

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2017

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Doug Gadd

Ron Foulk

Ryan Schrift

Martha Stowe

Richard Turner

OFFICIALS

Adrian Miller, City Manager

Michelle Wood, Finance Director

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CITY OF BELMONT, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017 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.

Change in Accounting Principle

As discussed in Note 5 to the financial statements, for fiscal year ending June 30, 2017 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

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 Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' 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, and 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 February 26, 2018 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 solely 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 the effectiveness of the City of Belmont's 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
February 26, 2018

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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, 2017. 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

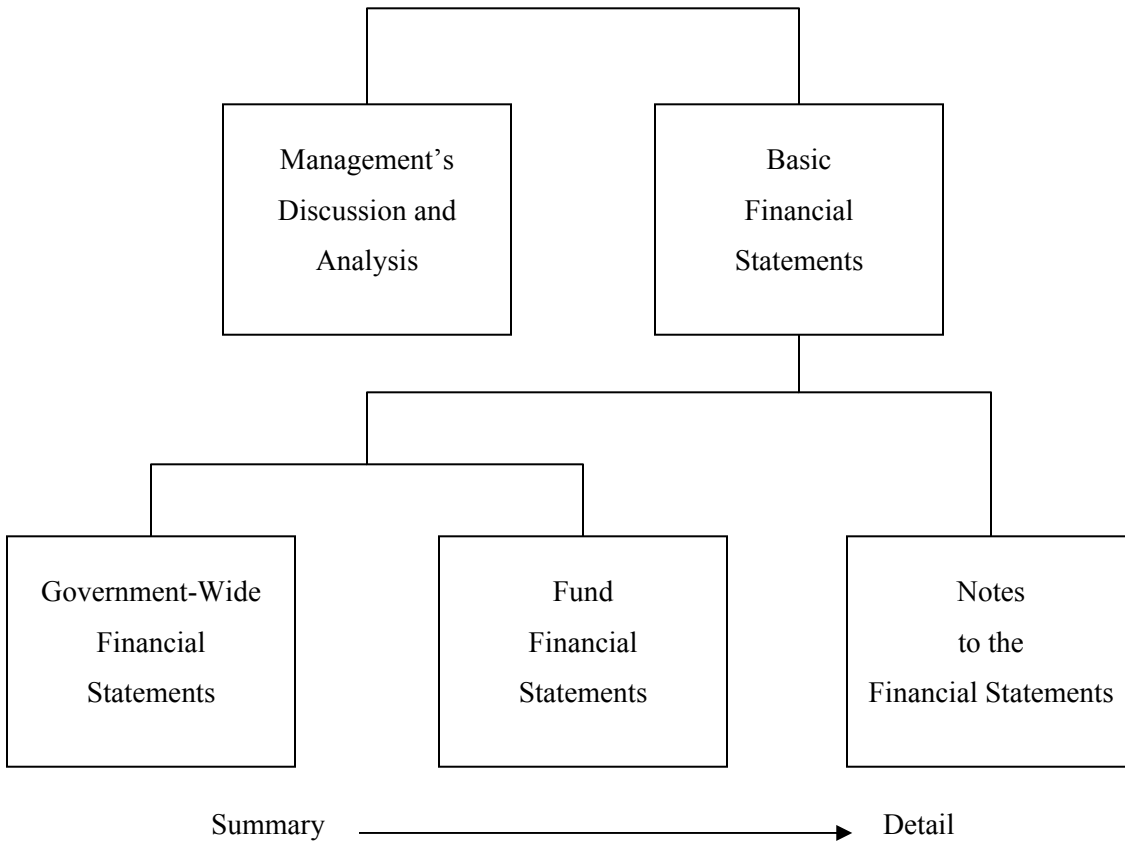
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,099,284 (net position).
- The government's total net position increased by \$1,612,608 mostly due to an increase in business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$6,201,975, with a net decrease of \$285,412. Approximately 21.64% of this total amount, or \$1,342,379, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,893,437, or 26.34%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding increased by \$2,935,461 (33.59%), 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 24-59 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 60 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current and other assets	\$ 7,632,720	\$ 7,898,400	\$ 10,987,259	\$ 9,542,604	\$ 18,619,979	\$ 17,441,004
Capital assets	14,250,838	13,531,611	16,864,852	13,637,364	31,115,690	27,168,975
Total assets	<u>21,883,558</u>	<u>21,430,011</u>	<u>27,852,111</u>	<u>23,179,968</u>	<u>49,735,669</u>	<u>44,609,979</u>
Total deferred outflows	<u>1,139,911</u>	<u>234,693</u>	<u>456,580</u>	<u>95,861</u>	<u>1,596,491</u>	<u>330,554</u>
Liabilities:						
Long-term liabilities	9,541,682	7,841,456	6,583,030	3,217,602	16,124,712	11,059,058
Other liabilities	1,389,431	1,313,388	522,322	368,149	1,911,753	1,681,537
Total liabilities	<u>10,931,113</u>	<u>9,154,844</u>	<u>7,105,352</u>	<u>3,585,751</u>	<u>18,036,465</u>	<u>12,740,595</u>
Total deferred inflows	<u>143,672</u>	<u>204,270</u>	<u>52,739</u>	<u>83,433</u>	<u>196,411</u>	<u>287,703</u>
Net Position:						
Net investment in capital assets	8,169,809	8,207,379	11,323,726	10,985,406	19,493,535	19,192,785
Restricted	1,289,211	787,550	-	-	1,289,211	787,550
Unrestricted	2,489,664	3,310,661	9,826,874	8,621,239	12,316,538	11,931,900
Total net position	<u>\$ 11,948,684</u>	<u>\$ 12,305,590</u>	<u>\$ 21,150,600</u>	<u>\$ 19,606,645</u>	<u>\$ 33,099,284</u>	<u>\$ 31,912,235</u>

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 \$33,099,284 as of June 30, 2017. The City's net position increased by \$1,612,608 for the fiscal year ended June 30, 2017. However, the largest portion (58.9%) 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, \$1,289,211 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,316,538 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 \$917,505, or 9.44%, higher than the previous fiscal year. The majority of this increase was generated by higher Ad Valorem Taxes and Unrestricted Intergovernmental.
- General Fund expenditures were approximately \$1,254,628, or 12.89%, 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 \$100,985. 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 \$405,609, or 5.79%, higher than the previous fiscal year. There was an overall increase in revenues, primarily due to an increase in connections in the current year.
- Water and sewer operating expenses were approximately \$931,543, or 19.26%, higher than the previous fiscal year.

City of Belmont's Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 702,552	\$ 7,407,443	\$ 8,109,995	\$ 660,018	\$ 7,001,834	\$ 7,661,852
Operating grants and contributions	602,921	-	602,921	829,295	-	829,295
General revenues:						
Property taxes	6,107,214	-	6,107,214	5,876,544	-	5,876,544
Other taxes	3,350,602	-	3,350,602	3,122,630	-	3,122,630
Other	332,106	9,878	341,984	139,475	6,681	146,156
Total revenues	<u>11,095,395</u>	<u>7,417,321</u>	<u>18,512,716</u>	<u>10,627,962</u>	<u>7,008,515</u>	<u>17,636,477</u>
Expenses:						
General government	1,470,228	-	1,470,228	1,271,195	-	1,271,195
Public safety	4,627,744	-	4,627,744	4,313,104	-	4,313,104
Transportation	964,189	-	964,189	1,251,222	-	1,251,222
Environmental protection	1,262,973	-	1,262,973	1,243,859	-	1,243,859
Cultural and recreation	1,787,267	-	1,787,267	892,714	-	892,714
Economic and physical development	683,465	-	683,465	490,319	-	490,319
Water and sewer	-	5,873,366	5,873,366	-	4,926,249	4,926,249
Interest	230,876	-	230,876	140,631	-	140,631
Total expenses	<u>11,026,742</u>	<u>5,873,366</u>	<u>16,900,108</u>	<u>9,603,044</u>	<u>4,926,249</u>	<u>14,529,293</u>
Change in net position	<u>68,653</u>	<u>1,543,955</u>	<u>1,612,608</u>	<u>1,024,918</u>	<u>2,082,266</u>	<u>3,107,184</u>
Net Position:						
Beginning of year, as previously stated - July 1	12,305,590	19,606,645	31,912,235	11,280,672	17,524,379	28,805,051
Restatement	<u>(425,559)</u>	<u>-</u>	<u>(425,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of year, as restated	<u>11,880,031</u>	<u>19,606,645</u>	<u>31,486,676</u>	<u>11,280,672</u>	<u>17,524,379</u>	<u>28,805,051</u>
End of year - June 30	<u>\$ 11,948,684</u>	<u>\$ 21,150,600</u>	<u>\$ 33,099,284</u>	<u>\$ 12,305,590</u>	<u>\$ 19,606,645</u>	<u>\$ 31,912,235</u>

Governmental Activities. Governmental activities increased the City's net position by \$68,653, thereby accounting for 4.26% of the increase in net position of the City of Belmont. Key elements of this increase are as follows:

- Revenues increase significantly primarily due to an increase of \$230,670 in property taxes.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$1,543,955, accounting for 95.74% of the change in the government's net position. Key elements of this increase are as follows:

- Total charges for services increased by \$405,609.

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 \$3,052,628, while total fund balance reached \$4,230,348. The City currently has an available fund balance of 27.79% of General Fund expenditures, while total fund balance represents 38.51% of the same amount.

At June 30, 2017, the governmental funds of the City of Belmont reported a combined fund balance of \$6,201,975, with a net decrease of \$285,412.

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 \$9,826,874. The total changes in net position for the Water and Sewer Fund were \$1,543,955. 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, 2017 totals \$31,115,690 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

**City of Belmont's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental			Business-Type		
	Activities	Activities	Total	Activities	Activities	Total
	2017	2017	2017	2016	2016	2016
Land	\$ 3,164,369	\$ 75,890	\$ 3,240,259	\$ 3,164,369	\$ 75,890	\$ 3,240,259
Buildings	4,149,479	3,314,994	7,464,473	4,208,889	3,521,771	7,730,660
Other improvements	1,461,805	34,992	1,496,797	618,769	65,826	684,595
Machinery and equipment	813,475	3,126,314	3,939,789	687,974	1,048,078	1,736,052
Vehicles and motorized equipment	931,924	-	931,924	1,053,892	-	1,053,892
Infrastructure	3,724,099	-	3,724,099	1,160,625	-	1,160,625
Distribution systems	-	10,147,059	10,147,059	-	8,782,142	8,782,142
Other non-depreciable items	5,687	28,911	34,598	5,687	28,911	34,598
Natural gas fill station	-	115,387	115,387	-	114,746	114,746
Construction in progress	-	21,305	21,305	2,631,406	-	2,631,406
Total	\$ 14,250,838	\$ 16,864,852	\$ 31,115,690	\$ 13,531,611	\$ 13,637,364	\$ 27,168,975

Long-Term Debt. As of June 30, 2017, the City of Belmont had total debt outstanding of \$11,675,323. Of this amount, \$5,541,126 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

**City of Belmont's Outstanding Debt
Long-Term Obligations**

Figure 5

	Governmental			Business-Type		
	Activities	Activities	Total	Activities	Activities	Total
	2017	2017	2017	2016	2016	2016
Capitalized leases	\$ 321,994	\$ -	\$ 321,994	\$ 352,979	\$ -	\$ 352,979
Notes payable	5,812,203	5,541,126	11,353,329	5,734,925	2,651,958	8,386,883
Total	\$ 6,134,197	\$ 5,541,126	\$ 11,675,323	\$ 6,087,904	\$ 2,651,958	\$ 8,739,862

The City of Belmont's total debt increased by \$2,935,461, or 33.59%, 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 \$91,043,667.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 54 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 City staff issued 153 new single-family residential permits, which is an 18% increase from the previous year. The total value of these new houses/townhouses is \$33,445,953. In addition to these new houses, the staff issued 206 other permits for a total valuation of \$12,430,568. On the commercial side, staff issued permits for five new commercial projects with a combined valuation of \$6,450,000 during FY2016-2017. 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. Overall, the tax base for Belmont is estimated to increase 2.4% to \$1.25 billion.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Based on the actual results from this fiscal year, moderate 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 1.51% over the adopted FY 2016-2017 budget total. An important component of this overall revenue growth is the increase projected again this coming year for the two of the largest General Fund revenues – Current Year Ad Valorem Taxes (+3.98%) and Local Option Sales Taxes (+12.5%) – which, together, account for 72% 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 1.51% from the prior fiscal year. Implementation of a salary study for all positions has been included within the FY 2017-2018 budget, helping to promote employee retention and recruitment. A new economic development line item was approved in the budget, helping Belmont to attract nonresidential tax base and increase City revenues. The City staff's operating budget increased by 4.8% in the approved budget, reflecting the increased demand for City services.

Business-Type Activities: Water and sewer rates increased by 0.5% for FY 2017-2018 after five years of increases and one year of no increase. The small increase will help the City complete the top priorities of the Capital Improvement Program (CIP) for the Water & Sewer Fund. The overall budget for the Water & Sewer Fund will increase by 3.5% over the previous adopted budget. As with the General Fund, this fund's budget includes implementation of the recently completed salary study as well as several new positions to help these departments manage the growth of the utility system. 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.

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CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 6,579,579	\$ 9,796,721	\$ 16,376,300	\$ 72,549
Taxes receivables, net	70,733	-	70,733	-
Accounts receivable, net	61,278	875,095	936,373	-
Due from other governments	656,769	-	656,769	-
Inventories	52,002	160,860	212,862	-
Total current assets	7,420,361	10,832,676	18,253,037	72,549
Restricted assets:				
Cash and cash equivalents	212,359	154,583	366,942	-
Capital assets:				
Non-depreciable	3,170,056	126,106	3,296,162	-
Depreciable, net of accumulated depreciation	11,080,782	16,738,746	27,819,528	-
Total capital assets	14,250,838	16,864,852	31,115,690	-
Total assets	21,883,558	27,852,111	49,735,669	72,549
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	316,897	120,420	437,317	-
Pension deferrals	823,014	336,160	1,159,174	-
Total deferred outflows of resources	1,139,911	456,580	1,596,491	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	1,323,753	332,392	1,656,145	-
Payable from restricted assets:				
Customer deposits	-	154,583	154,583	-
Accrued interest	65,678	35,347	101,025	-
Total current liabilities	1,389,431	522,322	1,911,753	-
Long-term liabilities:				
Long-term liabilities, due within one year	1,367,431	571,950	1,939,381	-
Total long-term liabilities	2,756,862	1,094,272	3,851,134	-
Net pension liability- LGERS	1,285,651	525,125	1,810,776	-
Total pension liability- LEOSSA	714,819	-	714,819	-
Long-term liabilities, due in more than one year	6,173,781	5,485,955	11,659,736	-
Total long-term liabilities	8,174,251	6,011,080	14,185,331	-
Total liabilities	10,931,113	7,105,352	18,036,465	-
Deferred Inflows of Resources:				
Pension deferrals	143,672	52,739	196,411	-
Net Position:				
Net investment in capital assets	8,169,809	11,323,726	19,493,535	-
Restricted for:				
Stabilization by State statute	1,130,020	-	1,130,020	-
Streets	159,191	-	159,191	-
Economic and physical development	-	-	-	72,549
Unrestricted	2,489,664	9,826,874	12,316,538	-
Total net position	\$ 11,948,684	\$ 21,150,600	\$ 33,099,284	\$ 72,549

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, 2017

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Function/Programs:			
Governmental Activities:			
General government	\$ 1,470,228	\$ 123,396	\$ 239,887
Public safety	4,627,744	10,731	11,993
Transportation	964,189	-	303,766
Environmental protection	1,262,973	413,933	-
Cultural and recreational	1,787,267	154,492	47,275
Economic and physical development	683,465	-	-
Interest on long-term debt	230,876	-	-
Total governmental activities	<u>11,026,742</u>	<u>702,552</u>	<u>602,921</u>
Business-Type Activities:			
Water and sewer	<u>5,873,366</u>	<u>7,407,443</u>	-
Total business-type activities	<u>5,873,366</u>	<u>7,407,443</u>	-
Total primary government	<u>\$ 16,900,108</u>	<u>\$ 8,109,995</u>	<u>\$ 602,921</u>
Component Unit:			
Belmont Tourism Development Authority	<u>\$ 90,482</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, 2017

	Net Revenue (Expense) and Changes in Net Position			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Function/Programs:				
Governmental Activities:				
General government	\$ (1,106,945)	\$ -	\$ (1,106,945)	\$ -
Public safety	(4,605,020)	-	(4,605,020)	-
Transportation	(660,423)	-	(660,423)	-
Environmental protection	(849,040)	-	(849,040)	-
Cultural and recreational	(1,585,500)	-	(1,585,500)	-
Economic and physical development	(683,465)	-	(683,465)	-
Interest on long-term debt	(230,876)	-	(230,876)	-
Total governmental activities	<u>(9,721,269)</u>	<u>-</u>	<u>(9,721,269)</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	-	1,534,077	1,534,077	-
Total business-type activities	<u>-</u>	<u>1,534,077</u>	<u>1,534,077</u>	<u>-</u>
Total primary government	<u>(9,721,269)</u>	<u>1,534,077</u>	<u>(8,187,192)</u>	<u>-</u>
Component Unit:				
Belmont Tourism Development Authority				<u>(90,482)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	6,107,214	-	6,107,214	-
Other taxes	3,350,602	-	3,350,602	97,335
Unrestricted investment earnings	20,633	9,878	30,511	-
Miscellaneous	311,473	-	311,473	-
Total general revenues	<u>9,789,922</u>	<u>9,878</u>	<u>9,799,800</u>	<u>97,335</u>
Change in net position	<u>68,653</u>	<u>1,543,955</u>	<u>1,612,608</u>	<u>6,853</u>
Net Position:				
Beginning of year - July 1	12,305,590	19,606,645	31,912,235	65,696
Restatement	<u>(425,559)</u>	<u>-</u>	<u>(425,559)</u>	<u>-</u>
Beginning of year, as restated	<u>11,880,031</u>	<u>19,606,645</u>	<u>31,486,676</u>	<u>65,696</u>
End of year - June 30	<u>\$ 11,948,684</u>	<u>\$ 21,150,600</u>	<u>\$ 33,099,284</u>	<u>\$ 72,549</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Riverfront Park Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 4,212,957	\$ -	\$ 2,366,622	\$ 6,579,579
Taxes receivable, net	70,733	-	-	70,733
Accounts receivable, net	25,534	-	35,744	61,278
Due from other funds	448,232	-	-	448,232
Due from other governments	656,769	-	-	656,769
Inventory	47,700	-	4,302	52,002
Cash, restricted	159,191	-	53,168	212,359
Total assets	<u>\$ 5,621,116</u>	<u>\$ -</u>	<u>\$ 2,459,836</u>	<u>\$ 8,080,952</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,319,520	\$ -	\$ 4,233	\$ 1,323,753
Due to other funds	-	448,232	-	448,232
Total liabilities	<u>1,319,520</u>	<u>448,232</u>	<u>4,233</u>	<u>1,771,985</u>
Deferred Inflows of Resources:				
Property taxes receivable	70,733	-	-	70,733
Other receivables	515	-	35,744	36,259
Total deferred inflows of resources	<u>71,248</u>	<u>-</u>	<u>35,744</u>	<u>106,992</u>
Fund Balances:				
Non-spendable:				
Inventories	47,700	-	4,302	52,002
Restricted:				
Stabilization by State statute	1,130,020	-	-	1,130,020
Streets	159,191	-	-	159,191
Cultural and recreation	-	-	34,846	34,846
Economic and physical development	-	-	18,322	18,322
Committed	-	-	1,367,940	1,367,940
Assigned	-	-	994,449	994,449
Unassigned	2,893,437	(448,232)	-	2,445,205
Total fund balances	<u>4,230,348</u>	<u>(448,232)</u>	<u>2,419,859</u>	<u>6,201,975</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,621,116</u>	<u>\$ -</u>	<u>\$ 2,459,836</u>	<u>\$ 8,080,952</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

Total

Reconciliation of the Balance Sheet to the Statement of Net Position:

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Ending fund balance - governmental funds	\$ 6,201,975
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	316,897
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,250,838
Liabilities for earned revenues considered deferred inflows of resources in fund statements	106,992
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(65,678)
Compensated absences	(432,108)
Net pension liability- LGERS	(1,285,651)
Total pension liability- LEOSSA	(714,819)
Pension related deferrals	679,342
Other post-employment benefits obligation	(974,907)
Note payable	(5,812,203)
Capital leases payable	<u>(321,994)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 11,948,684</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, 2017

	<u>General Fund</u>	<u>Riverfront Park Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Ad valorem taxes	\$ 6,107,214	\$ -	\$ -	\$ 6,107,214
Other taxes and licenses	244,297	-	-	244,297
Unrestricted intergovernmental	3,106,305	-	-	3,106,305
Restricted intergovernmental	559,973	42,948	-	602,921
Permits and fees	109,041	-	-	109,041
Sales and services	179,578	-	413,933	593,511
Investment earnings	15,024	16	5,593	20,633
Other general revenues	314,590	-	-	314,590
Total revenues	<u>10,636,022</u>	<u>42,964</u>	<u>419,526</u>	<u>11,098,512</u>
Expenditures:				
Current:				
General government	1,240,005	-	-	1,240,005
Public safety	4,348,697	-	-	4,348,697
Transportation	1,637,077	-	-	1,637,077
Environmental protection	783,682	-	485,622	1,269,304
Cultural and recreational	486,146	408,603	-	894,749
Economic and physical development	97,335	-	586,130	683,465
Debt service:				
Principal	1,046,608	-	57,869	1,104,477
Interest and other changes	169,946	-	11,433	181,379
Capital outlay	1,175,541	-	-	1,175,541
Total expenditures	<u>10,985,037</u>	<u>408,603</u>	<u>1,141,054</u>	<u>12,534,694</u>
Revenues over (under) expenditures	(349,015)	(365,639)	(721,528)	(1,436,182)
Other Financing Sources (Uses):				
Long-term debt issued	450,000	-	700,770	1,150,770
Net change in fund balances	100,985	(365,639)	(20,758)	(285,412)
Fund Balances:				
Beginning of year - July 1	4,129,363	(82,593)	2,440,617	6,487,387
End of year - June 30	<u>\$ 4,230,348</u>	<u>\$ (448,232)</u>	<u>\$ 2,419,859</u>	<u>\$ 6,201,975</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, 2017**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ (285,412)
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.	722,344
In the Statement of Activities, only the gain or loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.	(3,117)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(6,814)
Change in deferred outflow - pension	883,142
Change in deferred inflows - pension	75,147
Change in net pension liability	(979,912)
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.	(46,293)
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	(49,497)
Compensated absences	(19,564)
Other post-employment benefits obligation	(183,770)
Pension expense - LEOSSA	<u>(37,601)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 68,653</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 BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 5,860,000	\$ 6,076,000	\$ 6,107,214	\$ 31,214
Other taxes and licenses	230,000	246,000	244,297	(1,703)
Unrestricted intergovernmental	3,430,500	2,975,372	3,106,305	130,933
Restricted intergovernmental	321,500	563,978	559,973	(4,005)
Permits and fees	65,697	104,015	109,041	5,026
Sales and services	173,250	180,016	179,578	(438)
Investment earnings	10,000	15,000	15,024	24
Miscellaneous	207,000	251,124	314,590	63,466
Total revenues	<u>10,297,947</u>	<u>10,411,505</u>	<u>10,636,022</u>	<u>224,517</u>
Expenditures:				
Current:				
General government	1,455,434	1,289,222	1,240,005	49,217
Environmental protection	760,000	784,000	783,682	318
Public safety	4,318,129	4,351,055	4,348,697	2,358
Transportation	1,441,905	1,634,021	1,637,077	(3,056)
Cultural and recreation	492,478	494,479	486,146	8,333
Economic and physical development	75,000	95,000	97,335	(2,335)
Debt service:				
Principal	995,809	1,052,025	1,046,608	5,417
Interest and other changes	151,192	146,703	169,946	(23,243)
Capital outlay	608,000	1,015,000	1,175,541	(160,541)
Total expenditures	<u>10,297,947</u>	<u>10,861,505</u>	<u>10,985,037</u>	<u>(123,532)</u>
Revenues over (under) expenditures	-	(450,000)	(349,015)	100,985
Other Financing Sources (Uses):				
Long-term debt issued	-	450,000	450,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	100,985	<u>\$ 100,985</u>
Fund Balance:				
Beginning of year - July 1			<u>4,129,363</u>	
End of year - June 30			<u>\$ 4,230,348</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, 2017Water and
Sewer Fund**Assets:**

Current assets:

Cash and cash equivalents	\$ 9,796,721
Accounts receivable (net)	875,095
Inventories	<u>160,860</u>
Total current assets	<u>10,832,676</u>

Restricted assets:

Cash and cash equivalents	<u>154,583</u>
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Non-current assets:

Capital assets:

Non-depreciable	126,106
Depreciable, net of accumulated depreciation	<u>16,738,746</u>
Total non-current assets	<u>16,864,852</u>

Total assets	<u>27,852,111</u>
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Deferred Outflows of Resources:

Contributions to pension plan in current fiscal year	120,420
Pension deferrals	<u>336,160</u>
Total deferred outflows of resources	<u>456,580</u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	332,392
Accrued interest	35,347
Current portion of compensated absences	47,903
Current portion of long-term debt	524,047
Payable from restricted assets:	
Customer deposits	<u>154,583</u>
Total current liabilities	<u>1,094,272</u>

Non-current liabilities:

Net pension liability	525,125
Compensated absences	71,855
Other post-employment benefits	397,021
Non-current portion of long-term debt	<u>5,017,079</u>
Total non-current liabilities	<u>6,011,080</u>

Total liabilities	<u>7,105,352</u>
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Deferred Inflows of Resources:

Pension deferrals	<u>52,739</u>
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Net Position:

Net investment in capital assets	11,323,726
Unrestricted	<u>9,826,874</u>

Total net position	<u>\$ 21,150,600</u>
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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, 2017

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 6,392,238
Other operating revenues	<u>1,015,205</u>
Total operating revenues	<u>7,407,443</u>
Operating Expenses:	
Water administration and distribution	1,633,676
Water treatment plant	1,593,221
Waste collection and treatment	1,234,407
Depreciation	<u>1,280,684</u>
Total operating expenses	<u>5,741,988</u>
Operating income (loss)	<u>1,665,455</u>
Non-Operating Revenues (Expenses):	
Investment earnings	9,878
Loss on sale of capital assets	(4,007)
Interest and other charges	<u>(127,371)</u>
Total non-operating revenues (expenses)	<u>(121,500)</u>
Change in net position	1,543,955
Net Position:	
Beginning of year - July 1	<u>19,606,645</u>
End of year - June 30	<u>\$ 21,150,600</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, 2017

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 7,415,472
Cash paid for goods and services	(1,693,460)
Cash paid to or on behalf of employees for services	(2,611,570)
Customer deposits, net	49,161
Net cash provided (used) by operating activities	<u>3,159,603</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(4,512,179)
Proceeds from long-term debt	3,341,974
Principal paid on long-term debt	(452,806)
Interest paid on long-term debt	(96,717)
Net cash provided (used) in capital and related financing activities	<u>(1,719,728)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>9,878</u>
Net increase (decrease) in cash and cash equivalents	1,449,753
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>8,501,551</u>
End of year - June 30	<u>\$ 9,951,304</u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ 1,665,455</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,280,684
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	8,029
Increase (decrease) in deferred inflows of resources for pensions	(30,694)
Increase in net pension liability	400,246
(Increase) decrease deferred outflows of resources for pensions	(360,719)
(Increase) decrease in inventories	(2,931)
Increase (decrease) in accounts payable and accrued liabilities	149,419
Increase (decrease) in compensated absences payable	953
Increase (decrease) in customer deposits	49,161
Total adjustments	<u>1,494,148</u>
Net cash provided (used) by operating activities	<u>\$ 3,159,603</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, 2017

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 (the “TDA”) 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, 2017

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, transportation, environmental protection, culture and recreation, economic and physical development, 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, 2017

Comprehensive Paving Program Project Fund. The 2017 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, 2017

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, 2017

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, 2017, 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 Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City and the TDA are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the TDA may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and the TDA 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 the TDA 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 Government 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, 2017

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 6th. These taxes are based on the assessed values as of January 1, 2016.

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.

Inventory

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.

Restricted Assets

Powell Bill funds are classified as restricted assets, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Brook Street Soccer Park Money is classified as restricted because its use is restricted by revenue source for the development of the Brook Street Soccer Park. 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	\$ 159,191
Other governmental funds (unspent debt proceeds):	
Brook Street Soccer Park Project Fund	34,846
Comprehensive Paving Program Project Fund	<u>18,322</u>
Total governmental activities	<u>\$ 212,359</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 154,583
Total business-type activities	<u>\$ 154,583</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City currently has two items matching this criteria – contributions to pension plans in current fiscal year, and pension related deferrals. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

The governmental fund types classify fund balance as follows:

Non-Spendable Fund Balance

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

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.

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 \$53,168.

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 \$1,367,940 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, 2017**

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	\$ 989,011
Safe routes to School Grant Fund	<u>5,438</u>
Total assigned fund balance	<u>\$ 994,449</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 reports a positive unassigned fund balance amount.

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, 2017

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	\$ 4,230,348
Less:	
Inventories	47,700
Restricted for stabilization by State statute	1,130,020
Restricted for streets	159,191
Working capital/fund balance policy	<u>2,602,876</u>
Remaining fund balance	<u>\$ 290,561</u>

Defined Benefit Pension Plan

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, 2017

2. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the City and the TDA 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 or TDA's agents in these unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the TDA, these deposits are considered to be held by the City's and the TDA's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the TDA 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 under collateralization, 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, 2017, the City's deposits, had a carrying amount of \$12,508,001 and a bank balance of \$12,983,239. Of the bank balance, \$1,018,322 was covered by federal depository insurance, and \$11,964,917 was covered by collateral held under the Pooling Method. At June 30, 2017, the City's petty cash totaled \$900.

At June 30, 2017, the carrying amount of deposits for the TDA was \$72,549. 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, 2017, the City had \$4,234,341 invested with the North Carolina Capital Management Trust's Government 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, 2017**

Receivables

Receivables at Exhibit A at June 30, 2017 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 25,534	\$ 129,196	\$ 656,769	\$ 811,499
Other governmental	<u>42,738</u>	<u>-</u>	<u>-</u>	<u>42,738</u>
Total receivables	68,272	129,196	656,769	854,237
Allowance for doubtful accounts	<u>(6,994)</u>	<u>(58,463)</u>	<u>-</u>	<u>(65,457)</u>
Total governmental activities	<u>\$ 61,278</u>	<u>\$ 70,733</u>	<u>\$ 656,769</u>	<u>\$ 788,780</u>
Business-Type Activities:				
Water and Sewer	\$ 997,884	\$ -	\$ -	\$ 997,884
Allowance for doubtful accounts	<u>(122,789)</u>	<u>-</u>	<u>-</u>	<u>(122,789)</u>
Total business-type activities	<u>\$ 875,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,095</u>

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

	<u>Governmental Activities</u>
Local option sales tax	<u>\$ 656,769</u>
Total	<u>\$ 656,769</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 3,164,369	\$ -	\$ -	\$ -	\$ 3,164,369
Other	5,687	-	-	-	5,687
Construction in progress	2,631,406	1,071,953	-	3,703,359	-
Total non-depreciated capital assets	<u>5,801,462</u>	<u>1,071,953</u>	<u>-</u>	<u>3,703,359</u>	<u>3,170,056</u>
 Depreciable Capital Assets:					
Buildings	5,783,178	9,241	-	-	5,792,419
Other improvements	1,307,888	15,117	-	981,678	2,304,683
Equipment	3,355,737	466,195	183,561	-	3,638,371
Infrastructure	1,178,725	-	-	2,721,681	3,900,406
Vehicles and motorized equipment	3,341,110	259,191	13,625	-	3,586,676
Total depreciable capital assets	<u>14,966,638</u>	<u>749,744</u>	<u>197,186</u>	<u>3,703,359</u>	<u>19,222,555</u>
 Less Accumulated Depreciation:					
Buildings	1,339,970	302,970	-	-	1,642,940
Other improvements	834,540	8,338	-	-	842,878
Equipment	2,682,127	326,330	183,561	-	2,824,896
Infrastructure	14,601	161,706	-	-	176,307
Vehicles and motorized equipment	2,365,251	300,009	10,508	-	2,654,752
Total accumulated depreciation	<u>7,236,489</u>	<u>\$ 1,099,353</u>	<u>\$ 194,069</u>	<u>\$ -</u>	<u>8,141,773</u>
 Total depreciable capital assets, net	<u>7,730,149</u>				<u>11,080,782</u>
 Governmental activities capital assets, net	<u>\$ 13,531,611</u>				<u>\$ 14,250,838</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

General government	\$	237,421
Public safety		405,284
Transportation		236,937
Cultural and recreational		<u>219,711</u>
Total	\$	<u><u>1,099,353</u></u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2017.

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 75,890	\$ -	\$ -	\$ -	\$ 75,890
Other	28,911	-	-	-	28,911
Construction in progress	-	<u>60,777</u>	-	<u>39,472</u>	<u>21,305</u>
Total non-depreciable capital assets	<u>104,801</u>	<u>60,777</u>	<u>-</u>	<u>39,472</u>	<u>126,106</u>
Depreciable Capital Assets:					
Buildings	10,593,328	-	-	-	10,593,328
Improvements other than buildings	140,312	-	-	-	140,312
Distribution systems	17,346,524	1,858,797	-	39,472	19,244,793
Machinery and equipment	7,166,330	2,592,605	234,651	-	9,524,284
Natural gas fill station	220,658	-	-	-	220,658
Total depreciable capital assets	<u>35,467,152</u>	<u>4,451,402</u>	<u>234,651</u>	<u>39,472</u>	<u>39,723,375</u>
Less Accumulated Depreciation:					
Buildings	7,071,557	206,777	-	-	7,278,334
Improvements other than buildings	74,486	30,834	-	-	105,320
Distribution systems	8,564,382	533,352	-	-	9,097,734
Machinery and equipment	6,118,252	509,721	230,003	-	6,397,970
Natural gas fill station	105,912	-	641	-	105,271
Total accumulated depreciation	<u>21,934,589</u>	<u>\$ 1,280,684</u>	<u>\$ 230,644</u>	<u>\$ -</u>	<u>22,984,629</u>
Total depreciable capital assets, net	<u>13,532,563</u>				<u>16,738,746</u>
 Business-type activities capital assets, net	 <u>\$ 13,637,364</u>				 <u>\$ 16,864,852</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 14,250,838	\$ 16,864,852
Long-term debt	(5,812,203)	(5,541,126)
Capital lease	(321,994)	-
Unspent debt proceeds	53,168	-
Net investment in capital assets	<u>\$ 8,169,809</u>	<u>\$ 11,323,726</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 154,174	\$ 1,165,346	\$ 1,319,520
Other governmental	2,439	1,794	4,233
Total	<u>\$ 156,613</u>	<u>\$ 1,167,140</u>	<u>\$ 1,323,753</u>
Business-Type Activities:			
Water and sewer	<u>\$ 289,888</u>	<u>\$ 42,504</u>	<u>\$ 332,392</u>

Construction Commitments

The government has active construction projects as of June 30, 2017. At June 30, 2017, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Automated Meter Infrastructure Program	<u>\$ 1,613,911</u>	<u>\$ 386,089</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$415,241 for the year ended June 30, 2017.

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, 2017, the City reported a liability of \$1,810,776 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City's proportion was 0.08532%, which was a decrease of 0.01063% from its proportion measure as of June 30, 2015.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

For the year ended June 30, 2017, the City recognized pension expense of \$445,702. At June 30, 2017, 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	\$ 34,021	\$ 63,452
Changes of assumptions	124,022	-
Net difference between projected and actual earnings on pension plan investments	1,001,131	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	118,410
City contributions subsequent to the measurement date	<u>415,241</u>	<u>-</u>
Total	<u>\$ 1,574,415</u>	<u>\$ 181,862</u>

\$415,241 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, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2018	\$ 127,700
2019	127,965
2020	450,504
2021	<u>271,143</u>
Total	<u>\$ 977,312</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 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, 2017

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income 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, 2016 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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, 2017

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 <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 4,297,817</u>	<u>\$ 1,810,776</u>	<u>\$ (266,585)</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 of Belmont administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<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 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Deaths after Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Deaths after Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted y 123% for males and females.

Deaths after Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The City paid \$43,305 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$714,819. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$60,103.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes of assumptions	\$ -	\$ 14,549
City benefit payments made subsequent to the measurement date	<u>22,076</u>	<u>-</u>
Total	<u><u>\$ 22,076</u></u>	<u><u>\$ 14,549</u></u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

\$22,076 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 2,792
2019	2,792
2020	2,792
2021	2,792
2022	2,792
Thereafter	<u>589</u>
Total	<u>\$ 14,549</u>

\$22,076 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	<u>\$ 776,462</u>	<u>\$ 714,819</u>	<u>\$ 658,290</u>

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

	2017
Beginning balance	\$ 712,996
Service cost	37,788
Interest on the total pension liability	24,681
Changes of assumptions or other inputs	(17,341)
Benefit payments	<u>(43,305)</u>
Ending balance of the total pension liability	<u>\$ 714,819</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0% of each officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2017 were \$83,052, which consisted of \$61,133 from the City and \$21,919 from the law enforcement officers. No amounts have been forfeited.

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, 2017 were \$293,228, which consisted of \$185,182 from the City and \$108,046 from the City employees. No amounts have been forfeited.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees’ Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the Death Benefit Plan, or who die within 180 days after retirement or termination of service and have at least one year of continuing membership service in the Death Benefit Plan 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 may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan and not by the City; the City does not determine the number of eligible participants.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The City considers these contributions to be immaterial.

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.

Coverage will continue until the retiree becomes Medicare eligible at which time the City's subsidized retiree healthcare benefits will end. Retirees not qualifying for the City's subsidized health insurance plan may continue coverage for themselves and their dependents at their expense. The retiree may continue dependent coverage and pay the full cost of this coverage if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates when the dependent reaches the age of 65.

Membership of the plan consisted of the following at June 30, 2016, 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	79	32
Total	82	32

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 6.39% of annual covered payroll. For the current year, the City contributed \$32,420, or .72%, 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 \$3,798. The City's obligation to contribute to the Plan is established and may be amended by the City's Council.

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

Annual OPEB Cost and Net Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation for the healthcare benefits:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 205,375	\$ 83,886	\$ 289,261
Interest on net OPEB obligation	31,612	12,912	44,524
Adjustments to annual required contribution	(30,199)	(12,335)	(42,534)
Annual OPEB cost (expense)	206,788	84,463	291,251
Contributions made	(23,018)	(9,402)	(32,420)
Increase (decrease) in net OPEB obligation	183,770	75,061	258,831
Net OPEB Obligation:			
Beginning of year - July 1	791,137	321,960	1,113,097
End of year - June 30	\$ 974,907	\$ 397,021	\$ 1,371,928

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 291,251	11.1%	\$ 1,371,928
2016	282,357	7.3%	1,113,097
2015	273,754	13.4%	851,381

Fund Status and Funding Progress. As of June 30, 2016, 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 \$2,120,928. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,525,106, and the ratio of the UAAL to the covered payroll was 46.9%. 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.

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 June 30, 2016 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 PreMedicare trend increase of 7.75% to 5.00% 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 a closed basis. The remaining amortization period at June 30, 2016 was 30 years.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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:

Source	Amount
Contributions to pension plans in current fiscal year	\$ 415,241
Benefit payments paid subsequent to measurement date (LEOSSA)	22,076
Differences between expected and actual experience	34,021
Changes of assumptions	124,022
Net difference between projected and actual earnings on pension plan investments	1,001,131
Total	\$ 1,596,491

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

Source	Amount
Differences between expected and actual experience	\$ 63,452
Changes in proportion and differences between employer contributions and proportionate share of contributions	118,410
Changes of assumptions	14,549
Taxes receivable, net	70,733
Stormwater receivables	35,744
Lighting assessment receivable	515
Total deferred inflows	\$ 303,403

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the 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, 2017:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 600,000	\$ 96,000	\$ 504,000

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 56,085
2019	56,085
2020	56,085
2021	56,085
2022	56,085
2023-2025	168,255
Total minimum lease payments	448,680
Less: amount representing interest	(126,686)
Present value of minimum lease payments	<u>\$ 321,994</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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%	\$ 285,000
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%	809,222
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%	850,000
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%	183,653
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%	1,350,000
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%	806,339
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%	363,505
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%	80,742
2017 Note payable to bank for miscellaneous equipment, to be repaid in 10 semi-annual installments of \$47,236 through December 27, 2021; including interest at 1.83%	406,211
2016 Note payable to bank for Street Sweeper, to be repaid in 10 semi-annual installments of \$25,129 through June 30, 2020; including interest at 1.57%	217,531
2017 Note payable to bank for Storm Drainage agreement, to be repaid in 10 semi-annual installments of \$48,404 through June 30, 2022; including interest at 1.88%	<u>460,000</u>
Total	<u>\$ 5,812,203</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2017 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%	\$ 696,953
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%	573,276
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%	671,421
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	424,601
2017 Note payable to bank for the Clean Water State Revolving Loan project, to be repaid in 20 semiannual installments of \$67,099 through March 4, 2025; including interest at 2.21%	1,274,875
2017 Note payable to bank for the AMI project, to be repaid in 20 semiannual installments of \$100,000 through June 30, 2027; including interest at 1.93%	<u>1,900,000</u>
Total	<u>\$ 5,541,126</u>

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
2018	\$ 1,138,503	\$ 90,490	\$ 524,047	\$ 91,614
2019	1,054,762	73,742	527,879	80,584
2020	835,507	62,593	531,850	41,430
2021	844,848	54,212	535,965	33,978
2022	476,748	45,831	540,228	26,378
2023-2027	1,111,835	114,664	1,878,626	50,950
2028-2032	350,000	20,230	709,160	14,906
2033-2037	-	-	293,371	-
Total	<u>\$ 5,812,203</u>	<u>\$ 461,762</u>	<u>\$ 5,541,126</u>	<u>\$ 339,840</u>

At June 30, 2017, the City of Belmont had a legal debt margin of \$91,043,667.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in Long-Term Liabilities:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Current Maturities</u>
Governmental Activities:					
Notes payable	\$ 5,734,925	\$ 1,150,770	\$ 1,073,492	\$ 5,812,203	\$ 1,138,503
Capitalized leases	352,979	-	30,985	321,994	56,085
Total pension liability (LEOSSA)	244,132	470,687	-	714,819	-
Net pension liability (LGERS)	305,739	979,912	-	1,285,651	-
Other post-employment benefits	791,137	183,770	-	974,907	-
Compensated absences	<u>412,544</u>	<u>163,422</u>	<u>143,858</u>	<u>432,108</u>	<u>172,843</u>
Governmental activities long-term liabilities	<u>7,841,456</u>	<u>2,948,561</u>	<u>1,248,335</u>	<u>9,541,682</u>	<u>1,367,431</u>
Business-Type Activities:					
Notes payable	2,651,958	3,341,974	452,806	5,541,126	524,047
Net pension liability (LGERS)	124,879	400,246	-	525,125	-
Other post-employment benefits	321,960	75,061	-	397,021	-
Compensated absences	<u>118,805</u>	<u>73,695</u>	<u>72,742</u>	<u>119,758</u>	<u>47,903</u>
Business-type activities long-term liabilities	<u>3,217,602</u>	<u>3,890,976</u>	<u>525,548</u>	<u>6,583,030</u>	<u>571,950</u>
Total	<u>\$ 11,059,058</u>	<u>\$ 6,839,537</u>	<u>\$ 1,773,883</u>	<u>\$ 16,124,712</u>	<u>\$ 1,939,381</u>

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

3. Stewardship, Compliance, and Accountability

Non-Compliance with North Carolina General Statutes

A. Expenditures Exceeding Appropriations & Pre-Audit Procedures

The City had a deficiency of expenditures over appropriations as of June 30, 2017 as follows:

<u>Fund</u>	<u>Amount</u>
General Fund:	
Transportation	\$ 3,056
Economic and physical development	2,335
Capital outlay	160,541
Debt service	17,826

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Corrective Action/Management Response:

The Finance Assistant now assists the Finance Director in monitoring budget to actual reports to identify areas where budget amendments may be required to ensure compliance with General Statutes.

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>\$ 448,232</u>

Corrective Action/Management Response:

The final request for reimbursement from the PARTF Grant could not be completed until FY 17-18 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. The Finance Director will monitor funds to identify areas where future transfers may be required to ensure funds are not operating in a deficit.

B. Contingency Appropriation

In accordance with G.S. [159-13](b)(3), a contingency appropriation shall not exceed five (5)% of the total of all other appropriations in the same fund. In the current year, there was a violation of the N.C. General Statute with regard to the contingency appropriation exceeding the aforementioned passage in the Brook Street Soccer Park Project Fund.

Corrective Action/Management Response:

The Brook Street Soccer Park project was completed and should have been closed in the prior year. This was an oversight by the City. The Finance Director will monitor it more closely going forward to be certain special projects are closed out properly to prevent a violation.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

5. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ended December 31, 2016). As a result, net pension for the governmental activities decreased \$425,559.

6. Interfund Activity

The due to/from other funds at June 30, 2017 were for the purpose of funding capital projects and consist of the following:

From	To	Purpose	Amount
Riverfront Park Project Fund	General Fund	Due to deficit fund balance	\$ 448,232

7. Subsequent Events

On July 28, 2017, the City issued \$315,000 in installment debt for street lights.

On September 15, 2017, the City issued \$490,000 in installment debt for vehicles and equipment.

On January 25, 2018, the City issued \$656,000 in installment debt for a fire truck.

A lawsuit related to impact fees was filed subsequent to year end in February 2018. The case is expected to go to court approximately 1 year from the filing date. At the time of the report release, it is the opinion of the Attorney that an amount of \$600,000 is reasonably estimated and probable for payment when the case goes to court.

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Law Enforcement Officers' Special Separation Allowance</u>	
	<u>2017</u>
Beginning balance	\$ 712,996
Service cost	37,788
Interest on the total pension liability	24,681
Changes of assumptions or other inputs	(17,341)
Benefit payments	(43,305)
Ending balance of the total pension liability	<u>\$ 714,819</u>

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

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017****Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Total pension liability	\$ 714,819
Covered payroll	1,484,384
Total pension liability as a percentage of covered payroll	48.16%

Notes to the Schedules:

The City of Belmont has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Accrued 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%
6/30/2016	-	2,120,928	2,120,928	0.00%	4,525,106	46.90%

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%
2017	289,261	11.21%

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	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	7.75-5.00%
Year of Ultimate trend rate	2022

* 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 FOUR FISCAL YEARS*

Local Governmental Employees' Retirement System				
	2017	2016	2015	2014
City of Belmont's proportion of the net pension liability (asset) (%)	0.08532%	0.09595%	0.09515%	0.09800%
City of Belmont's proportion of the net pension liability (asset) (\$)	\$ 1,810,776	\$ 430,618	\$ (561,144)	\$ 1,181,276
City of Belmont's covered-employee payroll	\$ 4,870,706	\$ 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	37.18%	8.76%	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

CITY OF BELMONT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS

	Local Governmental Employees' Retirement System			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 415,241	\$ 330,554	\$ 479,664	\$ 346,813
Contributions in relation to the contractually required contribution	<u>415,241</u>	<u>330,554</u>	<u>479,664</u>	<u>346,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Belmont's covered-employee payroll	\$ 5,568,457	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058
Contributions as a percentage of covered-employee payroll	7.46%	6.79%	9.75%	7.13%

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,955,000	\$ 5,970,242	\$ 15,242	\$ 5,735,660
Prior years	111,000	123,090	12,090	126,110
Penalties and interest	10,000	13,882	3,882	14,774
Total ad valorem taxes	<u>6,076,000</u>	<u>6,107,214</u>	<u>31,214</u>	<u>5,876,544</u>
Other Taxes and Licenses:				
Lease vehicle tax	21,000	28,664	7,664	24,240
Occupancy tax	90,000	97,335	7,335	94,771
Vehicle license tax	135,000	118,298	(16,702)	49,023
Total other taxes and licenses	<u>246,000</u>	<u>244,297</u>	<u>(1,703)</u>	<u>168,034</u>
Unrestricted Intergovernmental:				
Local option sales tax	2,040,000	2,160,565	120,565	1,972,554
Utility franchise tax	878,500	888,835	10,335	927,697
Solid waste disposal tax	7,300	7,333	33	6,841
Beer and wine tax	49,572	49,572	-	47,504
Total unrestricted intergovernmental	<u>2,975,372</u>	<u>3,106,305</u>	<u>130,933</u>	<u>2,954,596</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	303,766	303,766	-	303,914
Wellness funds	8,500	4,327	(4,173)	4,769
Unauthorized substance tax	11,825	11,993	168	3,632
State grants	1,898	1,898	-	9,928
Other grants	237,989	237,989	-	-
Total restricted intergovernmental revenues	<u>563,978</u>	<u>559,973</u>	<u>(4,005)</u>	<u>322,243</u>
Permits and Fees:				
Zoning permits	104,015	109,041	5,026	78,408
Total permits and fees	<u>104,015</u>	<u>109,041</u>	<u>5,026</u>	<u>78,408</u>
Sales and Services:				
Recreation department fees	155,000	154,492	(508)	139,523
Sale of cemetery lots	10,605	10,605	-	12,910
Cemetery interment fees	3,750	3,750	-	4,050
Fire protection services	614	614	-	614

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Sale of surplus property	9,072	9,072	-	24,958
Facility usage fees	-	30	30	600
Alarm registration fee	975	1,015	40	1,490
Total sales and services	180,016	179,578	(438)	184,145
Investment Earnings	15,000	15,024	24	11,505
Other General Revenues:				
Miscellaneous	216,124	242,149	26,025	85,594
Cash over (short)	-	(75)	(75)	-
SRO contribution	35,000	70,000	35,000	36,342
Special police funds	-	2,516	2,516	1,106
Total other general revenues	251,124	314,590	63,466	123,042
Total revenues	10,411,505	10,636,022	224,517	9,718,517
Expenditures:				
General Government:				
Mayor and Council:				
Fees	30,075	30,073	2	29,507
Group insurance	20,000	18,822	1,178	22,640
Travel and training	5,700	5,805	(105)	6,880
Supplies	500	551	(51)	464
Dues and memberships	19,850	19,838	12	17,523
Miscellaneous	5,186	5,165	21	2,207
Total	81,311	80,254	1,057	79,221
Administration and Finance:				
Salaries	182,537	174,267	8,270	314,201
Employee benefits	45,781	50,289	(4,508)	86,891
Professional services	237,200	189,563	47,637	260,591
Telephone	7,200	7,310	(110)	8,137
Heating	1,000	984	16	835
Travel and training	15,200	13,910	1,290	9,184
Equipment maintenance	500	379	121	3,228
Equipment rental	781	391	390	781

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Building repairs	1,000	810	190	2,532
Advertisement	275	275	-	832
Postage	500	290	210	639
Office supplies	2,500	2,499	1	2,747
Supplies	9,784	10,213	(429)	11,383
Car allowance	4,800	4,800	-	4,800
Subscriptions	1,750	1,736	14	1,062
Insurance and bonds	11,336	11,325	11	12,182
Building cleaning service	-	8	(8)	-
Miscellaneous expense	46,000	45,714	286	47,477
Community promotion	12,100	19,877	(7,777)	10,500
Bank charges	66,000	65,037	963	40,687
Water and sewer fees	900	992	(92)	695
Stormwater fees	252	252	-	252
Electricity	9,000	8,891	109	7,640
Total	656,396	609,812	46,584	827,276
City Attorney:				
Fees	9,000	9,000	-	9,000
Special compensation	100,000	98,886	1,114	99,319
Travel and training	1,000	619	381	691
Total	110,000	108,505	1,495	109,010
Planning and Zoning:				
Salaries	260,400	262,206	(1,806)	245,493
Employee benefits	81,309	81,765	(456)	76,351
Professional services	17,000	17,252	(252)	41,231
Travel and training	5,700	4,356	1,344	6,596
Telephone	5,500	4,863	637	5,845
Advertisement	2,400	2,119	281	1,185
Miscellaneous	46,750	46,500	250	47,297
Supplies	2,900	2,792	108	3,108
Vehicle maintenance	100	92	8	1,166
Office supplies	3,500	3,050	450	3,428
Gas and lubricants	600	545	55	1,045
Water and sewer fees	400	400	-	344
Storm water fees	216	216	-	216

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Code enforcement	910	910	-	1,150
Subscriptions and dues	1,100	1,075	25	1,595
Insurance	9,930	9,930	-	9,038
Equipment maintenance	-	35	(35)	-
Equipment rentals	2,800	3,324	(524)	2,526
Building repairs	-	4	(4)	-
Total	441,515	441,434	81	447,614
Total general government	1,289,222	1,240,005	49,217	1,463,121
Public Safety:				
Police:				
Salaries	1,775,000	1,792,231	(17,231)	1,656,238
Employee benefits	418,000	418,008	(8)	373,968
Professional services	49,000	47,352	1,648	78,965
Retirement	136,567	140,427	(3,860)	111,870
Separation allowance	44,153	44,153	-	38,223
Mandated	86,000	78,813	7,187	73,807
Special compensation	13,000	12,199	801	10,253
Telephone	45,000	44,202	798	52,214
Heating	2,000	1,823	177	1,988
Travel and training	11,000	10,867	133	10,070
Building repairs	8,100	8,409	(309)	9,125
Radio equipment maintenance	-	-	-	9,663
Equipment maintenance	25,000	16,302	8,698	37,658
Vehicle maintenance	35,000	36,052	(1,052)	46,876
Equipment rental	-	-	-	26,038
Gas and lubricants	63,000	62,254	746	42,819
Water and sewer fees	1,800	1,120	680	1,209
Stormwater fees	828	828	-	828
Electricity	25,000	19,365	5,635	23,739
Miscellaneous	10,650	9,806	844	6,983
Advertisement	-	-	-	796
Postage	1,650	1,734	(84)	2,155
Unemployment	-	2,100	(2,100)	338
Office supplies	5,000	5,007	(7)	8,751

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Supplies	11,200	13,853	(2,653)	7,049
Uniforms	22,500	23,527	(1,027)	25,667
Subscriptions and dues	775	773	2	150
Insurance	123,137	122,596	541	136,401
K-9 supplies	2,400	2,070	330	3,302
Undercover operations	500	375	125	870
Total	2,916,260	2,916,246	14	2,798,013
Fire:				
Salaries	822,000	824,669	(2,669)	754,317
Employee benefits	276,918	275,423	1,495	247,181
Special compensation	32,672	32,671	1	32,224
Professional services	5,000	5,124	(124)	3,830
Telephone	3,500	5,263	(1,763)	3,298
Postage	355	301	54	343
Heating	1,800	1,742	58	1,737
Travel and training	6,400	5,741	659	3,819
Building maintenance	7,500	8,177	(677)	8,149
Equipment maintenance	12,792	12,682	110	11,956
Vehicle maintenance	107,000	99,691	7,309	81,092
Gas and lubricants	12,382	12,382	-	11,470
Water and sewer fees	3,600	4,468	(868)	3,936
Stormwater fees	252	252	-	252
Electricity	6,500	6,356	144	6,491
Office supplies	1,000	1,107	(107)	953
Supplies	11,050	12,429	(1,379)	9,852
Uniforms	22,290	22,076	214	6,776
Insurance and bonds	45,394	45,392	2	40,820
Subscriptions	2,850	2,985	(135)	2,800
Capital outlay	1,325	1,325	-	15,981
Gaston County Radio Agreement	5,215	5,213	2	612
South Point VFD contract	47,000	46,982	18	36,100
Total	1,434,795	1,432,451	2,344	1,283,989
Total public safety	4,351,055	4,348,697	2,358	4,082,002

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries	527,250	535,339	(8,089)	435,007
Employee benefits	187,385	174,299	13,086	138,204
Professional services	25,000	20,613	4,387	4,815
Telephone	7,750	8,697	(947)	10,136
Travel and training	3,500	3,485	15	2,774
Building repair	700	647	53	399
Equipment maintenance	11,500	10,293	1,207	11,968
Vehicle maintenance	35,000	35,028	(28)	16,968
Gas and lubricants	17,900	18,519	(619)	13,940
Electricity street lights	215,000	221,931	(6,931)	216,896
Water and sewer fees	3,700	3,500	200	2,714
Office supplies	2,700	2,611	89	1,190
Materials and supplies	48,400	70,650	(22,250)	34,092
State fees	1,000	684	316	920
Contracted street repairs	167,000	166,766	234	35,678
Routine street repairs	66,000	58,373	7,627	69,544
Insurance and bonds	34,775	33,950	825	29,805
Employee uniforms	6,450	6,843	(393)	6,110
Contracted services - cemetery	30,596	30,408	188	29,605
Contracted mowing	150,915	150,914	1	130,032
Beautification projects	30,000	23,059	6,941	22,565
Rail crossing guards	17,000	16,870	130	1,329
Improvements	44,500	43,598	902	30,997
Total transportation	<u>1,634,021</u>	<u>1,637,077</u>	<u>(3,056)</u>	<u>1,245,688</u>
Environmental Protection:				
Sanitation:				
Professional services	<u>784,000</u>	<u>783,682</u>	<u>318</u>	<u>654,518</u>
Total environmental protection	<u>784,000</u>	<u>783,682</u>	<u>318</u>	<u>654,518</u>
Cultural and Recreational:				
Parks and Recreation:				
Salaries	188,738	187,184	1,554	136,533
Employee benefits	62,923	61,079	1,844	41,329
Professional services	5,510	5,509	1	2,547

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Special compensation	32,000	30,469	1,531	22,470
Telephone	7,200	7,679	(479)	7,962
Building repairs	1,800	1,796	4	389
Equipment maintenance	1,600	1,072	528	1,633
Vehicle maintenance	1,000	764	236	1,880
Heating	1,000	984	16	818
Travel and training	1,500	2,154	(654)	2,015
Uniforms	305	303	2	91
Stowe Park maintenance	414	414	-	1,700
Miscellaneous	480	480	-	515
Water and sewer fees	34,416	35,563	(1,147)	34,901
Gas and lubricants	1,240	1,242	(2)	1,279
Land usage	14,300	14,300	-	3,600
Electricity	41,500	41,685	(185)	30,945
Facility usage	1,200	1,105	95	630
Advertisement	500	248	252	1,782
Postage	500	243	257	448
Office supplies	800	717	83	559
Supplies	56,300	51,205	5,095	52,604
Subscriptions	840	208	632	671
Insurance and bonds	11,363	11,344	19	12,033
Community events	27,050	28,399	(1,349)	38,546
Grant match	-	-	-	21,827
Total cultural and recreational	494,479	486,146	8,333	419,707
Economic and Physical Development:				
Tourism development	95,000	97,335	(2,335)	94,771
Capital Outlay:				
Capital purchases	1,015,000	1,175,541	(160,541)	910,564
Debt Service:				
Principal retirement	1,052,025	1,046,608	5,417	726,827
Interest and fees	146,703	169,946	(23,243)	133,211
Total debt service	1,198,728	1,216,554	(17,826)	860,038
Total expenditures	10,861,505	10,985,037	(123,532)	9,730,409

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(450,000)</u>	<u>(349,015)</u>	<u>100,985</u>	<u>(11,892)</u>
Other Financing Sources (Uses):				
Long-term debt issued	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Total other financing sources (uses)	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Net change in fund balance	<u>\$ -</u>	<u>100,985</u>	<u>\$ 100,985</u>	<u>438,108</u>
Fund Balance:				
Beginning of year - July 1		<u>4,129,363</u>		<u>3,691,255</u>
End of year - June 30		<u>\$ 4,230,348</u>		<u>\$ 4,129,363</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, 2017**

	<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	\$ 42,948	\$ 550,000	\$ -
Investment earnings	-	104	16	120	120
Total revenues	<u>550,000</u>	<u>507,156</u>	<u>42,964</u>	<u>550,120</u>	<u>120</u>
Expenditures:					
Design	1,500,000	7,454	1,500	8,954	1,491,046
Construction and administration	1,000,000	2,082,220	407,103	2,489,323	(1,489,323)
Contingency	-	75	-	75	(75)
Total expenditures	<u>2,500,000</u>	<u>2,089,749</u>	<u>408,603</u>	<u>2,498,352</u>	<u>1,648</u>
Revenues over (under) expenditures	<u>(1,950,000)</u>	<u>(1,582,593)</u>	<u>(365,639)</u>	<u>(1,948,232)</u>	<u>1,768</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>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>(450,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (82,593)</u>	<u>(365,639)</u>	<u>\$ (448,232)</u>	<u>\$ (448,232)</u>
Fund Balance:					
Beginning of year, July 1			<u>(82,593)</u>		
End of year, June 30			<u>\$ (448,232)</u>		

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	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	\$ 993,244	\$ 5,438	\$ -	\$ -	\$ 1,367,940	\$ 2,366,622
Accounts receivable, net	35,744	-	-	-	-	35,744
Inventories	4,302	-	-	-	-	4,302
Restricted cash and cash equivalents	-	-	34,846	18,322	-	53,168
Total assets	<u>\$ 1,033,290</u>	<u>\$ 5,438</u>	<u>\$ 34,846</u>	<u>\$ 18,322</u>	<u>\$ 1,367,940</u>	<u>\$ 2,459,836</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 4,233	\$ -	\$ -	\$ -	\$ -	\$ 4,233
Total liabilities	<u>4,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,233</u>
Deferred Inflows of Resources	<u>35,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,744</u>
Fund Balances:						
Non-spendable:						
Inventory	4,302	-	-	-	-	4,302
Restricted:						
Cultural and recreational	-	-	34,846	-	-	34,846
Economic and physical development	-	-	-	18,322	-	18,322
Committed for Capital Reserve	-	-	-	-	1,367,940	1,367,940
Assigned	989,011	5,438	-	-	-	994,449
Total fund balances	<u>993,313</u>	<u>5,438</u>	<u>34,846</u>	<u>18,322</u>	<u>1,367,940</u>	<u>2,419,859</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,033,290</u>	<u>\$ 5,438</u>	<u>\$ 34,846</u>	<u>\$ 18,322</u>	<u>\$ 1,367,940</u>	<u>\$ 2,459,836</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, 2017

	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	\$ 413,933	\$ -	\$ -	\$ -	\$ -	\$ 413,933
Investment earnings	5	-	-	-	5,588	5,593
Total revenues	<u>413,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,588</u>	<u>419,526</u>
Expenditures:						
Environmental protection	485,622	-	-	-	-	485,622
Economic and physical development	-	-	-	586,130	-	586,130
Debt service:						
Principal	57,869	-	-	-	-	57,869
Interest and fees	11,433	-	-	-	-	11,433
Total expenditures	<u>554,924</u>	<u>-</u>	<u>-</u>	<u>586,130</u>	<u>-</u>	<u>1,141,054</u>
Revenues over (under) expenditures	(140,986)	-	-	(586,130)	5,588	(721,528)
Other Financing Sources (Uses):						
Long-term debt issued	<u>700,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,770</u>
Net change in fund balances	559,784	-	-	(586,130)	5,588	(20,758)
Fund Balances:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 993,313</u>	<u>\$ 5,438</u>	<u>\$ 34,846</u>	<u>\$ 18,322</u>	<u>\$ 1,367,940</u>	<u>\$ 2,419,859</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, 2017

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

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 411,545	\$ 413,933	\$ 2,388	\$ 397,465
Interest earned	-	5	5	-
Total revenues	<u>411,545</u>	<u>413,938</u>	<u>2,393</u>	<u>397,465</u>
Expenditures:				
Environmental protection:				
Salaries	117,000	117,574	(574)	105,351
Employee benefits	30,987	30,755	232	33,736
Professional services	38,841	32,278	6,563	44,119
Telephone	1,600	1,992	(392)	1,201
Travel and training	100	60	40	785
Gas and lubricants	5,000	5,522	(522)	4,519
Office supplies	1,200	781	419	799
Supplies	20,038	19,229	809	30,920
Utilities	3,000	2,139	861	2,353
Subscriptions and dues	500	407	93	2,890
Capital outlay	714,085	274,885	439,200	351,261
Debt service:				
Principal	40,750	57,869	(17,119)	14,747
Interest and fees	3,595	11,433	(7,838)	3,845
Total expenditures	<u>976,696</u>	<u>554,924</u>	<u>421,772</u>	<u>596,526</u>
Revenues over (under) expenditures	<u>(565,151)</u>	<u>(140,986)</u>	<u>424,165</u>	<u>(199,061)</u>
Other Financing Sources (Uses):				
Loan proceeds	700,770	700,770	-	-
Transfer to Capital Reserve Fund	(135,619)	-	135,619	-
Total other financing sources (uses)	<u>565,151</u>	<u>700,770</u>	<u>135,619</u>	<u>-</u>
Net change in fund balance	\$ -	559,784	\$ 559,784	(199,061)
Fund Balance:				
Beginning of year - July 1		<u>433,529</u>		<u>632,590</u>
End of year - June 30		<u>\$ 993,313</u>		<u>\$ 433,529</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, 2017**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Grant proceeds	\$ 298,700	\$ 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			5,438		
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, 2017

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Investment earnings	\$ -	\$ 457	\$ -	\$ 457	\$ 457
Expenditures:					
Design	78,375	24,508	-	24,508	53,867
Construction and administration	1,127,775	1,208,956	-	1,208,956	(81,181)
Contingency	68,850	7,147	-	7,147	61,703
Total expenditures	<u>1,275,000</u>	<u>1,240,611</u>	<u>-</u>	<u>1,240,611</u>	<u>34,389</u>
Revenues over (under) expenditures	(1,275,000)	(1,240,154)	-	(1,240,154)	34,846
Other Financing Sources (Uses):					
Long-term debt issued	<u>1,275,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 34,846</u>	<u>-</u>	<u>\$ 34,846</u>	<u>\$ 34,846</u>
Fund Balance:					
Beginning of year, July 1			<u>34,846</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, 2017

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Design	\$ 1,000,000	\$ 395,548	\$ 586,130	\$ 981,678	\$ 18,322
Revenues over (under) expenditures	(1,000,000)	(395,548)	(586,130)	(981,678)	18,322
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>\$ 604,452</u>	(586,130)	<u>\$ 18,322</u>	<u>\$ 18,322</u>
Fund Balance:					
Beginning of year, July 1			<u>604,452</u>		
End of year, June 30			<u>\$ 18,322</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, 2017

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

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 5,588	\$ 5,588	\$ 4,827
Net change in fund balance	\$ -	5,588	\$ 5,588	4,827
Fund Balance:				
Beginning of year, July 1		<u>1,362,352</u>		<u>1,357,525</u>
End of year - June 30		<u>\$ 1,367,940</u>		<u>\$ 1,362,352</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 3,295,500	\$ 3,305,280	\$ 9,780	\$ 3,398,558
Sewer charges	3,070,500	3,086,958	16,458	2,974,679
Water and sewer taps	112,000	108,150	(3,850)	38,634
Reconnections	36,000	38,453	2,453	35,040
Service connection fees	34,000	34,379	379	25,584
Penalties	90,000	91,533	1,533	48,589
Pretreatment fees	10,385	12,265	1,880	9,620
Impact fees	304,117	338,268	34,151	192,907
Inspection fees	83,500	84,055	555	95,843
System development fees	26,336	27,433	1,097	44,686
Maintenance fees	202,700	205,838	3,138	103,876
Miscellaneous revenues	72,538	74,833	2,295	33,818
Total operating revenues	<u>7,337,576</u>	<u>7,407,445</u>	<u>69,869</u>	<u>7,001,834</u>
Non-Operating Revenues:				
Interest income	-	325	325	223
Total revenues	<u>7,337,576</u>	<u>7,407,770</u>	<u>70,194</u>	<u>7,002,057</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	782,813	776,226	6,587	631,523
Employee benefits	289,983	291,249	(1,266)	229,145
Professional services	22,000	40,359	(18,359)	10,236
Telephone	8,500	10,955	(2,455)	10,117
Travel and training	5,000	4,842	158	3,334
Equipment maintenance	16,200	16,166	34	13,409
Vehicle maintenance	25,000	20,632	4,368	24,391
Gas and lubricants	22,500	22,968	(468)	22,951
Equipment rental	-	-	-	224
Postage	25,000	23,200	1,800	22,846
Electricity	18,000	17,591	409	12,425
Advertisements	-	-	-	117
Office supplies	3,000	2,801	199	3,179
Supplies	124,630	115,048	9,582	101,349

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Expenditures (continued):				
Water Administration and				
Distribution (continued):				
Materials	141,508	123,458	18,050	49,356
Uniforms	15,000	13,770	1,230	11,204
Contracted repairs	38,000	29,721	8,279	79,721
Utility cuts and repairs	75,000	71,281	3,719	89,023
Subscriptions and dues	4,500	4,401	99	3,615
State/federal mandate	600	548	52	2,465
Wastewater services	2,500	2,646	(146)	2,714
Insurance and bonds	34,726	34,726	-	36,108
Total water administration and distribution	1,654,460	1,622,588	31,872	1,359,452
Water Treatment Plant:				
Salaries	529,500	510,800	18,700	512,638
Employee benefits	173,681	170,480	3,201	168,521
Professional services	9,000	27,933	(18,933)	8,918
Telephone	7,500	8,715	(1,215)	9,007
Postage	2,000	1,944	56	391
Heating	4,000	3,358	642	4,283
Travel and training	4,500	5,050	(550)	3,559
Plant repairs	72,000	66,280	5,720	53,077
Equipment maintenance	20,000	17,564	2,436	16,535
Vehicle maintenance	2,000	1,757	243	3,868
Gas lubricants	2,900	2,852	48	4,645
State fees	5,800	5,725	75	5,890
Materials	6,000	5,710	290	5,980
Contract services	75,000	69,745	5,255	55,263
Sludge disposal	23,000	22,279	721	-
Electricity	115,000	109,843	5,157	105,569
Advertisements	-	-	-	946
Office supplies	1,500	1,455	45	1,443
Supplies	5,000	1,576	3,424	11,399
Water treatment	126,648	127,930	(1,282)	78,263
Lab supplies	14,000	13,450	550	14,350
Uniforms	6,500	6,013	487	5,824

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Water Treatment Plant (continued):				
Subscriptions and dues	5,400	5,238	162	5,210
Insurance and bonds	25,384	24,571	813	33,035
Total water treatment plant	<u>1,236,313</u>	<u>1,210,268</u>	<u>26,045</u>	<u>1,108,614</u>
Waste Collection and Treatment:				
Salaries	428,103	411,577	16,526	370,633
Employee benefits	168,135	166,533	1,602	145,628
Professional services	151,000	123,965	27,035	84,793
Telephone	12,000	12,539	(539)	13,222
Postage	400	239	161	359
Travel and training	2,000	1,340	660	4,052
Sludge disposal	32,700	44,792	(12,092)	62,214
Mills pre-treatment testing	8,000	8,132	(132)	7,819
Lab testing	67,000	63,736	3,264	66,281
Plant repairs	50,000	45,700	4,300	45,362
Equipment maintenance	102,000	99,066	2,934	42,367
Vehicle maintenance	55,000	5,034	49,966	4,731
State fees	6,176	6,176	-	4,997
Gas and lubricants	7,925	8,805	(880)	7,458
Electricity	310,850	307,431	3,419	309,507
Wastewater services	121,756	129,223	(7,467)	97,147
Advertisements	150	104	46	827
Office supplies	1,525	1,517	8	1,553
Supplies	7,000	7,281	(281)	7,290
Uniforms	6,000	5,804	196	5,869
Subscriptions and dues	600	411	189	530
Lab supplies	101,000	63,508	37,492	53,821
Equipment rental	41,000	40,637	363	-
Insurance bonds	20,456	19,912	544	23,712
Total waste collection and treatment	<u>1,700,776</u>	<u>1,573,462</u>	<u>127,314</u>	<u>1,360,172</u>
Debt Service:				
Interest and fees	90,500	96,717	(6,217)	89,277
Principal retirement	494,330	452,806	41,524	277,222
Total debt service	<u>584,830</u>	<u>549,523</u>	<u>35,307</u>	<u>366,499</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Capital Outlay	2,872,500	2,871,341	1,159	520,825
Total expenditures	8,048,879	7,827,182	221,697	4,715,562
Revenues over (under) expenditures	(711,303)	(419,412)	291,891	2,286,495
Other Financing Sources (Uses):				
Revolving loan proceeds	1,113,971	1,341,974	228,003	-
Transfer to Capital Reserve Fund	(402,668)	-	402,668	-
Total other financing sources (uses)	711,303	1,341,974	630,671	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 922,562	\$ 922,562	\$ 2,286,495
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 922,562		\$ 2,286,495
Reconciling items:				
Payment of debt principal		452,806		277,222
Assets capitalized from other than capital outlay		26,927		57,015
Capital outlay		2,871,341		520,825
(Increase) decrease in accrued vacation pay		(953)		2,242
Change in other post-employment benefits		(75,061)		(75,825)
AMI Project - interest		117		-
Capital Reserve Fund - interest		9,436		6,458
Interest expense accrual		(30,654)		400
Depreciation and amortization		(1,280,684)		(983,428)
Decrease in net pension asset		-		(162,732)
Increase in deferred outflows of resources - pensions		360,720		(43,242)
Increase in net pension liability		(400,246)		(124,879)
Decrease in deferred inflows of resources - pensions		30,694		327,826
Loan proceeds		(1,341,974)		-
Loss on disposal of assets		(4,007)		-
Increase (decrease) in inventory		2,931		(6,111)
Total reconciling items		621,393		(204,229)
Change in net position (Exhibit H)		\$ 1,543,955		\$ 2,082,266

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, 2017

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Expenditures:					
Economic and physical development:					
Administration	\$ -	\$ 45,096	\$ -	\$ 45,096	\$ -
Construction	-	867,687	-	867,687	-
Total expenditures	<u>1,072,683</u>	<u>912,783</u>	<u>-</u>	<u>912,783</u>	<u>159,900</u>
Revenues over (under) expenditures	<u>(1,072,683)</u>	<u>(912,783)</u>	<u>-</u>	<u>(912,783)</u>	<u>159,900</u>
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	26,163	26,163	-	26,163	-
State revolving loan proceeds	<u>1,046,520</u>	<u>895,228</u>	<u>-</u>	<u>895,228</u>	<u>(151,292)</u>
Total other financing sources (uses)	<u>1,072,683</u>	<u>921,391</u>	<u>-</u>	<u>921,391</u>	<u>(151,292)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 8,608</u>	<u>\$ -</u>	<u>\$ 8,608</u>	<u>\$ 8,608</u>

CITY OF BELMONT, NORTH CAROLINA

WATER MAIN REPLACEMENT ENTERPRISE CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2017

	<u>Project</u>	<u>Actual</u>			<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Over/Under</u>
		<u>Years</u>	<u>Year</u>	<u>to Date</u>	
Expenditures:					
Economic and physical development:					
Construction	\$ 521,442	\$ 510,903	\$ -	\$ 510,903	\$ 10,539
Revenues over (under) expenditures	(521,442)	(510,903)	-	(510,903)	10,539
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	10,224	10,224	-	10,224	-
State revolving loan proceeds	511,218	499,532	-	499,532	(11,686)
Total other financing sources (uses)	521,442	509,756	-	509,756	(11,686)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (1,147)	\$ -	\$ (1,147)	\$ (1,147)

CITY OF BELMONT, NORTH CAROLINA

AUTOMATED METER INFRASTRUCTURE PROGRAM CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2017

	Project Authorization	Actual		Total to Date	Variance Over/Under
	Prior Years	Current Year			
Non-Operating Revenues:					
Interest income	\$ -	\$ -	\$ 117	\$ 117	\$ 117
Expenditures:					
Economic and physical development:					
Design, installment, and administration	2,000,000	-	1,613,911	1,613,911	386,089
Revenues over (under) expenditures	(2,000,000)	-	(1,613,794)	(1,613,911)	386,089
Other Financing Sources (Uses):					
Installment financing agreement	2,000,000	-	2,000,000	2,000,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,206</u>	<u>\$ 386,089</u>	<u>\$ 386,089</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, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	<u>\$ -</u>	<u>\$ 9,436</u>	<u>\$ 9,436</u>	<u>\$ 6,458</u>

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 BALANCE SHEET
 JUNE 30, 2017**

Assets:

Cash and cash equivalents	<u>\$ 72,549</u>
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Liabilities:

Accounts payable and accrued liabilities	<u>\$ -</u>
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Fund Balance:

Restricted for tourism	<u>72,549</u>
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Total liabilities and fund balance	<u>\$ 72,549</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, 2017

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

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Occupancy tax	\$ 95,000	\$ 97,335	\$ 2,335	\$ 94,771
Expenditures:				
Economic and physical development:				
Tourism program	95,000	90,482	4,518	92,721
Net change in fund balance	\$ -	6,853	\$ 6,853	2,050
Fund Balance:				
Beginning of year - July 1		65,696		63,646
End of year - June 30		\$ 72,549		\$ 65,696

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 6,098,940	\$ 6,065,517	\$ 33,423
2015-2016	30,213	-	15,934	14,279
2014-2015	19,786	-	5,025	14,761
2013-2014	18,538	-	6,326	12,212
2012-2013	15,039	-	3,529	11,510
2011-2012	13,695	-	3,881	9,814
2010-2011	10,838	-	1,897	8,941
2009-2010	10,592	-	1,032	9,560
2008-2009	8,388	-	580	7,808
2007-2008	7,534	-	646	6,888
2006-2007	4,116	-	4,116	-
Total	<u>\$ 138,739</u>	<u>\$ 6,098,940</u>	<u>\$ 6,108,483</u>	<u>129,196</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>(58,463)</u>
Ad valorem taxes receivable, net				<u>\$ 70,733</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)				\$ 6,107,214
Less penalties and interest collected				(13,882)
Taxes written off and refunded				4,116
Miscellaneous				<u>11,035</u>
Total collections and credits				<u>\$ 6,108,483</u>

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 1,261,979,579	\$ 0.475	\$ 5,994,403	\$ 5,463,783	\$ 530,620
Discoveries - Current Year Taxes	31,538,737	0.475	149,809	149,682	127
Abatements	(9,530,947)	0.475	(45,272)	(45,272)	-
Total property valuation	<u>\$ 1,283,987,369</u>				
Net Levy			6,098,940	5,568,193	530,747
Uncollected taxes at June 30, 2017			(33,423)	(33,423)	-
Current Year's Taxes Collected			<u>\$ 6,065,517</u>	<u>\$ 5,534,770</u>	<u>\$ 530,747</u>
Current Levy Collection Percentage			<u>99.45%</u>	<u>99.40%</u>	<u>100.00%</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, 2017, 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 February 26, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2017-001, 2017-002, 2017-003, and 2017-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2017-005 to be a significant deficiency.

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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2017-003, 2017-004, and 2017-005.

City of Belmont's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
February 26, 2018

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB 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 Federal Program

We have audited the City of Belmont, North Carolina's compliance with the types of compliance requirements described in the OMB Compliance Supplement and 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 federal programs for the year ended June 30, 2017. The City of Belmont's major federal 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Belmont's major federal 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; and the audit requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 federal 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 federal program. However, our audit does not provide a legal determination of the City of Belmont's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2017.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal 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 federal 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 federal 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 federal 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 material weaknesses or significant deficiencies. 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, North Carolina
February 26, 2018

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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? Yes

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
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Capitalization Grants for Clean Water State Revolving Funds	66.458
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Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
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Auditee qualified as low risk auditee? No

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

Material Weakness

Finding 2017-001

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. We have provided management with a report of these adjustments.

Effect: Errors could occur in financial reporting.

Cause: There are limited City resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2016-001.

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.

Name of Contact Person: Michelle Wood, Finance Director

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, 2017

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

Material Weakness

Finding 2017-002

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.

Effect: Errors in financial reporting could occur.

Cause: There are limited City resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2016-002.

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.

Name of Contact Person: Michelle Wood, Finance Director

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, 2017

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

Material Weakness

Material Non-Compliance

Finding 2017-003

Criteria: General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made.

Condition: In the current year, there were violations of the N.C. General Statute 159-8(a). Expenditures exceeded appropriations and, therefore, there was a failure in the pre-audit requirement. The budget amendment and pre-audit process was not effective.

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

Cause: Inadequate pre-audit process and budget monitoring by management. The City expended more than appropriated because pre-audit and budget amendments were not utilized to account for departmental expenditures and capital project fund expenditures in excess of budgeted amounts.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2016-004.

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

Name of Contact Person: Michelle Wood, Finance Director

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, 2017

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

Material Weakness

Material Non-Compliance

Finding 2017-004

Criteria: North Carolina General Statutes preclude units from having funds that operate in a deficit.

Condition: There was a violation of the General Statutes regarding deficit fund equity in the Riverfront Project Funds.

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

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

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2016-005.

Recommendation: Implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where transfers may be required to ensure that a fund is not operating at a deficit.

Name of Contact Person: Michelle Wood, Finance Director

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, 2017

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

Significant Deficiency

Material Non-Compliance

Finding 2017-005

Criteria: Management should have a system in place to ensure the City complies with State statutes. Per North Carolina State Statute [159-13](b)(3), a contingency appropriation shall not exceed five (5) percent of the total of all other appropriations in the same fund.

Condition: In the current year, there was a violation of the N.C. General Statute with regards to the contingency appropriation exceeding the aforementioned percentage in the Brook Street Soccer Park Project Fund. The original budget included the contingency appropriation budgeted as 5.71% of all other budgeted appropriations.

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

Cause: Insufficient monitoring controls during budget preparation by management.

Recommendation: Implement more stringent budgetary monitoring controls to prevent exceeding allowable contingency percentages.

Name of Contact Person: Michelle Wood, Finance Director

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, 2017**

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Material Weakness

Finding 2017-001:

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 Finance Director and Assistant will work with the auditors in the spring of 2018 to review and train on doing the year-end audit adjustments in the future.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2017-002:

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

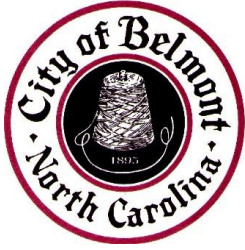
Material Non-Compliance

Finding 2017-003:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The Finance Assistant now assists the Finance Director in monitoring budget to actual reports to identify areas where budget amendments may be required to ensure compliance with General Statutes.

Proposed Completion Date: Immediately.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Material Weakness

Material Non-Compliance

Finding 2017-004:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The final request for reimbursement from the PARTF Grant could not be completed until FY 17-18 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.

Proposed Completion Date: Immediately.

Significant Deficiency

Material Non-Compliance

Finding 2017-005:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: The Brook Street Soccer Park project was completed and should have been closed in the prior year. This was an oversight by the City. The Finance Director will monitor it more closely going forward to be certain special projects are closed out properly to prevent a violation.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

**SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2016-001
Status: Repeated as Finding 2017-001

Finding: 2016-002
Status: Repeated as Finding 2017-002

Finding: 2016-003
Status: Corrected.

Finding: 2016-004
Status: Modified and repeated as Finding 2017-003

Finding: 2016-005
Status: Repeated as Finding 2017-004

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal/State Program Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>Federal Assistance</u>					
U.S. Environmental Protection Agency: Passed-Through N.C. Department of Environmental Quality: Clean Water State Revolving Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370702-06	\$ 1,348,133	\$ -	\$ -
Total Federal Assistance			\$ 1,348,133	\$ -	\$ -
<u>State Assistance</u>					
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	DOT-4		\$ 384,783	\$ -
<u>N.C. Department of Environmental Quality</u>					
PARTF	N/A			42,948	-
Total State Assistance				\$ 427,731	\$ -

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, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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.

Note 3 - Loans Outstanding:

The City of Belmont had the following loan balances outstanding at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS370702-06	\$ 1,274,875

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