds	11,215	12,182	(967)	20,802
Building cleaning service	-	-	-	824
Miscellaneous expense	47,512	47,477	35	36,376
Community promotion	10,500	10,500	-	20,262
Bank charges	40,500	40,687	(187)	36,865
Water and sewer fees	1,000	695	305	980
Stormwater fees	252	252	-	279
Electricity	8,000	7,640	360	7,559
Total	<u>822,590</u>	<u>827,276</u>	<u>(4,686)</u>	<u>812,046</u>
City Attorney:				
Fees	9,000	9,000	-	9,000
Special compensation	100,500	99,319	1,181	90,285
Travel and training	700	691	9	631
Total	<u>110,200</u>	<u>109,010</u>	<u>1,190</u>	<u>99,916</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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Planning and Zoning:				
Salaries	245,500	245,493	7	270,752
Employee benefits	78,550	76,351	2,199	79,097
Professional services	45,000	41,231	3,769	103,362
Travel and training	6,600	6,596	4	4,767
Telephone	6,000	5,845	155	7,774
Advertisement	1,500	1,185	315	1,611
Miscellaneous	44,195	47,297	(3,102)	12,848
Supplies	3,200	3,108	92	2,617
Vehicle maintenance	1,150	1,166	(16)	477
Office supplies	3,500	3,428	72	3,224
Gas and lubricants	1,200	1,045	155	1,762
Water and sewer fees	400	344	56	364
Storm water fees	216	216	-	216
Code enforcement	700	1,150	(450)	1,283
Subscriptions and dues	1,750	1,595	155	1,553
Insurance	9,050	9,038	12	10,283
Equipment maintenance	-	-	-	24
Equipment rentals	2,800	2,526	274	3,326
Total	451,311	447,614	3,697	505,340
Total general government	1,463,511	1,463,121	390	1,493,974
Public Safety:				
Police:				
Salaries	1,643,000	1,656,238	(13,238)	1,680,194
Employee benefits	379,000	373,968	5,032	398,385
Professional services	70,500	78,965	(8,465)	55,015
Retirement	118,000	111,870	6,130	123,009
Separation allowance	38,224	38,223	1	29,123
Mandated	80,000	73,807	6,193	77,505
Special compensation	10,000	10,253	(253)	8,370
Telephone	51,000	52,214	(1,214)	51,497
Heating	2,100	1,988	112	2,287
Travel and training	11,500	10,070	1,430	19,840
Building repairs	8,000	9,125	(1,125)	3,531
Radio equipment maintenance	9,000	9,663	(663)	-

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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Equipment maintenance	41,000	37,658	3,342	20,737
Vehicle maintenance	41,000	46,876	(5,876)	36,537
Equipment rental	27,000	26,038	962	19,134
Gas and lubricants	45,000	42,819	2,181	76,675
Water and sewer fees	1,800	1,209	591	1,730
Stormwater fees	828	828	-	828
Electricity	23,000	23,739	(739)	26,163
Miscellaneous	14,000	6,983	7,017	9,066
Advertisement	800	796	4	56
Postage	2,250	2,155	95	977
Unemployment	500	338	162	3,678
Office supplies	8,500	8,751	(251)	4,358
Supplies	14,000	7,049	6,951	5,070
State fees	-	-	-	36
Uniforms	26,000	25,667	333	14,482
Subscriptions and dues	220	150	70	220
Insurance	133,900	136,401	(2,501)	125,751
K-9 supplies	3,500	3,302	198	1,562
Undercover operations	1,000	870	130	3,000
Total	2,804,622	2,798,013	6,609	2,798,816
Fire:				
Salaries	750,000	754,317	(4,317)	713,972
Employee benefits	251,152	247,181	3,971	236,652
Special compensation	32,225	32,224	1	40,303
Professional services	40,000	3,830	36,170	2,953
Telephone	3,500	3,298	202	3,551
Postage	355	343	12	332
Heating	1,800	1,737	63	2,376
Travel and training	3,850	3,819	31	3,763
Building maintenance	8,000	8,149	(149)	15,476
Equipment maintenance	15,800	11,956	3,844	16,324
Vehicle maintenance	80,000	81,092	(1,092)	55,813
Gas and lubricants	12,000	11,470	530	21,149
Water and sewer fees	4,500	3,936	564	2,374
Stormwater fees	252	252	-	252

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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Electricity	6,000	6,491	(491)	4,702
Office supplies	1,500	953	547	1,348
Supplies	10,000	9,852	148	9,088
Uniforms	8,000	6,776	1,224	4,129
Insurance and bonds	40,829	40,820	9	41,332
Subscriptions	2,800	2,800	-	2,266
State fees	-	-	-	188
Capital outlay	15,981	15,981	-	477
Gaston County Radio Agreement	1,000	612	388	904
South Point VFD contract	37,000	36,100	900	20,196
On-behalf payments - employee benefits	-	-	-	9,694
Total	1,326,544	1,283,989	42,555	1,209,614
Total public safety	4,131,166	4,082,002	49,164	4,008,430
Transportation:				
Streets:				
Salaries	433,000	435,007	(2,007)	412,218
Employee benefits	140,972	138,204	2,768	131,695
Professional services	5,000	4,815	185	4,487
Telephone	9,300	10,136	(836)	9,697
Travel and training	2,800	2,774	26	115
Building repair	500	399	101	4,553
Equipment maintenance	13,000	11,968	1,032	9,521
Vehicle maintenance	16,000	16,968	(968)	11,596
Gas and lubricants	14,000	13,940	60	17,489
Electricity street lights	224,500	216,896	7,604	200,904
Water and sewer fees	2,465	2,714	(249)	2,446
Office supplies	1,400	1,190	210	423
Materials and supplies	37,500	34,092	3,408	42,983
State fees	1,000	920	80	1,883
Contracted street repairs	118,000	35,678	82,322	332,205
Routine street repairs	60,000	69,544	(9,544)	58,476
Insurance and bonds	31,000	29,805	1,195	27,725
Employee uniforms	7,000	6,110	890	4,589
Contracted services - cemetery	29,705	29,605	100	28,840

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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Contracted mowing	130,032	130,032	-	122,247
Beautification projects	23,000	22,565	435	14,890
Rail crossing guards	1,400	1,329	71	-
Improvements	38,000	30,997	7,003	41,103
Total transportation	1,339,574	1,245,688	93,886	1,480,085
Environmental Protection:				
Sanitation:				
Professional services	655,200	654,518	682	634,014
Total environmental protection	655,200	654,518	682	634,014
Cultural and Recreational:				
Parks and Recreation:				
Salaries	138,722	136,533	2,189	133,438
Employee benefits	42,325	41,329	996	36,888
Professional services	2,500	2,547	(47)	3,116
Special compensation	30,000	22,470	7,530	33,236
Telephone	6,900	7,962	(1,062)	7,469
Building repairs	300	389	(89)	4,226
Equipment maintenance	1,600	1,633	(33)	1,563
Vehicle maintenance	1,900	1,880	20	5,636
Heating	900	818	82	1,190
Travel and training	2,000	2,015	(15)	953
Uniforms	100	91	9	-
Stowe Park maintenance	5,200	1,700	3,500	-
Miscellaneous	600	515	85	3,152
Water and sewer fees	38,375	34,901	3,474	24,029
Gas and lubricants	1,600	1,279	321	2,374
Land usage	6,910	3,600	3,310	6,600
Electricity	30,600	30,945	(345)	27,994
Facility usage	660	630	30	520
Advertisement	1,914	1,782	132	4,114
Postage	500	448	52	514
Office supplies	800	559	241	818

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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Supplies	59,000	52,604	6,396	53,695
State fees	-	-	-	194
Subscriptions	671	671	-	725
Insurance and bonds	12,100	12,033	67	15,847
Community events	41,500	38,546	2,954	41,832
Grant match	21,900	21,827	73	-
Total cultural and recreational	<u>449,577</u>	<u>419,707</u>	<u>29,870</u>	<u>410,123</u>
Economic and Physical Development:				
Tourism development	<u>94,000</u>	<u>94,771</u>	<u>(771)</u>	<u>85,065</u>
Capital Outlay:				
Capital purchases	<u>926,000</u>	<u>910,564</u>	<u>15,436</u>	<u>521,539</u>
Debt Service:				
Principal retirement	700,500	726,827	(26,327)	664,700
Interest and fees	<u>133,250</u>	<u>133,211</u>	<u>39</u>	<u>125,278</u>
Total debt service	<u>833,750</u>	<u>860,038</u>	<u>(26,288)</u>	<u>789,978</u>
Total expenditures	<u>9,892,778</u>	<u>9,730,409</u>	<u>162,369</u>	<u>9,423,208</u>
Revenues over (under) expenditures	<u>(189,729)</u>	<u>(11,892)</u>	<u>177,837</u>	<u>64,967</u>
Other Financing Sources (Uses):				
Transfers to other funds:				
Safe Routes to Schools Grant Fund	(260,271)	-	260,271	-
Long-term debt issued	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>305,000</u>
Total other financing sources (uses)	<u>189,729</u>	<u>450,000</u>	<u>260,271</u>	<u>305,000</u>
Net change in fund balance	<u>\$ -</u>	<u>438,108</u>	<u>\$ 438,108</u>	<u>369,967</u>
Fund Balance:				
Beginning of year - July 1		<u>3,691,255</u>		<u>3,321,288</u>
End of year - June 30		<u>\$ 4,129,363</u>		<u>\$ 3,691,255</u>

CITY OF BELMONT, NORTH CAROLINA

**RIVERFRONT PARK PROJECT - MAJOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
PARTF Grant proceeds	\$ 550,000	\$ -	\$ 507,052	\$ 507,052	\$ (42,948)
Investment earnings	-	-	104	104	104
Total revenues	<u>550,000</u>	<u>-</u>	<u>507,156</u>	<u>507,156</u>	<u>(42,844)</u>
Expenditures:					
Design	1,500,000	-	7,454	7,454	1,492,546
Construction and administration	<u>1,000,000</u>	<u>-</u>	<u>2,082,295</u>	<u>2,082,295</u>	<u>(1,082,295)</u>
Total expenditures	<u>2,500,000</u>	<u>-</u>	<u>2,089,749</u>	<u>2,089,749</u>	<u>410,251</u>
Revenues over (under) expenditures	<u>(1,950,000)</u>	<u>-</u>	<u>(1,582,593)</u>	<u>(1,582,593)</u>	<u>367,407</u>
Other Financing Sources (Uses):					
Long-term debt issued	1,500,000	-	1,500,000	1,500,000	-
Transfer from General Fund	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
Total other financing sources (uses)	<u>1,950,000</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>(450,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(82,593)</u>	<u>\$ (82,593)</u>	<u>\$ (82,593)</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ (82,593)</u>		

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Special Revenue Funds		Capital Project Funds			Total
	Stormwater Fund	Safe Routes to School Grant Fund	Brook Street Soccer Park Project Fund	Comprehensive Paving Program Project Fund	Capital Reserve Fund	
Assets:						
Cash and cash equivalents	\$ 438,267	\$ 5,438	\$ -	\$ -	\$ 1,362,352	\$ 1,806,057
Accounts receivable, net	34,977	-	-	-	-	34,977
Inventories	3,362	-	-	-	-	3,362
Restricted cash and cash equivalents	-	-	34,846	604,452	-	639,298
Total assets	<u>\$ 476,606</u>	<u>\$ 5,438</u>	<u>\$ 34,846</u>	<u>\$ 604,452</u>	<u>\$ 1,362,352</u>	<u>\$ 2,483,694</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 8,100	\$ -	\$ -	\$ -	\$ -	\$ 8,100
Deferred Inflows of Resources	<u>34,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,977</u>
Fund Balances:						
Non-spendable:						
Inventory	3,362	-	-	-	-	3,362
Restricted:						
Cultural and recreational	-	-	34,846	-	-	34,846
Economic and physical development	-	-	-	604,452	-	604,452
Committed for Capital Reserve	-	-	-	-	1,362,352	1,362,352
Assigned	430,167	5,438	-	-	-	435,605
Total fund balances	<u>433,529</u>	<u>5,438</u>	<u>34,846</u>	<u>604,452</u>	<u>1,362,352</u>	<u>2,440,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 476,606</u>	<u>\$ 5,438</u>	<u>\$ 34,846</u>	<u>\$ 604,452</u>	<u>\$ 1,362,352</u>	<u>\$ 2,483,694</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, 2016

	Special Revenue Funds		Capital Project Funds			Total
	Stormwater Fund	Safe Routes to School Grant Fund	Brook Street Soccer Park Project Fund	Comprehensive Paving Program Project Fund	Capital Reserve Fund	
Revenues:						
Sales and services	\$ 397,465	\$ -	\$ -	\$ -	\$ -	\$ 397,465
Investment earnings	-	-	-	-	4,827	4,827
Total revenues	<u>397,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,827</u>	<u>402,292</u>
Expenditures:						
Cultural and recreational	-	-	5,008	-	-	5,008
Environmental protection	577,934	-	-	-	-	577,934
Economic and physical development	-	-	-	395,548	-	395,548
Debt service:						
Principal	14,747	-	-	-	-	14,747
Interest and fees	3,845	-	-	-	-	3,845
Total expenditures	<u>596,526</u>	<u>-</u>	<u>5,008</u>	<u>395,548</u>	<u>-</u>	<u>997,082</u>
Revenues over (under) expenditures	<u>(199,061)</u>	<u>-</u>	<u>(5,008)</u>	<u>(395,548)</u>	<u>4,827</u>	<u>(594,790)</u>
Other Financing Sources (Uses):						
Long-term debt issued	-	-	-	1,000,000	-	1,000,000
Net change in fund balances	(199,061)	-	(5,008)	604,452	4,827	405,210
Fund Balances:						
Beginning of year - July 1	<u>632,590</u>	<u>5,438</u>	<u>39,854</u>	<u>-</u>	<u>1,357,525</u>	<u>2,035,407</u>
End of year - June 30	<u>\$ 433,529</u>	<u>\$ 5,438</u>	<u>\$ 34,846</u>	<u>\$ 604,452</u>	<u>\$ 1,362,352</u>	<u>\$ 2,440,617</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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 390,000	\$ 397,465	\$ 7,465	\$ 392,580
Miscellaneous revenues	-	-	-	15,756
Total revenues	<u>390,000</u>	<u>397,465</u>	<u>7,465</u>	<u>408,336</u>
Expenditures:				
Environmental protection:				
Salaries	106,685	105,351	1,334	105,059
Employee benefits	35,877	33,736	2,141	33,620
Professional services	53,482	44,119	9,363	41,898
Telephone	1,000	1,201	(201)	943
Travel and training	1,000	785	215	60
Gas and lubricants	7,500	4,519	2,981	6,677
Office supplies	1,500	799	701	828
Supplies	37,938	30,920	7,018	35,485
Utilities	3,000	2,353	647	3,211
Subscriptions and dues	3,000	2,890	110	2,091
Capital outlay	238,651	351,261	(112,610)	19,611
Debt service:				
Principal	21,866	14,747	7,119	26,205
Interest and fees	5,803	3,845	1,958	9,498
Total expenditures	<u>517,302</u>	<u>596,526</u>	<u>(79,224)</u>	<u>285,186</u>
Revenues over (under) expenditures	<u>(127,302)</u>	<u>(199,061)</u>	<u>(71,759)</u>	<u>123,150</u>
Other Financing Sources (Uses):				
Transfer to Capital Reserve Fund	(111,349)	-	111,349	-
Appropriated fund balance	238,651	-	(238,651)	-
Total other financing sources (uses)	<u>127,302</u>	<u>-</u>	<u>(127,302)</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	(199,061)	\$ <u>(199,061)</u>	123,150
Fund Balance:				
Beginning of year - July 1		<u>632,590</u>		<u>509,440</u>
End of year - June 30		\$ <u>433,529</u>		\$ <u>632,590</u>

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, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/Under</u>
			<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Grant proceeds	\$ 298,700	\$ 22,150	\$ -	\$ 22,150	\$ (276,550)
Expenditures:					
Economic and physical development: Administration	298,700	22,312	-	22,312	276,388
Revenues over (under) expenditures	-	(162)	-	(162)	(162)
Other Financing Sources (Uses):					
Transfer from General Fund	-	5,600	-	5,600	5,600
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,438</u>	-	<u>\$ 5,438</u>	<u>\$ 5,438</u>
Fund Balance:					
Beginning of year, July 1			<u>5,438</u>		
End of year, June 30			<u>\$ 5,438</u>		

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, 2016

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
	<u>Prior Years</u>	<u>Current Year</u>			
Revenues:					
Investment earnings	\$ -	\$ 457	\$ -	\$ 457	\$ 457
Expenditures:					
Design	78,375	19,499	5,008	24,507	53,868
Construction and administration	1,127,775	1,208,957	-	1,208,957	(81,182)
Contingency	68,850	7,147	-	7,147	61,703
Total expenditures	<u>1,275,000</u>	<u>1,235,603</u>	<u>5,008</u>	<u>1,240,611</u>	<u>34,389</u>
Revenues over (under) expenditures	(1,275,000)	(1,235,146)	(5,008)	(1,240,154)	34,846
Other Financing Sources (Uses):					
Long-term debt issued	<u>1,275,000</u>	<u>1,275,000</u>	-	<u>1,275,000</u>	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 39,854</u>	(5,008)	<u>\$ 34,846</u>	<u>\$ 34,846</u>
Fund Balance:					
Beginning of year, July 1			<u>39,854</u>		
End of year, June 30			<u>\$ 34,846</u>		

CITY OF BELMONT, NORTH CAROLINA

COMPREHENSIVE PAVING PROGRAM PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Expenditures:					
Design	\$ 1,000,000	\$ -	\$ 395,548	\$ 395,548	\$ 604,452
Revenues over (under) expenditures	(1,000,000)	-	(395,548)	(395,548)	604,452
Other Financing Sources (Uses):					
Long-term debt issued	1,000,000	-	1,000,000	1,000,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	604,452	<u>\$ 604,452</u>	<u>\$ 604,452</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 604,452</u>		

CITY OF BELMONT, NORTH CAROLINA

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 4,827	\$ 4,827	\$ 4,183
Other Financing Sources (Uses):				
Transfer to General Fund	(100,000)	-	100,000	-
Appropriated fund balance	100,000	-	(100,000)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	4,827	\$ 4,827	4,183
Fund Balance:				
Beginning of year, July 1		1,357,525		1,353,342
End of year - June 30		\$ 1,362,352		\$ 1,357,525

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 3,050,000	\$ 3,398,558	\$ 348,558	\$ 2,724,234
Sewer charges	2,877,500	2,974,679	97,179	2,677,002
Water and sewer taps	30,000	38,634	8,634	56,305
Reconnections	30,000	35,040	5,040	27,226
Service connection fees	22,000	25,584	3,584	16,943
Penalties	50,000	48,589	(1,411)	52,155
Pretreatment fees	8,700	9,620	920	8,035
Impact fees	241,000	192,907	(48,093)	561,657
Inspection fees	77,000	95,843	18,843	90,629
System development fees	11,000	44,686	33,686	242,328
Maintenance fees	67,000	103,876	36,876	91,515
Miscellaneous revenues	33,373	33,818	445	35,213
Total operating revenues	<u>6,497,573</u>	<u>7,001,834</u>	<u>504,261</u>	<u>6,583,242</u>
Non-Operating Revenues:				
Interest income	-	223	223	220
Total revenues	<u>6,497,573</u>	<u>7,002,057</u>	<u>504,484</u>	<u>6,583,462</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	604,623	631,523	(26,900)	593,191
Employee benefits	232,220	229,145	3,075	216,470
Professional services	11,000	10,236	764	7,697
Telephone	9,800	10,117	(317)	9,847
Travel and training	3,000	3,334	(334)	3,598
Equipment maintenance	15,200	13,409	1,791	21,371
Vehicle maintenance	25,000	24,391	609	19,331
Gas and lubricants	25,000	22,951	2,049	31,130
Equipment rental	300	224	76	-
Postage	25,000	22,846	2,154	23,621
Electricity	13,000	12,425	575	11,977
Advertisements	-	117	(117)	98
Office supplies	3,350	3,179	171	3,158
Supplies	108,000	101,349	6,651	93,171
Materials	55,000	49,356	5,644	65,347

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
Uniforms	9,800	11,204	(1,404)	8,999
Contracted repairs	100,400	79,721	20,679	2,298
Utility cuts and repairs	78,000	89,023	(11,023)	49,992
Subscriptions and dues	3,000	3,615	(615)	3,677
State/federal mandate	2,500	2,465	35	1,758
System development fees	-	-	-	626,386
Wastewater services	2,300	2,714	(414)	2,204
Insurance and bonds	37,000	36,108	892	31,311
Total water administration and distribution	<u>1,363,493</u>	<u>1,359,452</u>	<u>4,041</u>	<u>1,826,632</u>
Water Treatment Plant:				
Salaries	507,285	512,638	(5,353)	507,261
Employee benefits	179,241	168,521	10,720	170,549
Professional services	9,000	8,918	82	1,940
Telephone	8,000	9,007	(1,007)	8,115
Postage	500	391	109	257
Heating	5,000	4,283	717	6,066
Travel and training	4,000	3,559	441	2,601
Plant repairs	60,000	53,077	6,923	102,853
Equipment maintenance	17,000	16,535	465	19,328
Vehicle maintenance	3,000	3,868	(868)	2,192
Gas lubricants	5,000	4,645	355	4,455
State fees	6,000	5,890	110	5,760
Materials	6,000	5,980	20	5,573
Contract services	65,000	55,263	9,737	62,773
Sludge disposal	19,000	-	19,000	-
Electricity	100,000	105,569	(5,569)	108,949
Advertisements	1,000	946	54	588
Office supplies	1,500	1,443	57	1,486
Supplies	5,500	11,399	(5,899)	(5,573)
Water treatment	90,648	78,263	12,385	99,588
Lab supplies	14,500	14,350	150	14,848
Uniforms	5,500	5,824	(324)	4,695
Subscriptions and dues	5,210	5,210	-	5,100
Insurance and bonds	33,263	33,035	228	27,636
Total water treatment plant	<u>1,151,147</u>	<u>1,108,614</u>	<u>42,533</u>	<u>1,157,040</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
Waste Collection and Treatment:				
Salaries	374,351	370,633	3,718	350,005
Employee benefits	147,934	145,628	2,306	136,432
Professional services	90,100	84,793	5,307	6,515
Telephone	11,000	13,222	(2,222)	11,731
Postage	500	359	141	309
Travel and training	4,000	4,052	(52)	2,062
Sludge disposal	70,000	62,214	7,786	75,318
Mills pre-treatment testing	8,000	7,819	181	6,964
Lab testing	67,000	66,281	719	63,121
Plant repairs	45,000	45,362	(362)	35,310
Equipment maintenance	45,000	42,367	2,633	44,473
Vehicle maintenance	5,000	4,731	269	4,705
State fees	5,800	4,997	803	5,660
Gas and lubricants	9,000	7,458	1,542	11,931
Electricity	290,700	309,507	(18,807)	263,748
Wastewater services	90,756	97,147	(6,391)	101,483
Advertisements	850	827	23	607
Office supplies	1,500	1,553	(53)	2,004
Supplies	7,500	7,290	210	6,540
Uniforms	7,000	5,869	1,131	5,634
Subscriptions and dues	600	530	70	580
Lab supplies	73,500	53,821	19,679	73,966
Equipment rental	-	-	-	716
Insurance bonds	23,800	23,712	88	23,122
Total waste collection and treatment	<u>1,378,891</u>	<u>1,360,172</u>	<u>18,719</u>	<u>1,232,936</u>
Debt Service:				
Interest and fees	90,000	89,277	723	93,969
Principal retirement	303,500	277,222	26,278	421,432
Total debt service	<u>393,500</u>	<u>366,499</u>	<u>27,001</u>	<u>515,401</u>
Capital Outlay	<u>529,980</u>	<u>520,825</u>	<u>9,155</u>	<u>907,014</u>
Total capital outlay	<u>529,980</u>	<u>520,825</u>	<u>9,155</u>	<u>907,014</u>
Total expenditures	<u>4,817,011</u>	<u>4,715,562</u>	<u>101,449</u>	<u>5,639,023</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	1,680,562	2,286,495	605,933	944,439
Other Financing Sources (Uses):				
Transfer to Capital Reserve Fund	(1,680,562)	-	1,680,562	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,286,495	\$ 2,286,495	\$ 944,439
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 2,286,495		\$ 944,439
Reconciling items:				
Payment of debt principal		277,222		421,432
Assets capitalized from other than capital outlay		57,015		28,169
Capital Outlay		520,825		907,014
(Increase) decrease in accrued vacation pay		2,242		(4,937)
Change in other post-employment benefits		(75,825)		(68,863)
Capital Reserve Fund - interest		6,458		6,384
Interest expense accrual		400		30,047
Depreciation and amortization		(983,428)		(917,827)
Decrease in net pension asset		(162,732)		-
Increase in deferred outflows of resources - pensions		(43,242)		-
Increase in net pension liability		(124,879)		-
Decrease in deferred inflows of resources - pensions		327,826		-
Contributions made to the pension plan in the current year		-		139,103
Pension expense		-		(6,533)
Increase (decrease) in inventory		(6,111)		10,676
Total reconciling items		(204,229)		544,665
Change in net position (Exhibit H)		\$ 2,082,266		\$ 1,489,104

CITY OF BELMONT, NORTH CAROLINA

WEST OUTFALL ENTERPRISE CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2016

	<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:					
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 CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2016

	<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
Revenues over (under) expenditures	<u>(521,442)</u>	<u>(510,903)</u>	<u>-</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>499,532</u>	<u>-</u>	<u>499,532</u>	<u>(11,686)</u>
Total other financing sources (uses)	<u>521,442</u>	<u>509,756</u>	<u>-</u>	<u>509,756</u>	<u>(11,686)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,147)</u>	<u>\$ -</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, 2016
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 6,458	\$ 6,458	\$ 6,384

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 BALANCE SHEET
 JUNE 30, 2016**

Assets:

Cash and cash equivalents	\$ 66,896
Total assets	<u>\$ 66,896</u>

Liabilities:

Accounts payable and accrued liabilities	\$ 1,200
Total liabilities	<u>1,200</u>

Fund Balance:

Restricted for tourism	<u>65,696</u>
Total fund balance	<u>65,696</u>

Total liabilities and fund balance	<u>\$ 66,896</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, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Occupancy tax	\$ 89,000	\$ 94,771	\$ 5,771	\$ 85,065
Expenditures:				
Economic and physical development:				
Tourism program	94,000	92,721	1,279	86,383
Revenues over (under) expenditures	(5,000)	2,050	7,050	(1,318)
Other Financing Sources (Uses):				
Appropriated fund balance	5,000	-	(5,000)	-
Net change in fund balance	\$ -	2,050	\$ 2,050	(1,318)
Fund Balance:				
Beginning of year - July 1		63,646		64,964
End of year - June 30		\$ 65,696		\$ 63,646

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 5,832,694	\$ 5,802,481	\$ 30,213
2014-2015	34,504	-	14,718	19,786
2013-2014	23,230	-	4,692	18,538
2012-2013	18,929	-	3,890	15,039
2011-2012	18,201	-	4,506	13,695
2010-2011	12,284	-	1,446	10,838
2009-2010	11,921	-	1,329	10,592
2008-2009	9,670	-	1,282	8,388
2007-2008	8,370	-	836	7,534
2006-2007	4,223	-	107	4,116
2005-2006	3,651	-	3,651	-
Total	<u>\$ 144,983</u>	<u>\$ 5,832,694</u>	<u>\$ 5,838,938</u>	138,739
Less allowance for uncollectible ad valorem taxes receivable				<u>(60,179)</u>
Ad valorem taxes receivable, net				<u>\$ 78,560</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)			\$ 5,876,544	
Less penalties and interest collected			(14,774)	
Taxes written off and refunded			3,651	
Discoveries and abatements				
Miscellaneous				<u>(26,483)</u>
Total collections and credits			<u>\$ 5,838,938</u>	

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	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	<u>\$ 1,203,135,579</u>	\$ 0.475	<u>\$ 5,714,894</u>	<u>\$ 5,217,606</u>	<u>\$ 497,288</u>
Discoveries - Current Year Taxes	<u>30,774,526</u>	0.475	<u>146,179</u>	<u>146,179</u>	<u>-</u>
Abatements	<u>(5,974,526)</u>		<u>(28,379)</u>	<u>(28,379)</u>	<u>-</u>
Total property valuation	<u>\$ 1,227,935,579</u>				
Net Levy			5,832,694	5,335,406	497,288
Uncollected taxes at June 30, 2016			<u>(30,213)</u>	<u>(30,090)</u>	<u>(123)</u>
Current Year's Taxes Collected			<u>\$ 5,802,481</u>	<u>\$ 5,305,316</u>	<u>\$ 497,165</u>
Current Levy Collection Percentage			<u>99.48%</u>	<u>99.44%</u>	<u>99.98%</u>

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Belmont
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, 2016, 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 January 23, 2017.

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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings, Responses, and Questions Cost as items 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005, which we consider to be material weaknesses.

Compliance and Other Matters

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

City of Belmont's Responses to Findings

The City of Belmont's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. 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
January 23, 2017

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Belmont, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Belmont's major State programs for the year ended June 30, 2016. The City of Belmont's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Belmont's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Belmont's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Belmont's compliance.

Opinion on Each Major State Program

In our opinion, the City of Belmont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City of Belmont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Belmont's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
January 23, 2017

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? No

Non-compliance material to financial statements noted? No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance the State Single Audit Implementation Act? No

Identification of major State programs:

Program Name

Loftin River Park PARTF Grant

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Material Weakness

Finding 2016-001

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.

Context: Significant audit adjustments were made regarding accrual adjustments required by GAAP.

Effect: There is a risk that the 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.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-001.

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

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Material Weakness

Finding 2016-002

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 regard to drafting full accrual, full disclosure financial statements.

Context: City personnel cannot draft full disclosure GAAP 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.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-002.

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.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Material Weakness

Finding 2016-003

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

Condition: Controls over journal entries, vendor approvals, and bank reconciliation review have been designed but not properly implemented. Journal entries, vendor approvals, and bank reconciliations are being entered or prepared without proper approval and review.

Context: During our observation and walkthrough of internal controls, we noted the above condition.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of an error or irregularity going undetected and can result in improper financial reporting.

Cause: The City's internal control system with respect to journal entries, vendor approvals, and bank reconciliation reviews are not implemented.

Recommendation: Strengthen the internal controls over journal entries, vendor approvals, and bank reconciliation reviews. Limit duties and general ledger write-access to certain individuals as much as possible to implement segregation of duties. Implement an overall review process for journal entries, vendor approvals, and bank reconciliation reviews on a regular basis.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Material Weakness

Finding 2016-004

Criteria: Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, there was a violation of N.C. General Statutes 159-8(a) regarding expenditures exceeding appropriations and pre-audit procedures. During our testing, we noted 3 vendor contracts and 13 related expenditures that did not contain proper pre-audit documentation.

Context: While performing documentation, testing of major systems of internal controls, and reviewing financial statements and budget reports, we noted the condition described above.

Effect: The City was in violation of North Carolina General Statutes.

Cause: Lack of monitoring over budgetary and pre-audit compliance.

Recommendation: Implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where budget amendments may be required to ensure compliance with General Statutes. We also recommend that the City pre-audit all expenditures and maintain proper pre-audit documentation for new and existing vendor contracts for proper compliance before expending the City's funds.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

Material Weakness

Finding 2016-005

Criteria: Management should have a control system in place to reduce the likelihood that funds operate in a deficit.

Condition: Riverfront Park Project fund was operating in a deficit. A detailed note of the deficit fund balance is found in the notes to the financial statements of the City's audit report.

Cause: The City adopted a balanced budget; however, revenues were insufficient to cover the cost of operations and project expenditures.

Effect: The City has a fund operating with a deficit fund balance.

Context: During our review of the drafted financial statements, we noted the condition described above.

Recommendation: The City should reevaluate the cost of providing services and adjust charges to ensure that revenues and transfers cover all related costs.

Views of Responsible Officials and Planned Corrective Actions: The final request for reimbursement from the PARTF Grant could not be completed until FY 16-17 for the project and funds were dispersed for the final payment. Management will monitor costs related to the Riverfront Park Project fund and will take measures to ensure the fund does not operate in a deficit in the future. Future transfers will be used to offset any deficits.

CITY OF BELMONT, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Material Weakness

Finding 2016-001:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: 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.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2016-002:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: Due to the cost benefit analysis, the City 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.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2016-003:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The Finance Director enters the journal entries, entries are printed to be reviewed by the City Manager. The City Manager signs and dates the journal approval sheet. Department heads must complete a new vendor application for any new vendors and they must be signed and approved by the City Manager prior to creating a new vendor in the payables system by the Finance Assistant. All Bank reconciliations are reviewed and signed off by both the Finance Director and the City Manager.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Material Weakness

Finding 2016-004:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: All new contracts and related expenditures are pre-audited by the Finance Director and stamped prior to approving any related expenditures. The Finance Director will monitor budget to actual reports to identify areas where budget amendments may be required to ensure compliance with General Statutes.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2016-005:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The Finance Director will monitor funds to identify areas where transfers may be required to ensure funds are not operating in a deficit.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Finding: 2015-001

Status: Management continues to exercise due care in performing an oversight function to minimize year-end adjustments.

Corrective Action: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

Finding: 2015-002

Status: The City continues to exercise due care during review of the financial statements.

Corrective Action: Management is aware of the weakness but 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 as the City is responsible for the accuracy of the audited financial statements.

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal/State Program Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	State Expenditures
<u>State Assistance</u>			
<u>NC Department of Transportation</u>			
Powell Bill	N/A	DOT-4	\$ 183,076
<u>NC Department of Environmental Quality</u>			
Community Waste Reduction and Recycling Grant			9,928
<u>NC Department of Environment & Natural Resources, Division of Parks and Recreation</u>			
Loftin River Park PARTF Grant			407,052
Total State Assistance			<u>\$ 600,056</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Belmont under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Belmont, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Belmont.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

City of Belmont has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.