

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2018

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Martha Stowe

Ron Foulk

Doug Gadd

Ryan Schrift

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, 2018

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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, 2018, 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, 2018 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, 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. 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' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and City Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the 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, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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
December 14, 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, 2018. 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

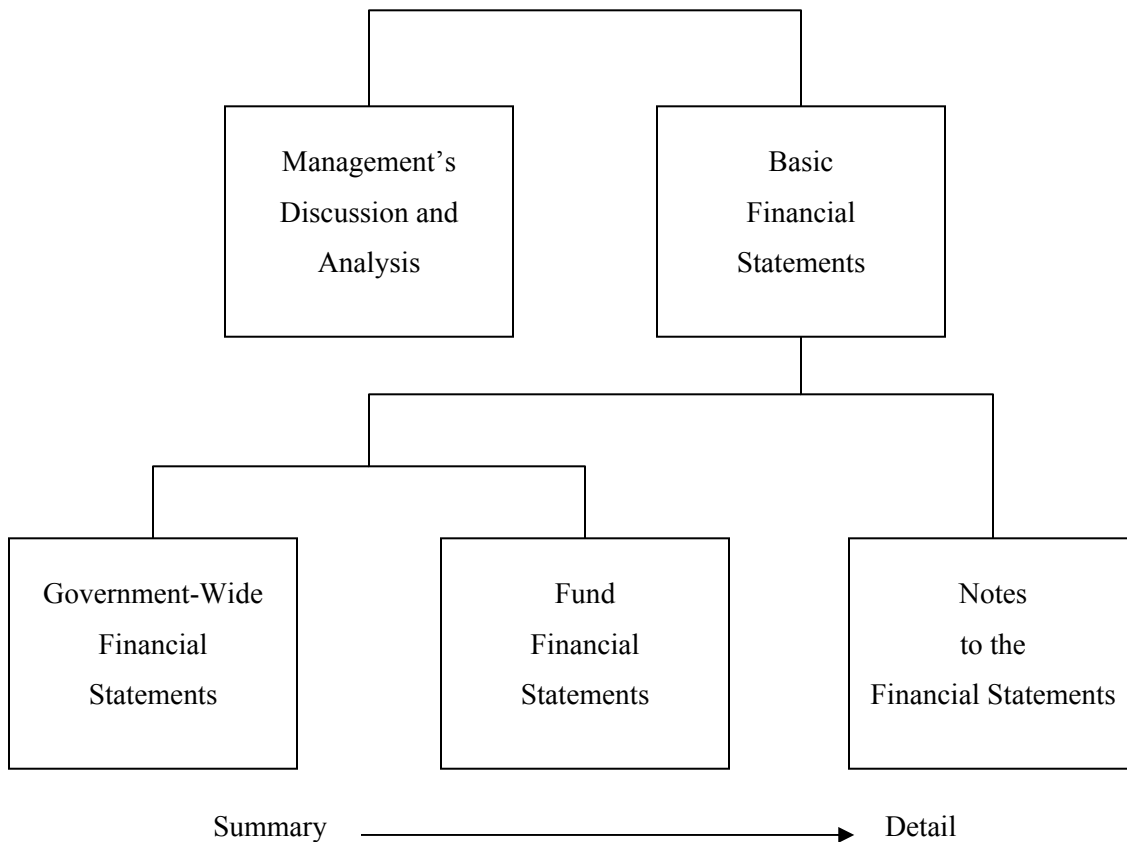
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$45,368,941 (net position).
- The government's total net position increased by \$13,794,081 mostly due to an increase in business-type 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 \$6,432,379, with a net increase of \$230,404. Approximately 26.15% of this total amount, or \$1,681,974, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,565,460, or 29.16%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding decreased by \$428,424 (3.67%), 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 24-62 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 63 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 8,157,011	\$ 7,632,720	\$ 13,821,843	\$ 10,987,259	\$ 21,978,854	\$ 18,619,979
Capital assets	15,627,554	14,250,838	26,663,016	16,864,852	42,290,570	31,115,690
Total assets	<u>23,784,565</u>	<u>21,883,558</u>	<u>40,484,859</u>	<u>27,852,111</u>	<u>64,269,424</u>	<u>49,735,669</u>
 Total deferred outflows	 <u>878,384</u>	 <u>1,139,911</u>	 <u>340,298</u>	 <u>456,580</u>	 <u>1,218,682</u>	 <u>1,596,491</u>
Liabilities:						
Long-term liabilities	10,406,696	9,541,682	6,417,128	6,583,030	16,823,824	16,124,712
Other liabilities	<u>1,688,521</u>	<u>1,389,431</u>	<u>1,150,656</u>	<u>522,322</u>	<u>2,839,177</u>	<u>1,911,753</u>
Total liabilities	<u>12,095,217</u>	<u>10,931,113</u>	<u>7,567,784</u>	<u>7,105,352</u>	<u>19,663,001</u>	<u>18,036,465</u>
 Total deferred inflows	 <u>369,443</u>	 <u>143,672</u>	 <u>86,721</u>	 <u>52,739</u>	 <u>456,164</u>	 <u>196,411</u>
Net Position:						
Net investment in						
capital assets	9,397,733	8,169,809	21,645,938	11,323,726	31,043,671	19,493,535
Restricted	1,078,693	1,289,211	-	-	1,078,693	1,289,211
Unrestricted	<u>1,721,863</u>	<u>2,489,664</u>	<u>11,524,714</u>	<u>9,826,874</u>	<u>13,246,577</u>	<u>12,316,538</u>
Total net position	<u>\$ 12,198,289</u>	<u>\$ 11,948,684</u>	<u>\$ 33,170,652</u>	<u>\$ 21,150,600</u>	<u>\$ 45,368,941</u>	<u>\$ 33,099,284</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 \$45,368,941 as of June 30, 2018. The City's net position increased by \$13,794,081 for the fiscal year ended June 30, 2018. However, the largest portion (68.4%) 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, \$1,078,693 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,246,577 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 \$891,758 or 8.38%, 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 \$1,242,619, or 11.31%, 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 \$766,562. 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 \$2,234,285, or 30.16%, 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 \$938,387, or 16.34%, higher than the previous fiscal year. The primary increase in the expenses was due to appropriating salary/benefits and IT expenses proportioned between General Fund and Water and Sewer fund.

City of Belmont's Changes in Net Position

Figure 3

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2018	2018	2018	2017	2017	2017
Revenues:						
Program revenues:						
Charges for services	\$ 813,373	\$ 9,641,728	\$ 10,455,101	\$ 702,552	\$ 7,407,443	\$ 8,109,995
Operating grants and contributions	909,966	-	909,966	602,921	-	602,921
General revenues:						
Property taxes	6,515,256	-	6,515,256	6,107,214	-	6,107,214
Other taxes	3,521,817	-	3,521,817	3,350,602	-	3,350,602
Other	748,779	20,731	769,510	332,106	9,878	341,984
Total revenues	<u>12,509,191</u>	<u>9,662,459</u>	<u>22,171,650</u>	<u>11,095,395</u>	<u>7,417,321</u>	<u>18,512,716</u>
Expenses:						
General government	1,209,806	-	1,209,806	1,470,228	-	1,470,228
Public safety	4,965,838	-	4,965,838	4,627,744	-	4,627,744
Transportation	1,062,182	-	1,062,182	964,189	-	964,189
Environmental protection	1,005,758	-	1,005,758	1,262,973	-	1,262,973
Cultural and recreation	1,977,953	-	1,977,953	1,787,267	-	1,787,267
Economic and physical development	818,216	-	818,216	683,465	-	683,465
Water and sewer	-	6,775,043	6,775,043	-	5,873,366	5,873,366
Interest	159,635	-	159,635	230,876	-	230,876
Total expenses	<u>11,199,388</u>	<u>6,775,043</u>	<u>17,974,431</u>	<u>11,026,742</u>	<u>5,873,366</u>	<u>16,900,108</u>
Transfers	21,305	(21,305)	-	-	-	-
Capital contributions	-	9,596,862	9,596,862	-	-	-
Change in net position	<u>1,331,108</u>	<u>12,462,973</u>	<u>13,794,081</u>	<u>68,653</u>	<u>1,543,955</u>	<u>1,612,608</u>
Net Position:						
Beginning of year, as previously stated - July 1	11,948,684	21,150,600	33,099,284	12,305,590	19,606,645	31,912,235
Restatement	<u>(1,081,503)</u>	<u>(442,921)</u>	<u>(1,524,424)</u>	<u>(425,559)</u>	<u>-</u>	<u>(425,559)</u>
Beginning of year, as restated	<u>10,867,181</u>	<u>20,707,679</u>	<u>31,574,860</u>	<u>11,880,031</u>	<u>19,606,645</u>	<u>31,486,676</u>
End of year - June 30	<u>\$ 12,198,289</u>	<u>\$ 33,170,652</u>	<u>\$ 45,368,941</u>	<u>\$ 11,948,684</u>	<u>\$ 21,150,600</u>	<u>\$ 33,099,284</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,331,108, thereby accounting for 9.65% 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 \$408,042 in property taxes.
- Revenues increased significantly also due to an increase of \$134,701 in Zoning permits & an increase of \$134,283 in Unrestricted Intergovernmental.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$12,462,973, accounting for 90.35% of the change in the government's net position. Key elements of this increase are as follows:

- Capital contributions increased by \$9,596,862.
- Total other operating revenues increased by \$1,999,862.

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 \$3,745,522, while total fund balance reached \$4,996,910. The City currently has an available fund balance of 30.63% of General Fund expenditures, while total fund balance represents 40.87% of the same amount.

At June 30, 2018, the governmental funds of the City of Belmont reported a combined fund balance of \$6,432,379, with a net increase of \$230,404.

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 \$11,524,714. The total changes in net position for the Water and Sewer Fund were \$12,462,973. 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, 2018 totals \$42,290,570 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

The major additions included recording donated water lines for annexed new developments that was taken over by the city in this fiscal year in the business-type activities.

Additional information on the City's capital assets can be found beginning on page 38 of this report.

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

Figure 4

	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
	2018	2018	2018	2017	2017	2017
Land	\$ 3,164,369	\$ 75,890	\$ 3,240,259	\$ 3,164,369	\$ 75,890	\$ 3,240,259
Buildings	4,020,538	3,418,660	7,439,198	4,149,479	3,314,994	7,464,473
Other improvements	2,654,320	162,722	2,817,042	1,461,805	34,992	1,496,797
Machinery and equipment	711,580	2,877,776	3,589,356	813,475	3,126,314	3,939,789
Vehicles and motorized equipment	942,684	-	942,684	931,924	-	931,924
Infrastructure	3,562,393	-	3,562,393	3,724,099	-	3,724,099
Distribution systems	-	19,989,186	19,989,186	-	10,147,059	10,147,059
Other non-depreciable items	5,687	28,911	34,598	5,687	28,911	34,598
Natural gas fill station	-	109,871	109,871	-	115,387	115,387
Construction in progress	565,983	-	565,983	-	21,305	21,305
Total	\$ 15,627,554	\$ 26,663,016	\$ 42,290,570	\$ 14,250,838	\$ 16,864,852	\$ 31,115,690

Long-Term Debt. As of June 30, 2018, the City of Belmont had total debt outstanding of \$11,246,899. Of this amount, \$5,017,078 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		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
	2018	2018	2018	2017	2017	2017
Capitalized leases	\$ 289,215	\$ -	\$ 289,215	\$ 321,994	\$ -	\$ 321,994
Notes payable	5,940,606	5,017,078	10,957,684	5,812,203	5,541,126	11,353,329
Total	\$ 6,229,821	\$ 5,017,078	\$ 11,246,899	\$ 6,134,197	\$ 5,541,126	\$ 11,675,323

The City of Belmont's total debt decreased by \$428,424, or 3.67%, 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 \$99,811,223.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 57 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 177 new single-family residential permits, which is an 22% increase from the previous year. The total value of these new houses/townhouses is \$39,414,300. In addition to these new houses, the staff issued other permits with a combined valuation of \$21,223,084. 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 3% to \$1.28 billion.

Budget Highlights for the Fiscal Year Ending June 30, 2019

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 2017-2018 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 6,372,003	\$ 12,393,426	\$ 18,765,429	\$ 85,237
Taxes receivables, net	68,449	-	68,449	-
Accounts receivable, net	311,616	1,094,340	1,405,956	9,485
Due from other governments	621,600	-	621,600	-
Prepaid items	541,294	-	541,294	-
Inventories	61,987	176,673	238,660	-
Total current assets	7,976,949	13,664,439	21,641,388	94,722
Restricted assets:				
Cash and cash equivalents	180,062	157,404	337,466	-
Non-current assets:				
Capital assets:				
Non-depreciable	3,736,039	104,801	3,840,840	-
Depreciable, net of accumulated depreciation	11,891,515	26,558,215	38,449,730	-
Total capital assets	15,627,554	26,663,016	42,290,570	-
Total non-current assets	15,627,554	26,663,016	42,290,570	-
Total assets	23,784,565	40,484,859	64,269,424	94,722
Deferred Outflows of Resources:				
OPEB deferrals	3,999	4,737	8,736	-
Pension deferrals	874,385	335,561	1,209,946	-
Total deferred outflows of resources	878,384	340,298	1,218,682	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	1,620,497	962,099	2,582,596	-
Payable from restricted assets:				
Customer deposits	-	157,404	157,404	-
Accrued interest	68,024	31,153	99,177	-
Long-term liabilities, due within one year	1,491,318	571,951	2,063,269	-
Total current liabilities	3,179,839	1,722,607	4,902,446	-
Long-term liabilities:				
Net pension liability- LGERS	1,038,259	424,077	1,462,336	-
Total pension liability- LEOSSA	588,626	-	588,626	-
Total OPEB liability	2,119,700	865,793	2,985,493	-
Long-term liabilities, due in more than one year	5,168,793	4,555,307	9,724,100	-
Total long-term liabilities	8,915,378	5,845,177	14,760,555	-
Total liabilities	12,095,217	7,567,784	19,663,001	-
Deferred Inflows of Resources:				
OPEB deferrals	126,293	51,585	177,878	-
Pension deferrals	243,150	35,136	278,286	-
Total deferred inflows of resources	369,443	86,721	456,164	-
Net Position:				
Net investment in capital assets	9,397,733	21,645,938	31,043,671	-
Restricted for:				
Stabilization by state statute	898,631	-	898,631	-
Streets	180,062	-	180,062	-
Tourism	-	-	-	94,722
Unrestricted	1,721,863	11,524,714	13,246,577	-
Total net position	\$ 12,198,289	\$ 33,170,652	\$ 45,368,941	\$ 94,722

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, 2018

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Function/Programs:			
Governmental Activities:			
General government	\$ 1,188,501	\$ 257,777	\$ 79,795
Public safety	4,965,838	1,878	14,573
Transportation	1,062,182	-	307,521
Environmental protection	1,005,758	430,333	-
Cultural and recreational	1,977,953	123,385	508,077
Economic and physical development	818,216	-	-
Interest on long-term debt	159,635	-	-
Total governmental activities	<u>11,178,083</u>	<u>813,373</u>	<u>909,966</u>
Business-Type Activities:			
Water and sewer	<u>6,796,348</u>	<u>9,641,728</u>	<u>-</u>
Total primary government	<u>\$ 17,974,431</u>	<u>\$ 10,455,101</u>	<u>\$ 909,966</u>
Component Unit:			
Belmont Tourism Development Authority	<u>\$ 91,396</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, 2018

	Net Revenue (Expense) and Changes in Net Position			
	Governmental Activities	Business-Type Activities	Total	Component Unit
				Belmont Tourism Development Authority
Function/Programs:				
Governmental Activities:				
General government	\$ (872,234)	\$ -	\$ (872,234)	\$ -
Public safety	(4,949,387)	-	(4,949,387)	-
Transportation	(754,661)	-	(754,661)	-
Environmental protection	(575,425)	-	(575,425)	-
Cultural and recreational	(1,346,491)	-	(1,346,491)	-
Economic and physical development	(818,216)	-	(818,216)	-
Interest on long-term debt	(159,635)	-	(159,635)	-
Total governmental activities	(9,476,049)	-	(9,476,049)	-
Business-Type Activities:				
Water and sewer	-	2,866,685	2,866,685	-
Total primary government	(9,476,049)	2,866,685	(6,609,364)	-
Component Unit:				
Belmont Tourism Development Authority				(91,396)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	6,515,256	-	6,515,256	-
Other taxes	3,521,817	-	3,521,817	113,569
Unrestricted investment earnings	49,432	20,731	70,163	-
Miscellaneous	699,347	-	699,347	-
Total general revenues	10,785,852	20,731	10,806,583	113,569
Transfers	21,305	(21,305)	-	-
Capital contributions	-	9,596,862	9,596,862	-
Change in net position	1,331,108	12,462,973	13,794,081	22,173
Net Position:				
Beginning of year - July 1	11,948,684	21,150,600	33,099,284	72,549
Restatement	(1,081,503)	(442,921)	(1,524,424)	-
Beginning of year, as restated	10,867,181	20,707,679	31,574,860	72,549
End of year - June 30	\$ 12,198,289	\$ 33,170,652	\$ 45,368,941	\$ 94,722

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

CITY OF BELMONT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 4,929,886	\$ 1,442,117	\$ 6,372,003
Taxes receivable, net	68,449	-	68,449
Accounts receivable, net	29,161	282,455	311,616
Due from other funds	1,101	-	1,101
Due from other governments	621,600	-	621,600
Prepaid items	541,294	-	541,294
Inventory	58,766	3,221	61,987
Cash, restricted	180,062	-	180,062
Total assets	<u>\$ 6,430,319</u>	<u>\$ 1,727,793</u>	<u>\$ 8,158,112</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,364,426	\$ 256,071	\$ 1,620,497
Due to other funds	-	1,101	1,101
Total liabilities	<u>1,364,426</u>	<u>257,172</u>	<u>1,621,598</u>
Deferred Inflows of Resources:			
Property taxes receivable	68,449	-	68,449
Other receivables	534	35,152	35,686
Total deferred inflows of resources	<u>68,983</u>	<u>35,152</u>	<u>104,135</u>
Fund Balances:			
Non-spendable:			
Prepaid items	541,294	-	541,294
Inventories	58,766	3,221	61,987
Restricted:			
Stabilization by state statute	651,328	247,303	898,631
Streets	180,062	-	180,062
Committed	-	756,249	756,249
Assigned	-	675,999	675,999
Unassigned	3,565,460	(247,303)	3,318,157
Total fund balances	<u>4,996,910</u>	<u>1,435,469</u>	<u>6,432,379</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,430,319</u>	<u>\$ 1,727,793</u>	<u>\$ 8,158,112</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	<u>Total</u>
Reconciliation of the Balance Sheet to the Statement of Net Position:	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance - governmental funds	\$ 6,432,379
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,627,554
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	104,135
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(68,024)
Compensated absences	(430,290)
Net pension liability- LGERS	(1,038,259)
Total pension liability- LEOSA	(588,626)
Total OPEB liability	(2,119,700)
Deferred outflows of resources related to OPEB	3,999
Deferred outflows of resources related to pensions	874,385
Deferred inflows of resources related to OPEB	(126,293)
Deferred inflows of resources related to pensions	(243,150)
Note payable	(5,940,606)
Capital leases payable	<u>(289,215)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 12,198,289</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, 2018**

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 6,515,256	\$ -	\$ 6,515,256
Other taxes and licenses	281,229	-	281,229
Unrestricted intergovernmental	3,240,588	-	3,240,588
Restricted intergovernmental	406,092	503,874	909,966
Permits and fees	243,742	-	243,742
Sales and services	139,298	430,333	569,631
Investment earnings	36,280	13,152	49,432
Other general revenues	665,295	34,052	699,347
Total revenues	<u>11,527,780</u>	<u>981,411</u>	<u>12,509,191</u>
Expenditures:			
Current:			
General government	1,699,202	-	1,699,202
Public safety	4,731,761	-	4,731,761
Transportation	1,503,647	-	1,503,647
Environmental protection	779,548	570,688	1,350,236
Cultural and recreational	502,794	211,426	714,220
Economic and physical development	262,020	556,196	818,216
Debt service:			
Principal	1,207,656	157,720	1,365,376
Interest and other charges	141,188	16,101	157,289
Capital outlay	<u>1,399,840</u>	<u>-</u>	<u>1,399,840</u>
Total expenditures	<u>12,227,656</u>	<u>1,512,131</u>	<u>13,739,787</u>
Revenues over (under) expenditures	(699,876)	(530,720)	(1,230,596)
Other Financing Sources (Uses):			
Long-term debt issued	1,461,000	-	1,461,000
Transfers to other funds	-	(699,941)	(699,941)
Transfers from other funds	<u>5,438</u>	<u>694,503</u>	<u>699,941</u>
Total other financing sources (uses)	<u>1,466,438</u>	<u>(5,438)</u>	<u>1,461,000</u>
Net change in fund balances	766,562	(536,158)	230,404
Fund Balances:			
Beginning of year - July 1	<u>4,230,348</u>	<u>1,971,627</u>	<u>6,201,975</u>
End of year - June 30	<u>\$ 4,996,910</u>	<u>\$ 1,435,469</u>	<u>\$ 6,432,379</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, 2018**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 230,404
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,422,656
Contribution of capital assets is reported as a revenue in the Statement of Activities and is not reported in the governmental funds.	21,305
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,067,245)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(2,857)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not have any effect on net position.	(1,461,000)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	1,365,376
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	(2,346)
Compensated absences	1,818
OPEB plan expense	(185,584)
Pension expense - LGERS	(5,803)
Pension expense - LEOSSA	14,384
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 1,331,108</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, 2018

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 6,211,310	\$ 6,561,750	\$ 6,515,256	\$ (46,494)
Other taxes and licenses	245,000	275,000	281,229	6,229
Unrestricted intergovernmental	3,222,000	3,198,965	3,240,588	41,623
Restricted intergovernmental	354,500	405,269	406,092	823
Permits and fees	90,000	227,712	243,742	16,030
Sales and services	174,250	268,460	139,298	(129,162)
Investment earnings	16,000	28,791	36,280	7,489
Miscellaneous	356,640	489,674	665,295	175,621
Total revenues	<u>10,669,700</u>	<u>11,455,621</u>	<u>11,527,780</u>	<u>72,159</u>
Expenditures:				
Current:				
General government	1,375,565	1,757,248	1,699,202	58,046
Environmental protection	821,680	784,000	779,548	4,452
Public safety	4,648,984	4,738,003	4,731,761	6,242
Transportation	1,510,844	1,549,344	1,503,647	45,697
Cultural and recreation	545,995	512,493	502,794	9,699
Economic and physical development	351,476	266,000	262,020	3,980
Debt service:				
Principal	1,013,561	1,207,651	1,207,656	(5)
Interest and other charges	136,664	140,991	141,188	(197)
Capital outlay	<u>501,931</u>	<u>1,966,370</u>	<u>1,399,840</u>	<u>566,530</u>
Total expenditures	<u>10,906,700</u>	<u>12,922,100</u>	<u>12,227,656</u>	<u>694,444</u>
Revenues over (under) expenditures	<u>(237,000)</u>	<u>(1,466,479)</u>	<u>(699,876)</u>	<u>766,603</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	1,461,041	1,461,000	(41)
Transfers from other funds	-	5,438	5,438	-
Appropriated fund balance	<u>237,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>237,000</u>	<u>1,466,479</u>	<u>1,466,438</u>	<u>(41)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>766,562</u>	<u>\$ 766,562</u>
Fund Balance:				
Beginning of year - July 1			<u>4,230,348</u>	
End of year - June 30			<u>\$ 4,996,910</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, 2018

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 12,393,426
Accounts receivable (net)	1,094,340
Inventories	176,673
Total current assets	<u>13,664,439</u>
Restricted assets:	
Cash and cash equivalents	<u>157,404</u>
Non-current assets:	
Capital assets:	
Non-depreciable	104,801
Depreciable, net of accumulated depreciation	<u>26,558,215</u>
Total non-current assets	<u>26,663,016</u>
Total assets	<u>40,484,859</u>
Deferred Outflows of Resources:	
OPEB deferrals	4,737
Pension deferrals	<u>335,561</u>
Total deferred outflows of resources	<u>340,298</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	962,099
Accrued interest	31,153
Current portion of compensated absences	44,072
Current portion of long-term debt	527,879
Payable from restricted assets:	
Customer deposits	<u>157,404</u>
Total current liabilities	<u>1,722,607</u>
Non-current liabilities:	
Net pension liability	424,077
Compensated absences	66,108
Total OPEB liability	865,793
Non-current portion of long-term debt	<u>4,489,199</u>
Total non-current liabilities	<u>5,845,177</u>
Total liabilities	<u>7,567,784</u>
Deferred Inflows of Resources:	
OPEB deferrals	51,585
Pension deferrals	<u>35,136</u>
Total deferred inflows of resources	<u>86,721</u>
Net Position:	
Net investment in capital assets	21,645,938
Unrestricted	<u>11,524,714</u>
Total net position	<u>\$ 33,170,652</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 6,626,661
Other operating revenues	<u>3,015,067</u>
Total operating revenues	<u>9,641,728</u>
Operating Expenses:	
Water administration and distribution	2,130,831
Water treatment plant	1,221,454
Waste collection and treatment	1,623,068
Depreciation	<u>1,683,717</u>
Total operating expenses	<u>6,659,070</u>
Operating income (loss)	<u>2,982,658</u>
Non-Operating Revenues (Expenses):	
Investment earnings	20,731
Interest and other charges	<u>(115,973)</u>
Total non-operating revenues (expenses)	<u>(95,242)</u>
Income (loss) before capital contributions and transfers	2,887,416
Capital Contributions:	
Contributed capital - donated water lines	<u>9,596,862</u>
Non-cash transfer of assets	<u>(21,305)</u>
Change in net position	<u>12,462,973</u>
Net Position:	
Beginning of year - July 1	21,150,600
Restatement	<u>(442,921)</u>
Beginning of year, as restated	<u>20,707,679</u>
End of year - June 30	<u><u>\$ 33,170,652</u></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, 2018

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 9,422,483
Cash paid for goods and services	(1,632,503)
Cash paid to or on behalf of employees for services	(2,663,467)
Customer deposits, net	2,821
Net cash provided (used) by operating activities	<u>5,129,334</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(1,906,324)
Principal paid on long-term debt	(524,048)
Interest paid on long-term debt	(120,167)
Net cash provided (used) in capital and related financing activities	<u>(2,550,539)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>20,731</u>
Net increase (decrease) in cash and cash equivalents	2,599,526
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>9,951,304</u>
End of year - June 30	<u><u>\$ 12,550,830</u></u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ 2,982,658</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,683,717
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(219,245)
Increase (decrease) in deferred inflows of resources for pensions	(17,603)
Increase (decrease) in net pension liability	(101,048)
Increase (decrease) in total OPEB liability	25,851
(Increase) decrease deferred outflows of resources for pensions	599
Increase (decrease) in deferred inflows of resources for OPEB	51,585
(Increase) decrease deferred outflows of resources for OPEB	115,683
(Increase) decrease in inventories	(15,813)
Increase (decrease) in accounts payable and accrued liabilities	629,707
Increase (decrease) in compensated absences payable	(9,578)
Increase (decrease) in customer deposits	2,821
Total adjustments	<u>2,146,676</u>
Net cash provided (used) by operating activities	<u><u>\$ 5,129,334</u></u>
Non-Cash Transactions:	
Transfer of assets to General Fund	\$ (21,305)
Capital contributions	9,596,862

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, 2018

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, 2018

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.

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.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

Techworks Project Fund. The project was established for a Community Development Block Grant to create a high-tech business incubator utilizing Gigabit speed internet. The project will be located at 52 Ervin Street in downtown Belmont.

Belmont Rail Trail Project Fund. The project was established for design and engineering of a 1.5 mile long greenway running from Glenway Street in downtown Belmont north to Woodlawn Avenue. The project will be located along the Belmont Spur of the NCDOT Rail corridor.

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. The Water and Sewer Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Projects have been included in the supplemental information.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

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, 2018, 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 project 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) government money market fund, 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

Restricted Assets

Governmental Activities:

General Fund:

Restricted for streets - Powell Bill	\$ 180,062
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Total governmental activities	<u>\$ 180,062</u>
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Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 157,404
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Total business-type activities	<u>\$ 157,404</u>
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Powell Bill funds are classified as restricted assets, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

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 1st, the beginning of the fiscal year. These taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

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 and Prepaid Items

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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 – pension deferrals and OPEB 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, pension deferrals, and OPEB deferrals.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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.

Prepaid items – portion of fund balance that is not an available resource because it represents the balance in prepaids, 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.

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 \$756,249 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, 2018

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 in the amount of \$675,999 that has been budgeted by the Board for use in the Stormwater Fund.

Unassigned Fund Balance

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes of other funds. The 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, 2018

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	\$ 4,996,910
Less:	
Inventories	58,766
Prepaid items	541,294
Restricted for stabilization by State statute	651,328
Restricted for streets	180,062
Working capital/fund balance policy	<u>2,863,905</u>
Remaining fund balance	<u>\$ 701,555</u>

Defined Benefit Cost Sharing Plans

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, 2018

2. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, the expenditures made in the City's General Fund exceeded authorized appropriations made by the governing board for debt service activities by \$202. This over-expenditure occurred because an additional payment was made on the Bank of America loan in the current fiscal year that was not due until next fiscal year.

For the fiscal year ended June 30, 2018, the expenditures made in the Brooks Street Soccer Park Project Fund exceeded authorized appropriations made by the governing board for design, construction, and administration by \$457. This over-expenditure occurred because of additional unexpected costs incurred.

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.

3. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the City's deposits, had a carrying amount of \$14,796,047 and a bank balance of \$15,181,887. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$14,681,887 was covered by collateral held under the Pooling Method. At June 30, 2018, the City's petty cash totaled \$900.

At June 30, 2018, the carrying amount of deposits for the TDA was \$85,237.

Investments

At June 30, 2018, the City's investment balances were as follows:

Investments by Type	Valuation	Book Value at 6/30/2018	Maturity	Rating
	Measurement Method			
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 30,087	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,275,861	.09 years	Unrated
Total		<u>\$ 4,305,948</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to values securities based on the securities' benchmark quoted prices.

Interest rate risk. The City has no formal policy regarding interest rate risk.

Credit risk. The City has no formal policy regarding credit risk.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Receivables

Receivables at Exhibit A at June 30, 2018 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 29,161	\$ 125,451	\$ 621,600	\$ 776,212
Other governmental	<u>289,449</u>	<u>-</u>	<u>-</u>	<u>289,449</u>
Total receivables	318,610	125,451	621,600	1,065,661
Allowance for doubtful accounts	<u>(6,994)</u>	<u>(57,002)</u>	<u>-</u>	<u>(63,996)</u>
Total governmental activities	<u>\$ 311,616</u>	<u>\$ 68,449</u>	<u>\$ 621,600</u>	<u>\$1,001,665</u>
Business-Type Activities:				
Water and Sewer	\$ 1,237,426	\$ -	\$ -	\$ 1,237,426
Allowance for doubtful accounts	<u>(143,086)</u>	<u>-</u>	<u>-</u>	<u>(143,086)</u>
Total business-type activities	<u>\$ 1,094,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,094,340</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>\$ 621,600</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 3,164,369	\$ -	\$ -	\$ -	\$ 3,164,369
Other	5,687	-	-	-	5,687
Construction in progress	-	1,099,012	-	533,029	565,983
Total non-depreciated capital assets	<u>3,170,056</u>	<u>1,099,012</u>	<u>-</u>	<u>533,029</u>	<u>3,736,039</u>
Depreciable Capital Assets:					
Buildings	5,792,419	-	-	-	5,792,419
Other improvements	2,304,683	859,761	-	554,334	3,718,778
Equipment	3,638,371	199,894	15,995	-	3,822,270
Infrastructure	3,900,406	-	-	-	3,900,406
Vehicles and motorized equipment	3,586,676	263,989	-	-	3,850,665
Total depreciable capital assets	<u>19,222,555</u>	<u>1,323,644</u>	<u>15,995</u>	<u>554,334</u>	<u>21,084,538</u>
Less Accumulated Depreciation:					
Buildings	1,642,940	128,941	-	-	1,771,881
Other improvements	842,878	221,580	-	-	1,064,458
Equipment	2,824,896	301,789	15,995	-	3,110,690
Infrastructure	176,307	161,706	-	-	338,013
Vehicles and motorized equipment	2,654,752	253,229	-	-	2,907,981
Total accumulated depreciation	<u>8,141,773</u>	<u>\$ 1,067,245</u>	<u>\$ 15,995</u>	<u>\$ -</u>	<u>9,193,023</u>
Total depreciable capital assets, net	<u>11,080,782</u>				<u>11,891,515</u>
Governmental activities capital assets, net	<u>\$ 14,250,838</u>				<u>\$ 15,627,554</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

General government	\$ 61,210
Public safety	444,200
Transportation	318,190
Cultural and recreational	238,502
Stormwater	<u>5,143</u>
Total	<u><u>\$ 1,067,245</u></u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2018.

	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 75,890	\$ -	\$ -	\$ -	\$ 75,890
Other	28,911	-	-	-	28,911
Construction in progress	<u>21,305</u>	<u>471,383</u>	<u>-</u>	<u>492,688</u>	<u>-</u>
Total non-depreciable capital assets	<u>126,106</u>	<u>471,383</u>	<u>-</u>	<u>492,688</u>	<u>104,801</u>
Depreciable Capital Assets:					
Buildings	10,593,328	312,580	-	-	10,905,908
Improvements other than buildings	140,312	136,430	-	-	276,742
Distribution systems	19,244,793	9,973,933	-	471,383	29,690,109
Machinery and equipment	9,524,284	608,860	18,093	-	10,115,051
Natural gas fill station	<u>220,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,658</u>
Total depreciable capital assets	<u>39,723,375</u>	<u>11,031,803</u>	<u>18,093</u>	<u>471,383</u>	<u>51,208,468</u>
Less Accumulated Depreciation:					
Buildings	7,278,334	208,914	-	-	7,487,248
Improvements other than buildings	105,320	8,700	-	-	114,020
Distribution systems	9,097,734	603,189	-	-	9,700,923
Machinery and equipment	6,397,970	857,398	18,093	-	7,237,275
Natural gas fill station	<u>105,271</u>	<u>5,516</u>	<u>-</u>	<u>-</u>	<u>110,787</u>
Total accumulated depreciation	<u>22,984,629</u>	<u>\$ 1,683,717</u>	<u>\$ 18,093</u>	<u>\$ -</u>	<u>24,650,253</u>
Total depreciable capital assets, net	<u>16,738,746</u>				<u>26,558,215</u>
Business-type activities capital assets, net	<u>\$ 16,864,852</u>				<u>\$ 26,663,016</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2018 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 15,627,554	\$ 26,663,016
Long-term debt	(5,940,606)	(5,017,078)
Capital lease	(289,215)	-
Net investment in capital assets	<u>\$ 9,397,733</u>	<u>\$ 21,645,938</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 95,849	\$ 1,268,577	\$ 1,364,426
Other governmental	<u>7,898</u>	<u>248,173</u>	<u>256,071</u>
Total	<u>\$ 103,747</u>	<u>\$ 1,516,750</u>	<u>\$ 1,620,497</u>
Business-Type Activities:			
Water and sewer	<u>\$ 938,942</u>	<u>\$ 23,157</u>	<u>\$ 962,099</u>

Construction Commitments

The government has active construction projects as of June 30, 2018. At June 30, 2018, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
CDBG Techworks Project	\$ 537,874	\$ 462,297
Rail Trail Project	<u>28,109</u>	<u>124,891</u>
Total	<u>\$ 565,983</u>	<u>\$ 587,188</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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, 2018, was 8.25% of compensation for law enforcement officers and 7.5% 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 \$460,668 for the year ended June 30, 2018.

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, 2018, the City reported a liability of \$1,462,336 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was 0.09572%, which was an increase of 0.01040% from its proportion measure as of June 30, 2016.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, the City recognized pension expense of \$468,841. At June 30, 2018, 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	\$ 84,244	\$ 41,394
Changes of assumptions	208,842	-
Net difference between projected and actual earnings on pension plan investments	355,057	-
Changes in proportion and differences between City contributions and proportionate share of contributions	48,292	79,767
City contributions subsequent to the measurement date	460,668	-
Total	<u>\$ 1,157,103</u>	<u>\$ 121,161</u>

\$460,668 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, 2019. 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
2019	\$ 51,353
2020	411,525
2021	209,300
2022	<u>(96,904)</u>
Total	<u>\$ 575,274</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 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	7.20 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, 2018

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, 2016 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, 2017 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	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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, 2018

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	<u>\$ 4,389,967</u>	<u>\$ 1,462,336</u>	<u>\$ (981,311)</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 City'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, 2018

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

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>31</u>
Total	<u><u>35</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 normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Deaths after Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 \$45,847 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, 2018, the City reported a total pension liability of \$588,626. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$33,341.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 145,368
Changes of assumptions	29,315	11,757
City benefit payments made subsequent to the measurement date	23,528	-
Total	<u>\$ 52,843</u>	<u>\$ 157,125</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$23,528 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (28,131)
2020	(28,131)
2021	(28,131)
2022	(28,131)
2023	(15,286)
Thereafter	-
Total	<u>\$ (127,810)</u>

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	<u>\$ 633,876</u>	<u>\$ 588,626</u>	<u>\$ 547,323</u>

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

	2018
Beginning balance	\$ 714,819
Service cost	34,339
Interest on the total pension liability	26,707
Differences between expected and actual experience in the measurement of the total pension liability	(177,108)
Changes of assumptions or other inputs	35,716
Benefit payments	<u>(45,847)</u>
Ending balance of the total pension liability	<u>\$ 588,626</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.86% at December 31, 2016 to 3.16% at December 31, 2017.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2016 valuation were based on the results of an actuarial experience study for a five year period ending December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 468,841	\$ 33,341	\$ 502,182
Pension liability	1,462,336	588,626	2,050,962
Proportionate share of the net pension liability	0.09572%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	84,244	-	84,244
Changes of assumptions	208,842	29,315	238,157
Net difference between projected and actual earnings on plan investments	355,057	-	355,057
Changes in proportion and differences between contributions and proportionate share of contributions	48,292	-	48,292
Benefit payments and administrative costs paid subsequent to the measurement date	460,668	23,528	484,196

Deferred of Inflows of Resources:

Differences between expected and actual experience	41,394	145,368	186,762
Changes of assumptions	-	11,757	11,757
Changes in proportion and differences between contributions and proportionate share of contributions	79,767	-	79,767

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 the plan.

The City made contributions of \$72,191 for the reporting year. No amounts were 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.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

No assets are accumulated in a trust that meets the criteria in paragraph 14 of GASB Statement 75.

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	80	31
Total	83	31

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Total OPEB Liability

The City's total OPEB liability of \$2,985,493 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General Employees	3.50 to 7.75 percent
Firefighters	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.01 percent
Measurement Date	3.56 percent
Healthcare cost trend rates:	
Pre-Medicare	7.75 percent for 2016 decreasing to an ultimate rate of 5.00 percent by 2022

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 2,928,772
Changes for the year:	
Service cost	200,505
Interest	87,672
Differences between expected and actual experience	377
Changes in assumptions or other inputs	(199,413)
Benefit payments	(32,420)
Net changes	56,721
Balance at June 30, 2018	\$ 2,985,493

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The actuarial assumptions used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	<u>\$ 3,357,721</u>	<u>\$ 2,985,493</u>	<u>\$ 2,654,470</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 2,541,654</u>	<u>\$ 2,985,493</u>	<u>\$ 3,524,117</u>

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$266,683. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Deferred Outflows of of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 336	\$ -
Changes of assumptions	-	177,878
Benefit payments and administrative costs made subsequent to the measurement date	<u>8,400</u>	<u>-</u>
Total	<u>\$ 8,736</u>	<u>\$ 177,878</u>

\$8,400 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (21,494)
2020	(21,494)
2021	(21,494)
2022	(21,494)
2023	(21,494)
Thereafter	<u>(70,072)</u>
Total	<u>\$ (177,542)</u>

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Deferred Outflows/Inflows of Resources

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

Source	Amount
Differences between expected and actual experience- OPEB	336
Differences between expected and actual experience- LGERS	84,244
Changes of assumptions (LGERS & LEOSSA)	238,157
Changes in proportion and differences between City contributions and proportionate share of contributions (LGERS & LEOSSA)	48,292
Net difference between projected and actual earnings on pension plan investments (LGERS & LEOSSA)	355,057
Benefit payments paid subsequent to the measurement date (LEOSSA & LGERS)	484,196
Benefit payments and administrative costs made subsequent to the measurement date (OPEB)	8,400
Total	<u>\$ 1,218,682</u>

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

Source	Amount
Differences between expected and actual experience (LEOSSA & LGERS)	\$ 186,762
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	79,767
Changes of assumptions (OPEB)	177,878
Changes of assumptions (LEOSSA)	11,757
Taxes receivable, net	68,449
Stormwater receivables	35,152
Lighting assessment receivable	534
Total deferred inflows	<u>\$ 560,299</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 Cigna 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.

Claims and Judgments

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 600,000	\$ 108,000	\$ 492,000

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 56,085
2020	56,085
2021	56,085
2022	56,085
2023	56,085
2024-2025	112,170
Total minimum lease payments	392,595
Less: amount representing interest	(103,380)
Present value of minimum lease payments	\$ 289,215

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Notes Payable

Serviced by General Fund:

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%	\$ 705,995
2012 Note payable to bank for the Brook Street Soccer Park Capital Project, to be repaid in 24 semi-annual installments of \$53,125 through March 4, 2025; including interest at 2.36%	743,750
2014 Note payable to bank for the vehicles and equipment, to be repaid in 11 semi-annual installments of \$46,831 through December 8, 2018; including interest at 1.62%	92,599
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%	1,250,000
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%	609,559
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%	275,299
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%	40,757
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%	318,813
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%	170,505
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%	371,424
2018 Note payable to bank for Street Lighting, to be repaid in 6 semi-annual installments of \$54,039 through July 28, 2020; including interest at 1.664%	263,581
2018 Note payable to bank for Vehicles and Equipment, to be repaid in 10 semi-annual installments of \$51,444 through August 15, 2022; including interest at 1.84%	442,324
2018 Note payable to bank for Fire Truck, to be repaid in 10 semi-annual installments of \$69,802 through December 26, 2022; including interest at 2.29%	<u>656,000</u>
Total	<u><u>\$ 5,940,606</u></u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2018 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%	\$ 590,849
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%	492,169
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%	626,660
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	399,624
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%	1,207,776
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>1,700,000</u>
Total	<u>\$ 5,017,078</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
2019	\$ 1,284,525	\$ 133,629	\$ 527,879	\$ 113,359
2020	1,166,455	108,050	531,851	99,734
2021	1,128,275	82,257	535,965	85,966
2022	711,434	59,136	540,228	72,049
2023	497,558	42,618	544,645	57,978
2024-2028	902,359	88,464	1,470,817	148,334
2029-2033	250,000	10,838	664,397	53,927
2034-2038	-	-	201,296	8,897
Total	<u>\$ 5,940,606</u>	<u>\$ 524,992</u>	<u>\$ 5,017,078</u>	<u>\$ 640,244</u>

At June 30, 2018, the City of Belmont had a legal debt margin of \$99,811,223.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Changes in Long-Term Liabilities:

	<u>July 1, 2017</u>	<u>Restatement</u>	<u>July 1, 2017 as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>Current Maturities</u>
Governmental Activities:							
Notes payable	\$ 5,812,203	\$ -	\$ 5,812,203	\$ 1,461,000	\$ 1,332,597	\$ 5,940,606	\$ 1,284,525
Capitalized leases	321,994	-	321,994	-	32,779	289,215	34,677
Total pension liability (LEOSSA)	714,819	-	714,819	-	126,193	588,626	-
Net pension liability (LGERS)	1,285,651	-	1,285,651	-	247,392	1,038,259	-
Total OPEB liability	974,907	1,081,503	2,056,410	63,290	-	2,119,700	-
Compensated absences	<u>432,108</u>	<u>-</u>	<u>432,108</u>	<u>123,218</u>	<u>125,036</u>	<u>430,290</u>	<u>172,116</u>
Governmental activities long-term liabilities	<u>9,541,682</u>	<u>1,081,503</u>	<u>10,623,185</u>	<u>1,647,508</u>	<u>1,863,997</u>	<u>10,406,696</u>	<u>1,491,318</u>
Business-Type Activities:							
Notes payable	5,541,126	-	5,541,126	-	524,048	5,017,078	527,879
Net pension liability (LGERS)	525,125	-	525,125	-	101,048	424,077	-
Total OPEB liability	397,021	442,921	839,942	25,851	-	865,793	-
Compensated absences	<u>119,758</u>	<u>-</u>	<u>119,758</u>	<u>55,239</u>	<u>64,817</u>	<u>110,180</u>	<u>44,072</u>
Business-type activities long-term liabilities	<u>6,583,030</u>	<u>442,921</u>	<u>7,025,951</u>	<u>81,090</u>	<u>689,913</u>	<u>6,417,128</u>	<u>571,951</u>
Total	<u>\$ 16,124,712</u>	<u>\$ 1,524,424</u>	<u>\$ 17,649,136</u>	<u>\$ 1,728,598</u>	<u>\$ 2,553,910</u>	<u>\$ 16,823,824</u>	<u>\$ 2,063,269</u>

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

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ended June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net pension for the governmental activities decreased \$1,081,503 and \$442,921 for the business-type activities, for a total decrease of \$1,524,424.

6. Interfund Activity

The due to/from other funds at June 30, 2018 were for the purpose of funding capital projects and consist of the following:

From	To	Purpose	Amount
Techworks Project Fund	General Fund	City contribution to be repaid	\$ 1,101

The transfers to/from other funds at June 30, 2018 were for the purpose of funding capital projects and consist of the following:

From	To	Purpose	Amount
Capital Reserve Fund	Riverfront Park Project Fund	To close project	\$ 631,548
Capital Reserve Fund	Belmont Rail Trail Project Fund	To transfer funds for CY activity	28,109
Brooks Street Soccer Park Project Fund	Capital Reserve Fund	To close project	34,846
Safe Routes to School Grant Fund	General Fund	To close project	5,438
West Outfall Enterprise Capital Project Fund	Water and Sewer Capital Reserve Fund	To close project	8,608
	Water Main Replacement Enterprise Capital Project Fund	To close project	1,147
Water and Sewer Capital Reserve Fund	Automated Meter Infrastructure Program Capital Project Fund	To transfer funds for CY activity	90,000
Total			\$ 799,696

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

7. Subsequent Events

On August 30, 2018, the City issued \$451,000 in installment debt for vehicles and equipment.

On September 28, 2018, the City issued \$156,000 in installment debt for police radios.

On October 25, 2018, the City issued \$4,890,342 in installment debt for construction of Public Works.

A lawsuit related to impact fees was filed in February 2018. Two cases were dismissed on October 24, 2018 and two payments were made (1) \$118,854.25 and (2) \$15,483.00. A third case went to mediation on December 12, 2018. At the time of the report release, it is the opinion of the Attorney that an amount of \$400,000 is reasonably estimated and probable for payment when the case goes to court.

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CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST TWO FISCAL YEARS*

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Beginning balance	\$ 714,819	\$ 712,996
Service cost	34,339	37,788
Interest on the total pension liability	26,707	24,681
Differences between expected and actual experience in the measurement of the total pension liability	(177,108)	-
Changes of assumptions or other inputs	35,716	(17,341)
Benefit payments	(45,847)	(43,305)
Ending balance of the total pension liability	<u>\$ 588,626</u>	<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
LAST TWO FISCAL YEARS***

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Total pension liability	\$ 588,626	\$ 714,819
Covered payroll	1,543,775	1,484,384
Total pension liability as a percentage of covered payroll	38.13%	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

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Other Post-Employment Benefits	
	2018
Service cost	\$ 200,505
Interest	87,672
Differences between expected and actual experience	377
Changes of assumptions or other inputs	(199,413)
Benefit payments	(32,420)
Net change in total OPEB liability	56,721
Total OPEB liability - beginning	2,928,772
Total OPEB liability - ending	\$ 2,985,493
Covered payroll	\$ 4,525,106
Total OPEB liability as a percentage of covered payroll	65.98%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2018	3.56%

Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2027.

CITY OF BELMONT, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	2018	2017	2016	2015	2014
City of Belmont's proportion of the net pension liability (asset) (%)	0.09572%	0.08532%	0.09595%	0.09515%	0.09800%
City of Belmont's proportion of the net pension liability (asset) (\$)	\$ 1,462,336	\$ 1,810,776	\$ 430,618	\$ (561,144)	\$ 1,181,276
City of Belmont's covered-employee payroll	\$ 5,568,457	\$ 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	26.26%	37.18%	8.76%	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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 FIVE FISCAL YEARS

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 460,668	\$ 415,241	\$ 330,554	\$ 479,664	\$ 346,813
Contributions in relation to the contractually required contribution	<u>460,668</u>	<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>	<u>\$ -</u>
City of Belmont's covered-employee payroll	\$ 5,983,685	\$ 5,568,457	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058
Contributions as a percentage of covered-employee payroll	7.70%	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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 6,503,623	\$ 6,380,624	\$ (122,999)	\$ 5,970,242
Prior years	44,786	119,000	74,214	123,090
Penalties and interest	13,341	15,632	2,291	13,882
Total ad valorem taxes	6,561,750	6,515,256	(46,494)	6,107,214
Other Taxes and Licenses:				
Lease vehicle tax	30,000	33,128	3,128	28,664
Occupancy tax	105,000	104,536	(464)	97,335
Vehicle license tax	140,000	143,565	3,565	118,298
Total other taxes and licenses	275,000	281,229	6,229	244,297
Unrestricted Intergovernmental:				
Local option sales tax	2,250,000	2,289,767	39,767	2,160,565
Utility franchise tax	895,300	895,301	1	888,835
Solid waste disposal tax	5,688	7,543	1,855	7,333
Beer and wine tax	47,977	47,977	-	49,572
Total unrestricted intergovernmental	3,198,965	3,240,588	41,623	3,106,305
Restricted Intergovernmental Revenues:				
Powell Bill allocation	307,521	307,521	-	303,766
Wellness funds	4,203	4,203	-	4,327
Unauthorized substance tax	13,750	14,573	823	11,993
State grants	4,795	4,795	-	1,898
Other grants	75,000	75,000	-	237,989
Total restricted intergovernmental revenues	405,269	406,092	823	559,973
Permits and Fees:				
Zoning permits	227,712	243,742	16,030	109,041
Sales and Services:				
Recreation department fees	120,600	123,385	2,785	154,492
Sale of cemetery lots	10,535	11,160	625	10,605
Cemetery interment fees	3,500	2,875	(625)	3,750
Fire protection services	609	609	-	614
Sale of surplus property	132,466	326	(132,140)	9,072
Facility usage fees	-	20	20	30
Alarm registration fee	750	923	173	1,015
Total sales and services	268,460	139,298	(129,162)	179,578

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	28,791	36,280	7,489	15,024
Other General Revenues:				
Miscellaneous	455,643	591,864	136,221	242,149
Cash over (short)	-	-	-	(75)
SRO contribution	30,000	69,400	39,400	70,000
Special police funds	4,031	4,031	-	2,516
Total other general revenues	489,674	665,295	175,621	314,590
Total revenues	11,455,621	11,527,780	72,159	10,636,022
Expenditures:				
General Government:				
Mayor and Council:				
Fees	30,063	30,062	1	30,073
Group insurance	25,731	25,731	-	18,822
Travel and training	5,020	5,018	2	5,805
Supplies	1,360	1,357	3	551
Dues and memberships	11,775	11,773	2	19,838
Miscellaneous	4,968	4,968	-	5,165
Total	78,917	78,909	8	80,254
Administration and Finance:				
Salaries	208,500	210,656	(2,156)	174,267
Employee benefits	68,085	67,908	177	50,289
Professional services	213,000	205,199	7,801	189,563
Telephone	8,590	8,619	(29)	7,310
Heating	1,335	1,319	16	984
Travel and training	13,225	13,213	12	13,910
Equipment maintenance	2,732	2,731	1	379
Equipment rental	805	805	-	391

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Building repairs	4,150	4,554	(404)	810
Advertisement	850	1,578	(728)	275
Postage	500	392	108	290
Office supplies	1,500	1,395	105	2,499
Supplies	9,100	9,397	(297)	10,213
Car allowance	4,800	4,800	-	4,800
Subscriptions	1,290	1,288	2	1,736
Insurance and bonds	27,722	26,389	1,333	11,325
Building cleaning service	-	-	-	8
Miscellaneous expense	452,216	455,110	(2,894)	45,714
Community promotion	12,800	12,910	(110)	19,877
Bank charges	68,100	66,183	1,917	65,037
Water and sewer fees	1,600	1,540	60	992
Stormwater fees	252	252	-	252
Electricity	7,000	7,203	(203)	8,891
Total	1,108,152	1,103,441	4,711	609,812
City Attorney:				
Fees	9,750	9,750	-	9,000
Special compensation	63,000	59,580	3,420	98,886
Travel and training	700	628	72	619
Total	73,450	69,958	3,492	108,505
Planning and Zoning:				
Salaries	303,278	293,341	9,937	262,206
Employee benefits	87,850	86,982	868	81,765
Professional services	37,650	10,834	26,816	17,252
Travel and training	6,500	5,383	1,117	4,356
Telephone	5,850	5,816	34	4,863
Advertisement	3,000	2,959	41	2,119
Miscellaneous	25,285	14,778	10,507	46,500
Supplies	3,200	3,218	(18)	2,792
Vehicle maintenance	1,200	1,144	56	92
Office supplies	4,700	4,661	39	3,050
Gas and lubricants	500	497	3	545
Water and sewer fees	450	445	5	400

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Storm water fees	216	216	-	216
Code enforcement	-	-	-	910
Subscriptions and dues	700	695	5	1,075
Insurance	8,250	8,186	64	9,930
Equipment maintenance	-	-	-	35
Equipment rentals	6,000	5,654	346	3,324
Building repairs	2,100	2,085	15	4
Total	496,729	446,894	49,835	441,434
Total general government	1,757,248	1,699,202	58,046	1,240,005

Public Safety:

Police:

Salaries	1,878,000	1,876,556	1,444	1,792,231
Employee benefits	441,200	440,257	943	418,008
Professional services	87,200	90,664	(3,464)	47,352
Retirement	147,735	147,488	247	140,427
Separation allowance	47,057	47,056	1	44,153
Mandated	83,400	83,537	(137)	78,813
Special compensation	6,525	6,515	10	12,199
Telephone	61,500	62,050	(550)	44,202
Heating	2,500	2,550	(50)	1,823
Travel and training	7,500	6,863	637	10,867
Building repairs	10,000	9,524	476	8,409
Radio equipment maintenance	500	705	(205)	-
Equipment maintenance	16,000	13,050	2,950	16,302
Vehicle maintenance	42,000	43,522	(1,522)	36,052
Gas and lubricants	80,600	80,540	60	62,254
Water and sewer fees	1,265	1,265	-	1,120
Stormwater fees	828	828	-	828
Electricity	20,000	18,886	1,114	19,365
Miscellaneous	13,000	12,581	419	9,806
Postage	1,600	1,128	472	1,734
Unemployment	-	-	-	2,100
Office supplies	4,000	3,681	319	5,007

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Supplies	31,000	33,269	(2,269)	13,853
Uniforms	35,000	25,920	9,080	23,527
Subscriptions and dues	600	525	75	773
Insurance	125,500	125,432	68	122,596
K-9 supplies	1,500	1,636	(136)	2,070
Undercover operations	16,700	20,710	(4,010)	375
Total	3,162,710	3,156,738	5,972	2,916,246
Fire:				
Salaries	963,650	967,315	(3,665)	824,669
Employee benefits	323,300	322,770	530	275,423
Special compensation	33,650	33,638	12	32,671
Professional services	5,025	6,427	(1,402)	5,124
Telephone	3,000	2,965	35	5,263
Postage	355	173	182	301
Heating	2,500	2,460	40	1,742
Travel and training	6,000	5,657	343	5,741
Building maintenance	12,500	11,570	930	8,177
Equipment maintenance	14,000	12,185	1,815	12,682
Vehicle maintenance	106,000	104,874	1,126	99,691
Gas and lubricants	12,400	12,369	31	12,382
Water and sewer fees	2,585	2,584	1	4,468
Stormwater fees	252	252	-	252
Electricity	6,200	5,961	239	6,356
Office supplies	500	463	37	1,107
Supplies	10,700	10,763	(63)	12,429
Uniforms	23,566	22,815	751	22,076
Insurance and bonds	26,285	27,237	(952)	45,392
Subscriptions	3,725	3,721	4	2,985
Capital outlay	-	-	-	1,325
Gaston County Radio Agreement	1,600	1,596	4	5,213
South Point VFD contract	17,500	17,228	272	46,982
Total	1,575,293	1,575,023	270	1,432,451
Total public safety	4,738,003	4,731,761	6,242	4,348,697

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries	515,293	493,265	22,028	535,339
Employee benefits	179,569	178,960	609	174,299
Professional services	43,500	44,888	(1,388)	20,613
Telephone	7,500	10,996	(3,496)	8,697
Travel and training	4,000	1,905	2,095	3,485
Building repair	-	1,949	(1,949)	647
Equipment maintenance	12,500	16,480	(3,980)	10,293
Vehicle maintenance	23,000	26,527	(3,527)	35,028
Gas and lubricants	13,000	20,665	(7,665)	18,519
Equipment rental	-	12,448	(12,448)	-
Electricity street lights	193,900	209,400	(15,500)	221,931
Water and sewer fees	2,080	4,165	(2,085)	3,500
Office supplies	1,400	1,424	(24)	2,611
Advertisement	100	-	100	-
Materials and supplies	53,500	44,493	9,007	70,650
State fees	1,100	1,021	79	684
Contracted street repairs	118,000	495	117,505	166,766
Routine street repairs	66,000	67,887	(1,887)	58,373
Insurance and bonds	36,732	80,753	(44,021)	33,950
Employee uniforms	6,450	9,551	(3,101)	6,843
Contracted services - cemetery	31,513	33,753	(2,240)	30,408
Contracted mowing	154,032	151,508	2,524	150,914
Beautification projects	35,000	34,219	781	23,059
Rail crossing guards	1,500	1,329	171	16,870
Grant match	-	16,798	(16,798)	-
Improvements	49,675	38,768	10,907	43,598
Total transportation	1,549,344	1,503,647	45,697	1,637,077
Environmental Protection:				
Sanitation:				
Professional services	784,000	779,548	4,452	783,682

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Cultural and Recreational:				
Parks and Recreation:				
Salaries	205,000	198,531	6,469	187,184
Employee benefits	69,927	68,455	1,472	61,079
Professional services	6,800	8,346	(1,546)	5,509
Special compensation	27,300	26,903	397	30,469
Telephone	11,212	11,226	(14)	7,679
Building repairs	200	197	3	1,796
Equipment maintenance	7,000	3,533	3,467	1,072
Vehicle maintenance	650	1,347	(697)	764
Heating	1,500	1,415	85	984
Travel and training	2,625	2,620	5	2,154
Uniforms	175	162	13	303
Stowe Park maintenance	-	-	-	414
Miscellaneous	500	480	20	480
Water and sewer fees	28,879	28,162	717	35,563
Gas and lubricants	850	841	9	1,242
Equipment rental	1,300	1,278	22	-
Land usage	12,200	11,400	800	14,300
Electricity	33,000	35,031	(2,031)	41,685
Facility usage	-	-	-	1,105
Advertisement	800	1,665	(865)	248
Postage	500	38	462	243
Office supplies	2,300	2,348	(48)	717
Supplies	44,800	44,018	782	51,205
Subscriptions	175	172	3	208
Insurance and bonds	12,600	12,632	(32)	11,344
Community events	42,200	41,994	206	28,399
Total cultural and recreational	512,493	502,794	9,699	486,146
Economic and Physical Development:				
Tourism development	106,000	104,536	1,464	97,335
Economic development	160,000	157,484	2,516	-
Total economic and physical development	266,000	262,020	3,980	97,335

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Capital Outlay:				
Capital purchases	1,966,370	1,399,840	566,530	1,175,541
Debt Service:				
Principal retirement	1,207,651	1,207,656	(5)	1,046,608
Interest and fees	140,991	141,188	(197)	169,946
Total debt service	1,348,642	1,348,844	(202)	1,216,554
Total expenditures	12,922,100	12,227,656	694,444	10,985,037
Revenues over (under) expenditures	(1,466,479)	(699,876)	766,603	(349,015)
Other Financing Sources (Uses):				
Long-term debt issued	1,461,041	1,461,000	(41)	450,000
Transfer from Safe Routes to School Grant Fund	5,438	5,438	-	-
Total other financing sources (uses)	1,466,479	1,466,438	(41)	450,000
Net change in fund balance	\$ -	766,562	\$ 766,562	100,985
Fund Balance:				
Beginning of year - July 1		4,230,348		4,129,363
End of year - June 30		\$ 4,996,910		\$ 4,230,348

CITY OF BELMONT, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2018**

	Special Revenue Funds	Capital Project Funds		
	Stormwater Fund	Techworks Project Fund	Capital Reserve Fund	Total
Assets:				
Cash and cash equivalents	\$ 684,767	\$ 1,101	\$ 756,249	\$ 1,442,117
Accounts receivable, net	35,152	247,303	-	282,455
Inventories	3,221	-	-	3,221
Total assets	<u>\$ 723,140</u>	<u>\$ 248,404</u>	<u>\$ 756,249</u>	<u>\$ 1,727,793</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,768	\$ 247,303	\$ -	\$ 256,071
Due to other funds	-	1,101	-	1,101
Total liabilities	<u>8,768</u>	<u>248,404</u>	<u>-</u>	<u>257,172</u>
Deferred Inflows of Resources	<u>35,152</u>	<u>-</u>	<u>-</u>	<u>35,152</u>
Fund Balances:				
Non-spendable:				
Inventory	3,221	-	-	3,221
Restricted:				
Stabilization by State statute	-	247,303	-	247,303
Committed for Capital Reserve	-	-	756,249	756,249
Assigned	675,999	-	-	675,999
Unassigned	-	(247,303)	-	(247,303)
Total fund balances	<u>679,220</u>	<u>-</u>	<u>756,249</u>	<u>1,435,469</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 723,140</u>	<u>\$ 248,404</u>	<u>\$ 756,249</u>	<u>\$ 1,727,793</u>

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CITY OF BELMONT, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds		Capital Project Funds
	Stormwater Fund	Safe Routes to School Grant Fund	Brook Street Soccer Park Project Fund
Revenues:			
Sales and services	\$ 430,333	\$ -	\$ -
Grant proceeds	-	-	-
Miscellaneous revenues	52	-	-
Investment earnings	31	-	-
Total revenues	<u>430,416</u>	<u>-</u>	<u>-</u>
Expenditures:			
Cultural and recreational	-	-	-
Environmental protection	570,688	-	-
Economic and physical development	-	-	-
Debt service:			
Principal	157,720	-	-
Interest and fees	16,101	-	-
Total expenditures	<u>744,509</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(314,093)	-	-
Other Financing Sources (Uses):			
Transfer to General Fund	-	(5,438)	-
Transfer to Riverfront Park Project Fund	-	-	-
Transfer to Belmont Rail Trail Capital Project Fund	-	-	-
Transfer to Capital Reserve Fund	-	-	(34,846)
Transfer from Brooks Street Soccer Park Project Fund	-	-	-
Transfer from Capital Reserve Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(5,438)</u>	<u>(34,846)</u>
Net change in fund balances	(314,093)	(5,438)	(34,846)
Fund Balances:			
Beginning of year - July 1	<u>993,313</u>	<u>5,438</u>	<u>34,846</u>
End of year - June 30	<u>\$ 679,220</u>	<u>\$ -</u>	<u>\$ -</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, 2018**

Capital Project Funds					
Riverfront Park Project Fund	Techworks Project Fund	Comprehensive Paving Program Project Fund	Belmont Rail Trail Capital Project Fund	Capital Reserve Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,333
-	503,874	-	-	-	503,874
-	34,000	-	-	-	34,052
<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,120</u>	<u>13,152</u>
<u>1</u>	<u>537,874</u>	<u>-</u>	<u>-</u>	<u>13,120</u>	<u>981,411</u>
183,317	-	-	28,109	-	211,426
-	-	-	-	-	570,688
-	537,874	18,322	-	-	556,196
-	-	-	-	-	157,720
-	-	-	-	-	16,101
<u>183,317</u>	<u>537,874</u>	<u>18,322</u>	<u>28,109</u>	<u>-</u>	<u>1,512,131</u>
(183,316)	-	(18,322)	(28,109)	13,120	(530,720)
-	-	-	-	-	(5,438)
-	-	-	-	(631,548)	(631,548)
-	-	-	-	(28,109)	(28,109)
-	-	-	-	-	(34,846)
-	-	-	-	34,846	34,846
<u>631,548</u>	<u>-</u>	<u>-</u>	<u>28,109</u>	<u>-</u>	<u>659,657</u>
<u>631,548</u>	<u>-</u>	<u>-</u>	<u>28,109</u>	<u>(624,811)</u>	<u>(5,438)</u>
448,232	-	(18,322)	-	(611,691)	(536,158)
<u>(448,232)</u>	<u>-</u>	<u>18,322</u>	<u>-</u>	<u>1,367,940</u>	<u>1,971,627</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,249</u>	<u>\$ 1,435,469</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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 430,425	\$ 430,333	\$ (92)	\$ 413,933
Interest earned	-	31	31	5
Miscellaneous revenues	-	52	52	-
Total revenues	<u>430,425</u>	<u>430,416</u>	<u>(9)</u>	<u>413,938</u>
Expenditures:				
Environmental protection:				
Salaries	116,000	114,487	1,513	117,574
Employee benefits	36,431	35,321	1,110	30,755
Professional services	37,803	36,003	1,800	32,278
Telephone	1,750	1,734	16	1,992
Travel and training	60	60	-	60
Gas and lubricants	10,115	10,720	(605)	5,522
Office supplies	800	762	38	781
Supplies	38,121	38,255	(134)	23,283
Utilities	1,800	1,799	1	2,139
Subscriptions and dues	157	157	-	407
Capital outlay	331,400	331,390	10	270,831
Debt service:				
Principal	157,722	157,720	2	57,869
Interest and fees	16,100	16,101	(1)	11,433
Total expenditures	<u>748,259</u>	<u>744,509</u>	<u>3,750</u>	<u>554,924</u>
Revenues over (under) expenditures	<u>(317,834)</u>	<u>(314,093)</u>	<u>3,741</u>	<u>(140,986)</u>
Other Financing Sources (Uses):				
Loan proceeds	-	-	-	700,770
Appropriated fund balance	317,834	-	(317,834)	-
Total other financing sources (uses)	<u>317,834</u>	<u>-</u>	<u>(317,834)</u>	<u>700,770</u>
Net change in fund balance	<u>\$ -</u>	<u>(314,093)</u>	<u>\$ (314,093)</u>	<u>559,784</u>
Fund Balance:				
Beginning of year - July 1		<u>993,313</u>		<u>433,529</u>
End of year - June 30		<u>\$ 679,220</u>		<u>\$ 993,313</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, 2018

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

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, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ 457	\$ -	\$ 457	\$ 457
Expenditures:					
Design	78,375	24,508	-	24,508	53,867
Construction and administration	1,154,632	1,216,103	-	1,216,103	(61,471)
Contingency	7,147	-	-	-	7,147
Total expenditures	1,240,154	1,240,611	-	1,240,611	(457)
Revenues over (under) expenditures	(1,240,154)	(1,240,154)	-	(1,240,154)	-
Other Financing Sources (Uses):					
Long-term debt issued	1,275,000	1,275,000	-	1,275,000	-
Transfer to Capital Reserve Fund	(34,846)	-	(34,846)	(34,846)	-
Total other financing sources (uses)	1,240,154	1,275,000	(34,846)	1,240,154	-
Net change in fund balance	\$ -	\$ 34,846	(34,846)	\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			34,846		
End of year, June 30			\$ -		

CITY OF BELMONT, NORTH CAROLINA

RIVERFRONT PARK PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
PARTF Grant proceeds	\$ 550,000	\$ 550,000	\$ -	\$ 550,000	\$ -
Investment earnings	-	120	1	121	121
Total revenues	<u>550,000</u>	<u>550,120</u>	<u>1</u>	<u>550,121</u>	<u>121</u>
Expenditures:					
Design	8,954	8,954	-	8,954	-
Construction and administration	2,672,640	2,489,398	183,317	2,672,715	(75)
Contingency	750	-	-	-	750
Total expenditures	<u>2,682,344</u>	<u>2,498,352</u>	<u>183,317</u>	<u>2,681,669</u>	<u>675</u>
Revenues over (under) expenditures	<u>(2,132,344)</u>	<u>(1,948,232)</u>	<u>(183,316)</u>	<u>(2,131,548)</u>	<u>796</u>
Other Financing Sources (Uses):					
Long-term debt issued	1,500,000	1,500,000	-	1,500,000	-
Transfer from Capital Reserve Fund	632,344	-	631,548	631,548	(796)
Total other financing sources (uses)	<u>2,132,344</u>	<u>1,500,000</u>	<u>631,548</u>	<u>2,131,548</u>	<u>(796)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (448,232)</u>	448,232	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			(448,232)		
End of year, June 30			<u>\$ -</u>		

CITY OF BELMONT, NORTH CAROLINA

TECHWORKS PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental- CDBG 16-E-2938	\$ 1,000,171	\$ -	\$ 503,874	\$ 503,874	\$ (496,297)
Private revenue	-	-	34,000	34,000	34,000
Total revenues	1,000,171	-	537,874	537,874	(462,297)
Expenditures:					
Construction- CDBG 16-E-2938	1,000,171	-	503,874	503,874	496,297
Construction	-	-	34,000	34,000	(34,000)
Total expenditures	1,000,171	-	537,874	537,874	462,297
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

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, 2018

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

CITY OF BELMONT, NORTH CAROLINA

BELMONT RAIL TRAIL CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2018

		<u>Actual</u>			
	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Over/Under</u>
Expenditures:					
Design	\$ 153,000	\$ -	\$ 28,109	\$ 28,109	\$ 124,891
Revenues over (under) expenditures	(153,000)	-	(28,109)	(28,109)	124,891
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	153,000	-	28,109	28,109	(124,891)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ 10,080	\$ 13,120	\$ 3,040	\$ 5,588
Other Financing Sources (Uses):				
Transfer to Riverfront Park Project Fund	(632,030)	(631,548)	482	-
Transfer to Belmont Rail Trail Capital Project Fund	(28,109)	(28,109)	-	-
Transfer from Brooks Street Soccer Park Project Fund	34,846	34,846	-	-
Transfer from General Fund	615,213	-	(615,213)	-
Total other financing sources (uses)	(10,080)	(624,811)	(614,731)	-
Net change in fund balance	\$ -	(611,691)	\$ (611,691)	5,588
Fund Balance:				
Beginning of year, July 1		1,367,940		1,362,352
End of year - June 30		\$ 756,249		\$ 1,367,940

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 3,248,983	\$ 3,494,052	\$ 245,069	\$ 3,305,280
Sewer charges	3,107,038	3,132,609	25,571	3,086,958
Water and sewer taps	97,191	97,311	120	108,150
Reconnections	36,000	37,871	1,871	38,453
Service connection fees	36,250	37,475	1,225	34,379
Penalties	90,000	94,273	4,273	91,533
Pretreatment fees	9,580	10,535	955	12,265
Impact fees	874,373	752,329	(122,044)	338,268
Inspection fees	170,993	213,072	42,079	84,055
System development fees	596,017	820,926	224,909	27,433
Maintenance fees	256,282	261,915	5,633	205,838
Hydrant revenues	586,416	586,416	-	-
Miscellaneous revenues	95,700	102,828	7,128	74,833
Total operating revenues	<u>9,204,823</u>	<u>9,641,612</u>	<u>436,789</u>	<u>7,407,445</u>
Non-Operating Revenues:				
Interest income	-	807	807	325
Total revenues	<u>9,204,823</u>	<u>9,642,419</u>	<u>437,596</u>	<u>7,407,770</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	979,978	986,961	(6,983)	776,226
Employee benefits	343,226	329,786	13,440	291,249
Professional services	151,225	142,644	8,581	40,359
Travel and training	14,335	14,294	41	4,842
Equipment maintenance	23,710	24,315	(605)	16,166
Vehicle maintenance	33,000	33,062	(62)	20,632
Gas and lubricants	25,250	26,239	(989)	22,968
Equipment rental	26,000	29,233	(3,233)	-
Postage	26,200	25,990	210	23,200
Electricity	21,000	20,518	482	17,591
Advertisements	-	48	(48)	-
Office supplies	3,500	3,581	(81)	2,801
Supplies	118,500	118,188	312	115,048

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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Expenditures (continued):				
Water Administration and				
Distribution (continued):				
Materials	67,000	63,971	3,029	123,458
Uniforms	12,750	13,442	(692)	13,770
Contracted repairs	33,200	33,699	(499)	29,721
Utility cuts and repairs	80,000	80,063	(63)	71,281
Subscriptions and dues	27,250	27,515	(265)	4,401
State/federal mandate	1,300	1,209	91	548
Wastewater services	3,465	3,463	2	2,646
Insurance and bonds	34,250	34,230	20	34,726
Total water administration and distribution	2,044,771	2,032,291	12,480	1,622,588
Water Treatment Plant:				
Salaries	550,100	555,218	(5,118)	510,800
Employee benefits	189,000	187,497	1,503	170,480
Professional services	13,500	18,036	(4,536)	27,933
Telephone	8,800	8,791	9	8,715
Postage	3,000	2,975	25	1,944
Heating	1,600	1,544	56	3,358
Travel and training	6,500	6,563	(63)	5,050
Plant repairs	45,000	44,228	772	66,280
Equipment maintenance	22,000	20,174	1,826	17,564
Vehicle maintenance	2,100	2,007	93	1,757
Gas lubricants	4,000	3,828	172	2,852
State fees	5,000	4,771	229	5,725
Materials	6,500	6,136	364	5,710
Contract services	70,000	62,917	7,083	69,745
Sludge disposal	-	-	-	22,279
Electricity	110,000	105,219	4,781	109,843
Office supplies	2,100	2,014	86	1,455
Supplies	5,500	4,686	814	1,576
Water treatment	110,648	113,733	(3,085)	127,930
Lab supplies	16,000	15,511	489	13,450
Uniforms	7,000	6,301	699	6,013

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Water Treatment Plant (continued):				
Subscriptions and dues	7,000	6,923	77	5,238
Insurance and bonds	24,500	23,786	714	24,571
Total water treatment plant	1,209,848	1,202,858	6,990	1,210,268
Waste Collection and Treatment:				
Salaries	485,000	489,522	(4,522)	411,577
Employee benefits	182,525	179,972	2,553	166,533
Professional services	19,100	22,995	(3,895)	123,965
Telephone	15,000	15,141	(141)	12,539
Postage	500	475	25	239
Travel and training	3,500	3,524	(24)	1,340
Sludge disposal	130,000	127,839	2,161	44,792
Mills pre-treatment testing	8,200	8,231	(31)	8,132
Lab testing	69,000	65,409	3,591	63,736
Plant repairs	65,000	66,968	(1,968)	45,700
Equipment maintenance	60,000	59,564	436	99,066
Vehicle maintenance	2,500	2,549	(49)	5,034
State fees	6,000	5,950	50	6,176
Gas and lubricants	10,050	10,037	13	8,805
Electricity	314,100	318,677	(4,577)	307,431
Wastewater services	120,756	121,765	(1,009)	129,223
Advertisements	750	636	114	104
Office supplies	2,600	2,563	37	1,517
Supplies	10,250	10,039	211	7,281
Uniforms	7,000	6,638	362	5,804
Subscriptions and dues	650	631	19	411
Lab supplies	87,550	79,829	7,721	63,508
Equipment rental	1,000	967	33	40,637
Insurance bonds	15,641	15,621	20	19,912
Total waste collection and treatment	1,616,672	1,615,542	1,130	1,573,462
Debt Service:				
Interest and fees	121,000	120,167	833	96,717
Principal retirement	530,000	524,048	5,952	452,806
Total debt service	651,000	644,215	6,785	549,523

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Capital Outlay	<u>1,524,850</u>	<u>1,509,927</u>	<u>14,923</u>	<u>2,871,341</u>
Total expenditures	<u>7,047,141</u>	<u>7,004,833</u>	<u>42,308</u>	<u>7,827,182</u>
Revenues over (under) expenditures	<u>2,157,682</u>	<u>2,637,586</u>	<u>479,904</u>	<u>(419,412)</u>
Other Financing Sources (Uses):				
Revolving loan proceeds	-	-	-	1,341,974
Transfer to Water and Sewer Capital Reserve Fund	<u>(2,157,682)</u>	<u>-</u>	<u>2,157,682</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,157,682)</u>	<u>-</u>	<u>2,157,682</u>	<u>1,341,974</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,637,586</u>	<u>\$ 2,637,586</u>	<u>\$ 922,562</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 2,637,586</u>		<u>\$ 922,562</u>
Reconciling items:				
Payment of debt principal		524,048		452,806
Assets capitalized from other than capital outlay		14,439		26,927
Construction in progress transferred to governmental activities		(21,305)		-
Amount included in capital outlay not capitalized		(89,425)		-
Capital outlay		1,509,927		2,871,341
Change in accrued vacation pay		9,578		(953)
Change in OPEB liability		(25,851)		(75,061)
Capital contributions - donated water lines		9,596,862		-
AMI Project - interest		17		117
Capital Reserve Fund - interest		20,024		9,436
Interest expense accrual		4,194		(30,654)
Depreciation and amortization		(1,683,717)		(1,280,684)
Change in deferred outflows of resources - pensions		(121,020)		360,720
Change in net pension liability		101,048		(400,246)
Change in deferred inflows of resources - pensions		17,603		30,694
Change in deferred outflows of resources - OPEB		4,737		-
Change in deferred inflows of resources - OPEB		(51,585)		-
Loan proceeds		-		(1,341,974)
Loss on disposal of assets		-		(4,007)
Change in inventory		<u>15,813</u>		<u>2,931</u>
Total reconciling items		<u>9,825,387</u>		<u>621,393</u>
Change in net position (Exhibit H)		<u>\$ 12,462,973</u>		<u>\$ 1,543,955</u>

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, 2018

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

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, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Expenditures:					
Economic and physical development:					
Construction	\$ 510,903	\$ 510,903	\$ -	\$ 510,903	\$ -
Revenues over (under) expenditures	(510,903)	(510,903)	-	(510,903)	-
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	10,224	10,224	-	10,224	-
Transfer from Water and Sewer Capital Reserve Fund	1,147	-	1,147	1,147	-
State revolving loan proceeds	499,532	499,532	-	499,532	-
Total other financing sources (uses)	510,903	509,756	1,147	510,903	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (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, 2018

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Non-Operating Revenues:					
Interest income	\$ -	\$ 117	\$ 17	\$ 134	\$ 134
Expenditures:					
Economic and physical development:					
Design, installment, and administration	2,090,000	1,613,911	471,383	2,085,294	4,706
Revenues over (under) expenditures	(2,090,000)	(1,613,794)	(471,366)	(2,085,160)	4,840
Other Financing Sources (Uses):					
Transfer from Water and Sewer Capital Reserve Fund	90,000	-	90,000	90,000	-
Installment financing agreement	2,000,000	2,000,000	-	2,000,000	-
Total other financing sources (uses)	2,090,000	2,000,000	90,000	2,090,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 386,206	\$ (381,366)	\$ 4,840	\$ 4,840

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, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 20,024	\$ 20,024	\$ 9,436
Other Financing Sources (Uses):				
Transfer to Automated Meter Infrastructure Program Capital Project Fund	(90,000)	(90,000)	-	-
Transfer to Water Main Replacement Enterprise Capital Project Fund	(1,147)	(1,147)	-	-
Transfer from West Outfall Enterprise Capital Project Fund	8,608	8,608	-	-
Appropriated fund balance	82,539	-	(82,539)	-
Total other financing sources (uses)	-	(82,539)	(82,539)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (62,515)	\$ (62,515)	\$ 9,436

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2018**

Assets:

Cash and cash equivalents	\$ 85,237
Accounts receivable, net	<u>9,485</u>
Total assets	<u>\$ 94,722</u>

Fund Balance:

Restricted for tourism	<u>\$ 94,722</u>
Total liabilities and fund balance	<u>\$ 94,722</u>

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, 2018

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

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Occupancy tax	\$ 106,000	\$ 113,569	\$ 7,569	\$ 97,335
Expenditures:				
Economic and physical development:				
Tourism program	106,000	91,396	14,604	90,482
Net change in fund balance	\$ -	22,173	\$ 22,173	6,853
Fund Balance:				
Beginning of year - July 1		72,549		65,696
End of year - June 30		\$ 94,722		\$ 72,549

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 6,594,076	\$ 6,559,903	\$ 34,173
2016-2017	33,423	-	17,938	15,485
2015-2016	14,279	-	4,065	10,214
2014-2015	14,761	-	2,657	12,104
2013-2014	12,212	-	1,702	10,510
2012-2013	11,510	-	1,024	10,486
2011-2012	9,814	-	851	8,963
2010-2011	8,941	-	895	8,046
2009-2010	9,560	-	1,049	8,511
2008-2009	7,808	-	849	6,959
2007-2008	6,888	-	6,888	-
Total	<u>\$ 129,196</u>	<u>\$ 6,594,076</u>	<u>\$ 6,597,821</u>	<u>125,451</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>(57,002)</u>
Ad valorem taxes receivable, net				<u>\$ 68,449</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)			\$ 6,515,256	
Less penalties and interest collected			(15,632)	
Taxes written off and refunded			6,888	
Miscellaneous			<u>91,309</u>	
Total collections and credits			<u>\$ 6,597,821</u>	

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 1,336,170,316	\$ 0.475	\$ 6,346,809	\$ 5,791,103	\$ 555,706
Discoveries - Current Year Taxes	57,359,158	0.475	272,456	272,007	449
Abatements	(5,302,947)	0.475	(25,189)	(25,189)	-
Total property valuation	<u>\$ 1,388,226,527</u>				
Net Levy			6,594,076	6,037,921	556,155
Uncollected taxes at June 30, 2018			(34,173)	(34,173)	-
Current Year's Taxes Collected			<u>\$ 6,559,903</u>	<u>\$ 6,003,748</u>	<u>\$ 556,155</u>
Current Levy Collection Percentage			<u>99.48%</u>	<u>99.43%</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, 2018, 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 December 14, 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.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2018-003.

City of Belmont's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 14, 2018

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2018

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial
statements noted? Yes

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2018

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

Material Weakness

Finding 2018-001

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, 2017-001.

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 AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2018

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

Material Weakness

Finding 2018-002

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

Condition: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. 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 Town personnel with regard to drafting full accrual, full disclosure year-end financial statements. Although management of the town does not possess expertise to draft full accrual, full disclosure financial statements, they do accept responsibility for the preparation and fair presentation of the financial statements and they possess the skills and knowledge to adequately oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the Town.

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, 2017-002.

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 overseeing drafting services, reconciling, and 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 AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2018

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

Material Weakness

Material Non-Compliance

Finding 2018-003

Criteria: N.C. General Statute 159-33 requires all units of local governments in North Carolina to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25th and July 25th of each year. N.C. General Statute 159-33.1 also requires the Annual Financial Information Report (AFIR) to be submitted with four months of the fiscal year end, which was October 31, 2017.

Condition: The filing of the AFIR to the Local Government Commission was not made as required by State Statute. The LGC-203 filed did not tie to supporting records.

Effect: The AIFR was not filed on a timely basis as required. The LGC-203 filed did not tie to supporting records.

Cause: There are a limited number of personnel for operating functions. The Finance Director has many roles and responsibilities that must be done on a daily basis which takes time away from daily financial functions. As a result, insufficient monitoring controls exist over LGC-203 reconciliation and AFIR filing.

Recommendation: Implement more stringent controls to prevent cash from being incorrectly reported on the LGC-203 and ensure timeliness of AFIR filing.

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

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POST OFFICE BOX 431
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PHONE (704) 825-5586

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

Material Weakness

Finding 2018-001:

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 2019 to review and train on doing the year-end audit adjustments in the future.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2018-002:

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.



City of Belmont

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**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

Material Weakness

Material Non-Compliance

Finding 2018-003:

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action: Management is aware of N.C. General Statute 159-33 & N.C. General Statute 159-33.1. The semi-annual Cash and Investment Report (LGC-203) was submitted on time, but management found an error in the report during the audit process and a new report was submitted past the due date. The Finance Director will make all efforts to review the report before submittal to assure the report is correct for timely submittal. The AFIR report was not submitted on a timely basis due to delay of the annual audit. Management will make all efforts to file the AFIR in a timely manner.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Finding: 2017-001
Status: Repeated as Finding 2018-001

Finding: 2017-002
Status: Repeated as Finding 2018-002

Finding: 2017-003
Status: Corrected

Finding: 2017-004
Status: Corrected

Finding: 2017-005
Status: Corrected

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