

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2020

CITY COUNCIL

Mayor

Charles R. Martin

Mayor Pro Tem

Jim Hefferan

Members of City Council

Martha Stowe

Marc Seelinger

Ryan Schrift

Richard Turner

OFFICIALS

Adrian Miller, City Manager

Jared Pyles, Finance Director

CITY OF BELMONT, NORTH CAROLINA

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2020, 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 from 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, 2020 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee 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, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022 on our consideration of the City of Belmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Belmont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Belmont's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
February 22, 2022

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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, 2020. 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

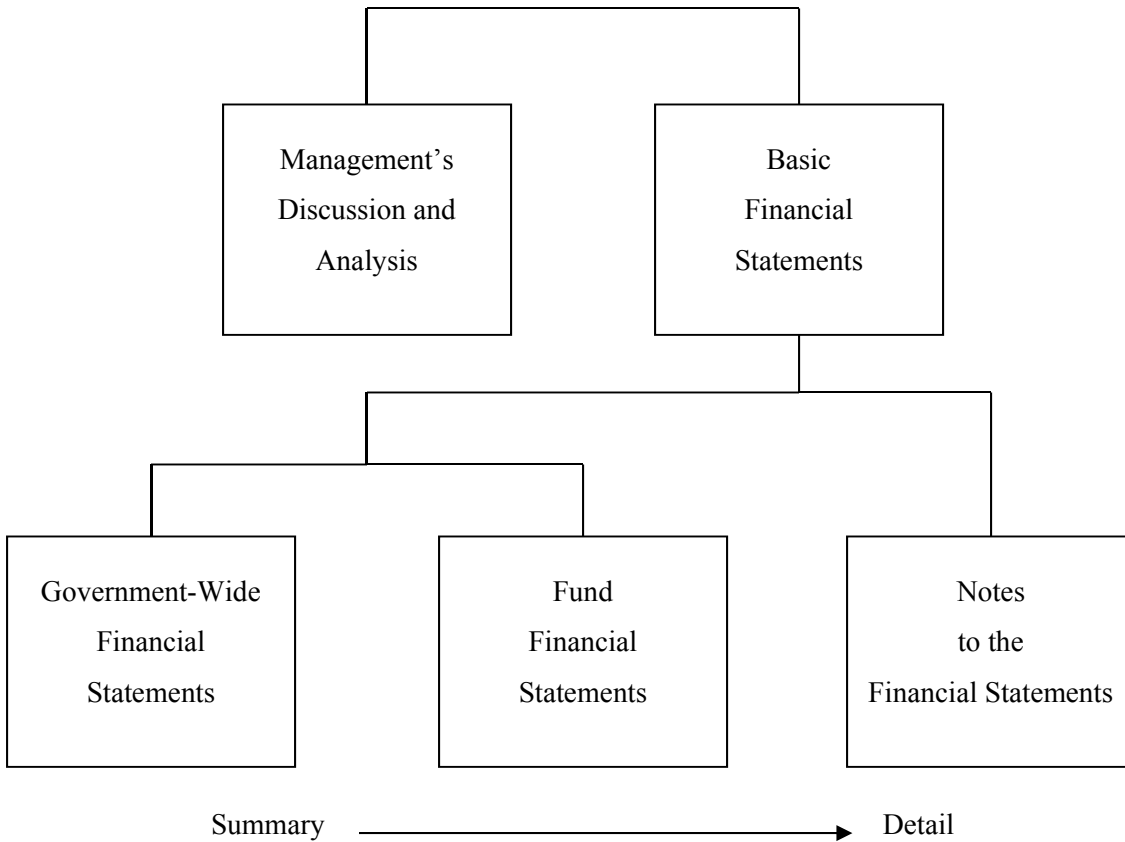
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$59,268,478 (net position).
- The government's total net position increased by \$2,706,482 mostly due to an increase levied property taxes.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$8,151,821, with an overall decrease of \$1,747,084. Approximately 16.88% of this total amount, or \$1,913,175, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,032,498, or 33.73%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding decreased by \$1,166,215 (7.88%), 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 24-63 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 64 of this report.

Government-Wide Financial Analysis

City of Belmont’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 10,323,330	\$ 8,130,975	\$ 10,409,366	\$ 15,783,439	\$ 20,732,696	\$ 23,914,414
Capital assets	16,652,468	17,477,420	44,613,373	37,776,261	61,265,841	55,253,681
Total assets	26,975,798	25,608,395	55,022,739	53,559,700	81,998,537	79,168,095
Total deferred outflows	1,566,592	1,564,516	547,376	567,272	2,113,968	2,131,788
Liabilities:						
Long-term liabilities	8,488,129	10,087,782	5,245,291	11,009,088	13,733,420	21,096,870
Other liabilities	3,653,581	1,634,283	6,627,606	1,012,791	10,281,187	2,647,074
Total liabilities	12,141,710	11,722,065	11,872,897	12,021,879	24,014,607	23,743,944
Total deferred inflows	619,994	748,344	209,426	245,599	829,420	993,943
Net Position:						
Net investment in capital assets	11,892,660	12,083,247	36,149,105	31,197,687	48,041,765	43,280,934
Restricted	1,007,551	1,015,931	-	-	1,007,551	1,015,931
Unrestricted	2,880,475	1,603,324	7,338,687	10,661,807	10,219,162	12,265,131
Total net position	\$ 15,780,686	\$ 14,702,502	\$ 43,487,792	\$ 41,859,494	\$ 59,268,478	\$ 56,561,996

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 \$59,268,478 as of June 30, 2020. The City's net position increased by \$4,226,416 for the fiscal year ended June 30, 2020. However, the largest portion (81.06%) 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, \$1,007,551 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,219,162 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 \$1,613,664, or 11.2%, higher than the previous fiscal year. The majority of this increase was generated by higher Ad Valorem Taxes and Charges for Services.
- General Fund expenditures were approximately \$1,519,759, or 12.6%, higher than the previous fiscal year. Much of this overall increase can be attributed to higher capital-related expenditures and an increase in Public Safety.
- Water and sewer revenues were approximately \$1,387,740, or 10.9%, lower than the previous fiscal year. Operating revenue was \$538,764 more than the previous fiscal year, primarily due to decreased system development fees paid by new development projects. Revenues include \$2,826,997 in donated water line contributions.
- Water and sewer operating expenses were approximately \$787,572, or 8.9%, higher than the previous fiscal year. The primary increase in the expenses was due to increased expenditures related to the water treatment plant.

City of Belmont's Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,681,673	\$ 8,460,265	\$ 10,141,938	\$ 1,306,625	\$ 7,921,501	\$ 9,228,126
Operating grants and contributions	494,532	-	494,532	853,779	-	853,779
Capital grants and contributions	-	2,826,997	2,826,997	-	4,766,207	4,766,207
General revenues:						
Property taxes	9,130,577	-	9,130,577	7,540,341	-	7,540,341
Other taxes	4,171,366	-	4,171,366	3,811,098	-	3,811,098
Other	<u>552,322</u>	<u>75,708</u>	<u>967,965</u>	<u>904,963</u>	<u>63,002</u>	<u>967,965</u>
Total revenues	<u>16,030,470</u>	<u>11,362,970</u>	<u>27,733,375</u>	<u>14,416,806</u>	<u>12,750,710</u>	<u>27,167,516</u>
Expenses:						
General government	2,021,393	-	2,021,393	285,665	-	285,665
Public safety	6,429,872	-	6,429,872	4,815,667	-	4,815,667
Transportation	2,262,043	-	2,262,043	1,015,324	-	1,015,324
Environmental protection	1,298,575	-	1,298,575	1,294,966	-	1,294,966
Cultural and recreation	929,026	-	929,026	3,061,608	-	3,061,608
Economic and physical development	357,367	-	357,367	1,324,586	-	1,324,586
Water and sewer	-	9,734,672	9,734,672	-	8,947,100	8,947,100
Interest	<u>134,076</u>	<u>-</u>	<u>134,076</u>	<u>114,777</u>	<u>-</u>	<u>114,777</u>
Total expenses	<u>13,432,352</u>	<u>9,734,672</u>	<u>23,167,024</u>	<u>11,912,593</u>	<u>8,947,100</u>	<u>20,859,693</u>
Change in net position	<u>2,598,118</u>	<u>1,628,298</u>	<u>4,226,416</u>	<u>2,504,213</u>	<u>3,803,610</u>	<u>6,307,823</u>
Net Position:						
Beginning of year, as previously stated - July 1	14,702,502	41,859,494	56,561,996	12,198,289	33,170,652	45,368,941
Restatement	<u>(1,519,934)</u>	<u>-</u>	<u>(1,519,934)</u>	<u>-</u>	<u>4,885,232</u>	<u>4,885,232</u>
Beginning of year, as restated	<u>13,182,568</u>	<u>41,859,494</u>	<u>55,042,062</u>	<u>12,198,289</u>	<u>38,055,884</u>	<u>50,254,173</u>
End of year - June 30	<u>\$ 15,780,686</u>	<u>\$ 43,487,792</u>	<u>\$ 59,268,478</u>	<u>\$ 14,702,502</u>	<u>\$ 41,859,494</u>	<u>\$ 56,561,996</u>

Governmental Activities. Governmental activities increased the City's net position by \$2,598,118, thereby accounting for 61.47% 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 \$1,554,060 in property taxes collected.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$1,628,298, accounting for 38.53% of the change in the government's net position. Key elements of this increase are as follows:

- Capital contributions were \$2,826,997.

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 \$5,032,498, while total fund balance reached \$6,649,514. The City currently has an available fund balance of 35.11% of General Fund expenditures, while total fund balance represents 46.39% of the same amount.

At June 30, 2020, the governmental funds of the City of Belmont reported a combined fund balance of \$8,151,821, with an overall increase of \$1,747,084.

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 \$7,338,687. The total changes in net position for the Water and Sewer Fund were \$1,628,298. 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, 2020 totals \$61,265,841 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

The major additions included park improvements in the governmental-activities and 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 37 of this report.

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

Figure 4

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Land	\$ 3,164,369	\$ 75,890	\$ 3,240,259	\$ 3,164,369	\$ 75,890	\$ 3,240,259
Buildings	3,926,687	4,471,006	8,397,693	3,891,596	3,304,643	7,196,239
Other improvements	3,500,776	384,693	3,885,469	2,841,661	140,378	2,982,039
Machinery and equipment	969,381	4,372,602	5,341,983	969,806	3,573,418	4,543,224
Vehicles and motorized equipment	1,743,438	-	1,743,438	1,603,941	-	1,603,941
Infrastructure	3,247,194	-	3,247,194	3,411,140	-	3,411,140
Distribution systems	-	30,673,756	30,673,756	-	28,302,799	28,302,799
Other non-depreciable items	5,687	28,911	34,598	5,687	28,911	34,598
Natural gas fill station	-	124,589	124,589	-	137,642	137,642
Construction in progress	94,936	4,481,926	4,576,862	1,589,220	2,212,580	3,801,800
Total	<u>\$ 16,652,468</u>	<u>\$ 44,613,373</u>	<u>\$ 61,265,841</u>	<u>\$ 17,477,420</u>	<u>\$ 37,776,261</u>	<u>\$ 55,253,681</u>

Long-Term Debt. As of June 30, 2020, the City of Belmont had total debt outstanding of \$13,642,524. Of this amount, \$8,882,716 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

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

Figure 5

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Capitalized leases	\$ 217,853	\$ -	\$ 217,853	\$ 254,538	\$ -	\$ 254,538
Notes payable	4,541,955	8,882,716	13,424,671	5,139,635	9,414,566	14,554,201
Total	<u>\$ 4,759,808</u>	<u>\$ 8,882,716</u>	<u>\$ 13,642,524</u>	<u>\$ 5,394,173</u>	<u>\$ 9,414,566</u>	<u>\$ 14,808,739</u>

The City of Belmont's total debt increased by \$1,166,215, or 7.88%, 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 \$128,286,000.

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

Economic Factors and Next Year's Budgets and Rates

Economic Factors

In the past year, Belmont has continued to experience additional improvement in its overall economic indicators. Regarding housing, the City staff issued 443 new single-family residential permits, which is a 106% increase from the 215 permits issued during the previous year. These 443 single-family residential permits are the highest number of permits issued since at least 2007. The total value of these new houses is \$66,789,066, which is \$16.7 million more than the previous year. 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 24% to \$1.639 billion. Much of this \$300,000,000 increase in valuation of the tax base results from the property revaluation that Gaston County completed in 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The General Fund encompasses the core services provided by the City and accounts for approximately 58% of the City's total budget. Based on the results from the current fiscal year, moderate growth is again anticipated in some of the major General Fund revenues in the coming fiscal year. The budget addresses current departmental needs while considering future needs as the City continues to grow. However, the budget also considers the potential negative impacts resulting from the COVID-19 pandemic.

Using this conservative approach with revenue forecasting, budgeted expenditures in the General Fund for the upcoming fiscal year are projected to increase by 3% from the prior fiscal year. This is a much more moderate projection from the 12% projected for FY 2020. This increase considers the City Council's emphasis on investing in the City's infrastructure and capital needs, while also continuing to budget for additional fund balance reserves.

Business-Type Activities: The Water and Sewer Fund comprises the long-term financial stability for water and sewer activities and accounts for approximately 39% of the City's total budget. Water and sewer rates remain flat for the second consecutive year after several years of rate increases in prior years. While funding for capital projects to update the City's water and sewer infrastructure is down 36% for the upcoming fiscal year, it is still 44% more than the City's capital investment budget from FY 2019. This highlights the City council's commitment and focus on investing into the City's infrastructure needs.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 7,161,111	\$ 8,208,133	\$ 15,369,244	\$ 50,108
Taxes receivables, net	99,448	-	99,448	-
Accounts receivable, net	445,399	1,363,654	1,809,053	846
Due from other governments	596,302	-	596,302	8,387
Internal balances	(83,221)	83,221	-	-
Inventories and prepaids	629,929	204,386	834,315	-
Total current assets	8,848,968	9,859,394	18,708,362	59,341
Restricted assets:				
Cash and cash equivalents	1,474,362	549,972	2,024,334	-
Capital assets:				
Non-depreciable	3,264,992	4,586,727	7,851,719	-
Depreciable, net of accumulated depreciation	13,387,476	40,026,646	53,414,122	-
Total capital assets	16,652,468	44,613,373	61,265,841	-
Total assets	26,975,798	55,022,739	81,998,537	59,341
Deferred Outflows of Resources:				
OPEB deferrals	107,513	43,914	151,427	-
Pension deferrals	1,459,079	503,462	1,962,541	-
Total deferred outflows of resources	1,566,592	547,376	2,113,968	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	548,147	982,299	1,530,446	583
Payable from restricted assets:				
Customer deposits	-	131,524	131,524	-
Performance bond deposits	1,327,014	-	1,327,014	-
Accrued interest	57,066	22,869	79,935	-
Long-term liabilities, due within one year	1,721,354	5,490,914	7,212,268	-
Total current liabilities	3,653,581	6,627,606	10,281,187	583
Long-term liabilities:				
Net pension liability- LGERS	2,048,118	836,555	2,884,673	-
Total pension liability- LEOSSA	866,491	-	866,491	-
Total OPEB liability	2,094,292	855,415	2,949,707	-
Long-term liabilities, due in more than one year	3,479,228	3,553,321	7,032,549	-
Total long-term liabilities	8,488,129	5,245,291	13,733,420	-
Total liabilities	12,141,710	11,872,897	24,014,607	583
Deferred Inflows of Resources:				
OPEB deferrals	496,276	202,704	698,980	-
Pension deferrals	123,718	6,722	130,440	-
Total deferred inflows of resources	619,994	209,426	829,420	-
Net Position:				
Net investment in capital assets	11,892,660	36,149,105	48,041,765	-
Restricted for:				
Stabilization by state statute	860,203	-	860,203	-
Streets	147,348	-	147,348	-
Tourism	-	-	-	58,758
Unrestricted	2,880,475	7,338,687	10,219,162	-
Total net position	\$ 15,780,686	\$ 43,487,792	\$ 59,268,478	\$ 58,758

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, 2020

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/Programs:				
Governmental Activities:				
General government	\$ 2,021,393	\$ 15,479	\$ 127,292	\$ -
Public safety	6,429,872	367,806	34,848	-
Transportation	2,262,043	-	323,251	-
Environmental protection	1,298,575	1,185,286	9,141	-
Cultural and recreational	929,026	113,102	-	-
Economic and physical development	357,367	-	-	-
Interest on long-term debt	134,076	-	-	-
Total governmental activities	<u>13,432,352</u>	<u>1,681,673</u>	<u>494,532</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>9,734,672</u>	<u>8,460,265</u>	<u>-</u>	<u>2,826,997</u>
Total primary government	<u>\$ 23,167,024</u>	<u>\$ 10,141,938</u>	<u>\$ 494,532</u>	<u>\$ 2,826,997</u>
Component Unit:				
Belmont Tourism Development Authority	<u>\$ 124,631</u>	<u>\$ -</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, 2020

	Net Revenue (Expense) and Changes in Net Position			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Belmont Tourism
				Development
				Authority
Function/Programs:				
Governmental Activities:				
General government	\$ (1,878,622)	\$ -	\$ (1,878,622)	\$ -
Public safety	(6,027,218)	-	(6,027,218)	-
Transportation	(1,938,792)	-	(1,938,792)	-
Environmental protection	(104,148)	-	(104,148)	-
Cultural and recreational	(815,924)	-	(815,924)	-
Economic and physical development	(357,367)	-	(357,367)	-
Interest on long-term debt	(134,076)	-	(134,076)	-
Total governmental activities	<u>(11,256,147)</u>	<u>-</u>	<u>(11,256,147)</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>-</u>	<u>1,552,590</u>	<u>1,552,590</u>	<u>-</u>
Total primary government	<u>(11,256,147)</u>	<u>1,552,590</u>	<u>(9,703,557)</u>	<u>-</u>
Component Unit:				
Belmont Tourism Development Authority				<u>(124,631)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	9,130,577	-	9,130,577	-
Other taxes	4,171,366	-	4,171,366	94,125
Unrestricted investment earnings	127,176	55,107	182,283	-
Miscellaneous	425,146	20,601	445,747	-
Total general revenues	<u>13,854,265</u>	<u>75,708</u>	<u>13,929,973</u>	<u>94,125</u>
Change in net position	<u>2,598,118</u>	<u>1,628,298</u>	<u>4,226,416</u>	<u>(30,506)</u>
Net Position:				
Beginning of year - July 1, as reported	14,702,502	41,859,494	56,561,996	89,264
Prior period adjustment	<u>(1,519,934)</u>	<u>-</u>	<u>(1,519,934)</u>	<u>-</u>
Beginning of year - July 1, as restated	<u>13,182,568</u>	<u>41,859,494</u>	<u>55,042,062</u>	<u>89,264</u>
End of year - June 30	<u>\$ 15,780,686</u>	<u>\$ 43,487,792</u>	<u>\$ 59,268,478</u>	<u>\$ 58,758</u>

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

CITY OF BELMONT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 5,675,943	\$ 1,485,168	\$ 7,161,111
Taxes receivable, net	99,448	-	99,448
Accounts receivable, net	375,248	70,151	445,399
Due from other funds	6,055	9,347	15,402
Due from other governments	590,185	6,117	596,302
Prepaid items	566,435	-	566,435
Inventories	58,494	5,000	63,494
Cash, restricted	1,474,362	-	1,474,362
Total assets	\$ 8,846,170	\$ 1,575,783	\$ 10,421,953
 Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 537,798	\$ 1,962	\$ 539,760
Liabilities payable from restricted assets:			
Performance bond deposits	1,327,014	-	1,327,014
Due to other funds	97,260	1,363	98,623
Due to component unit	8,387	-	8,387
Total liabilities	1,970,459	3,325	1,973,784
 Deferred Inflows of Resources:			
Property taxes receivable	99,448	-	99,448
Other receivables	126,749	70,151	196,900
Total deferred inflows of resources	226,197	70,151	296,348
 Fund Balances:			
Non-spendable:			
Prepaid items	566,435	-	566,435
Inventories	58,494	5,000	63,494
Restricted:			
Stabilization by state statute	844,739	15,464	860,203
Streets	147,348	-	147,348
Committed for capital projects	-	762,731	762,731
Assigned	-	719,112	719,112
Unassigned	5,032,498	-	5,032,498
Total fund balances	6,649,514	1,502,307	8,151,821
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 8,846,170	 \$ 1,575,783	 \$ 10,421,953

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<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	\$ 8,151,821
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,652,468
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	296,348
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(57,066)
Compensated absences	(440,774)
Net pension liability - LGERS	(2,048,118)
Total pension liability - LEOSSA	(866,491)
Total OPEB liability	(2,094,292)
Deferred outflows of resources related to OPEB	107,513
Deferred outflows of resources related to pensions	1,459,079
Deferred inflows of resources related to OPEB	(496,276)
Deferred inflows of resources related to pensions	(123,718)
Note payable	(4,541,955)
Capital leases payable	<u>(217,853)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 15,780,686</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, 2020

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 9,094,401	\$ -	\$ 9,094,401
Other taxes and licenses	241,095	-	241,095
Unrestricted intergovernmental	3,939,412	-	3,939,412
Restricted intergovernmental	485,392	-	485,392
Permits and fees	139,235	-	139,235
Sales and services	773,900	700,709	1,474,609
Investment earnings	92,451	34,725	127,176
Other general revenues	387,514	-	387,514
Total revenues	<u>15,153,400</u>	<u>735,434</u>	<u>15,888,834</u>
Expenditures:			
Current:			
General government	1,861,474	-	1,861,474
Public safety	5,536,411	-	5,536,411
Transportation	1,734,571	-	1,734,571
Environmental protection	897,553	279,696	1,177,249
Cultural and recreational	528,513	-	528,513
Economic and physical development	357,367	-	357,367
Capital outlay	2,040,963	131,071	2,172,034
Debt service:			
Principal	1,246,391	163,974	1,410,365
Interest and other charges	130,363	9,403	139,766
Total expenditures	<u>14,333,606</u>	<u>584,144</u>	<u>14,917,750</u>
Revenues over expenditures	819,794	151,290	971,084
Other Financing Sources:			
Long-term debt issued	<u>776,000</u>	<u>-</u>	<u>776,000</u>
Net change in fund balances	1,595,794	151,290	1,747,084
Fund Balances:			
Beginning of year - July 1	<u>5,053,720</u>	<u>1,351,017</u>	<u>6,404,737</u>
End of year - June 30	<u>\$ 6,649,514</u>	<u>\$ 1,502,307</u>	<u>\$ 8,151,821</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, 2020

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

Net changes in fund balances - total governmental funds (Exhibit D) \$ 1,747,084

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. The following expenditures were added to capital assets during the year:

Capital outlay expenditures	2,172,034
Less: capital outlay expenditures not capitalized	(6,042)

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (1,471,010)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 141,636

The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not have any effect on net position. (776,000)

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. 1,410,365

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.

Decrease in accrued interest payable	5,690
Increase in compensated absences payable	(17,169)
Pension expense - LGERS	(433,617)
Pension expense - LEOSSA	<u>(41,916)</u>

Total changes in net position of governmental activities (Exhibit B) \$ 2,598,118

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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Over/Under</u>
Revenues:				
Ad valorem taxes	\$ 9,267,099	\$ 9,112,000	\$ 9,094,401	\$ (17,599)
Other taxes and licenses	280,000	257,600	241,095	(16,505)
Unrestricted intergovernmental	3,295,000	3,537,400	3,939,412	402,012
Restricted intergovernmental	431,469	392,550	485,392	92,842
Permits and fees	113,000	105,000	139,235	34,235
Sales and services	612,038	785,435	773,900	(11,535)
Investment earnings	90,000	95,000	92,451	(2,549)
Miscellaneous	113,625	280,410	387,514	107,104
Total revenues	<u>14,202,231</u>	<u>14,565,395</u>	<u>15,153,400</u>	<u>588,005</u>
Expenditures:				
Current:				
General government	1,618,490	1,823,766	1,861,474	(37,708)
Environmental protection	903,900	903,900	897,553	6,347
Public safety	5,278,959	5,553,504	5,536,411	17,093
Transportation	1,941,911	1,828,855	1,734,571	94,284
Cultural and recreation	487,548	535,377	528,513	6,864
Economic and physical development	391,411	369,411	357,367	12,044
Capital outlay	2,237,498	2,949,813	2,040,963	908,850
Debt service:				
Principal	1,218,198	1,247,628	1,246,391	1,237
Interest and other charges	124,316	129,141	130,363	(1,222)
Total expenditures	<u>14,202,231</u>	<u>15,341,395</u>	<u>14,333,606</u>	<u>1,007,789</u>
Revenues over (under) expenditures	-	(776,000)	819,794	1,595,794
Other Financing Sources:				
Long-term debt issued	-	776,000	776,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,595,794	<u>\$ 1,595,794</u>
Fund Balance:				
Beginning of year - July 1			<u>5,053,720</u>	
End of year - June 30			<u>\$ 6,649,514</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, 2020

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 8,208,133
Accounts receivable (net)	1,363,654
Due from other funds	90,748
Inventories	204,386
Total current assets	<u>9,866,921</u>
Restricted assets:	
Cash and cash equivalents	<u>549,972</u>
Non-current assets:	
Capital assets:	
Non-depreciable	4,586,727
Depreciable, net of accumulated depreciation	40,026,646
Total non-current assets	<u>44,613,373</u>
Total assets	<u>55,030,266</u>
Deferred Outflows of Resources:	
OPEB deferrals	43,914
Pension deferrals	503,462
Total deferred outflows of resources	<u>547,376</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	982,299
Due to other funds	7,527
Accrued interest	22,869
Current portion of compensated absences	64,608
Current portion of long-term debt	5,426,306
Payable from restricted assets:	
Customer deposits	131,524
Total current liabilities	<u>6,635,133</u>
Non-current liabilities:	
Net pension liability	836,555
Compensated absences	96,911
Total OPEB liability	855,415
Non-current portion of long-term debt	3,456,410
Total non-current liabilities	<u>5,245,291</u>
Total liabilities	<u>11,880,424</u>
Deferred Inflows of Resources:	
OPEB deferrals	202,704
Pension deferrals	6,722
Total deferred inflows of resources	<u>209,426</u>
Net Position:	
Net investment in capital assets	36,149,105
Unrestricted	7,338,687
Total net position	<u>\$ 43,487,792</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, 2020

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 7,223,418
Other operating revenues	1,236,847
Total operating revenues	<u>8,460,265</u>
Operating Expenses:	
Water administration and distribution	3,531,191
Water treatment plant	1,996,278
Waste collection and treatment	1,568,328
Depreciation	2,555,784
Total operating expenses	<u>9,651,581</u>
Operating loss	<u>(1,191,316)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	55,107
Gain on sale of capital assets	7,506
Insurance claims payments	20,601
Interest and other charges	(90,597)
Total non-operating revenues (expenses)	<u>(7,383)</u>
Loss before capital contributions	(1,198,699)
Capital Contributions:	
Contributed capital - donated water lines	<u>2,826,997</u>
Change in net position	1,628,298
Net Position:	
Beginning of year - July 1	<u>41,859,494</u>
End of year - June 30	<u>\$ 43,487,792</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, 2020

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 8,342,947
Cash paid for goods and services	(3,536,223)
Cash paid to or on behalf of employees for services	(3,191,023)
Customer deposits, net	<u>(36,436)</u>
Net cash provided (used) by operating activities	<u>1,579,265</u>
Cash Flows from Non-Capital Financing Activities:	
Advances received from other funds	7,527
Advances paid to other funds	<u>(90,748)</u>
Net cash provided (used) for non-capital financing activities	<u>(83,221)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from insurance claim	20,601
Proceeds from disposal of capital assets	7,506
Acquisition and construction of capital assets	(6,565,899)
Principal paid on long-term debt	(531,850)
Interest paid on long-term debt	<u>(94,625)</u>
Net cash provided (used) in capital and related financing activities	<u>(7,164,267)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>55,107</u>
Net increase (decrease) in cash and cash equivalents	(5,613,116)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>14,371,221</u>
End of year - June 30	<u>\$ 8,758,105</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities :	
Operating loss	<u>\$ (1,191,316)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,555,784
Change in assets, deferred outflows, liabilities and deferred inflows:	
(Increase) decrease in accounts receivable	(117,318)
(Increase) decrease in inventories	(38,504)
(Increase) decrease in deferred outflows of resources for OPEB	(36,319)
(Increase) decrease in deferred outflows of resources for pensions	56,215
Increase (decrease) in accounts payable and accrued liabilities	164,365
Increase (decrease) in customer deposits	(36,436)
Increase (decrease) in compensated absences payable	11,281
Increase (decrease) in net pension liability	129,794
Increase (decrease) in deferred inflows of resources for OPEB	(27,275)
Increase (decrease) in deferred inflows of resources for pensions	<u>(8,898)</u>
Total adjustments	<u>2,770,581</u>
Net cash provided (used) by operating activities	<u>\$ 1,579,265</u>
Non-Cash Transactions:	
Capital contributions - donated water and sewer lines	<u>\$ 2,826,997</u>
Accrual for lawsuit settlement	<u>\$ 485,000</u>

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

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CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 Belmont 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 seven members of this Board are appointed by the City Council, two of which are City Council members. 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, 2020

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

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

The City reports the following major governmental fund:

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

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, 2020, 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 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 are reported at fair value. Non-participating investment contracts are reported at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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	\$ 147,348
Performance bond deposits	<u>1,327,014</u>
Total governmental activities	<u>\$ 1,474,362</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 131,524
Public Works Renovation Enterprise Capital Project Fund:	
Unspent debt proceeds	<u>418,448</u>
Total business-type activities	<u>\$ 549,972</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. Performance bond deposits held by the City are restricted until such time the performance of the contract has been satisfied. Unexpended debt proceeds are classified as restricted assets because the use is completely restricted to the purpose for which the debt was originally issued.

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, 2019.

Allowance for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

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 \$5,000 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 these 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 these criteria – property taxes receivable, other receivables, pension deferrals, and OPEB deferrals.

Long-Term Obligations

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by state statute”. *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation”. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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 projects – portion of fund balance that has been budgeted by the Board for use in investment in capital project related activities.

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 \$719,112 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The City of Belmont has adopted a formal fund balance policy for the available fund balance at the close of each fiscal year should be no less than 25% of the City's total annual operating budget, with a target policy equal to 30%. The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 6,649,514
Less:	
Inventories	58,494
Prepaid items	566,435
Restricted for stabilization by state statute	844,739
Restricted for streets	<u>147,348</u>
Remaining fund balance	<u>\$ 5,032,498</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, 2020

2. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the City's General Fund exceeded authorized appropriations made by the governing board for administration and finance (\$62,790), planning and zoning (\$29,388) and police (\$550). Management concurs. Management and the Board will more closely review the budget reports to ensure compliance in future years.

B. Non-Compliance with North Carolina General Statutes

N.C. General Statute 159-34 requires the City to have an audit as soon as possible after the close of each fiscal year. The 2020 audit was significantly delayed due to turnover in financial personnel. Please refer to finding 2020-003 for further information.

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, 2020

At June 30, 2020, the City's deposits, had a carrying amount of \$5,434,790 and a bank balance of \$5,643,179. Of the bank balance, \$959,919 was covered by federal depository insurance, and \$4,683,260 was covered by collateral held under the Pooling Method. At June 30, 2020, the City's petty cash totaled \$900.

At June 30, 2020, the carrying amount of deposits for the TDA was \$50,108.

Investments

At June 30, 2020, the City's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust Government Portfolio	Fair Value - Level 1	\$ 7,513,086	N/A	AAAm
NC Capital Management Trust Term Portfolio	Fair Value - Level 1	4,444,802	.15 years	Unrated
Total		<u>\$ 11,957,888</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, 2020**

Receivables

Receivables at Exhibit A at June 30, 2020 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 375,248	\$ 157,750	\$ 590,185	\$ 1,123,183
Other governmental	<u>75,774</u>	<u>-</u>	<u>6,117</u>	<u>81,891</u>
Total receivables	451,022	157,750	596,302	1,205,074
Allowance for doubtful accounts	<u>(5,623)</u>	<u>(58,302)</u>	<u>-</u>	<u>(63,925)</u>
Total governmental activities	<u>\$ 445,399</u>	<u>\$ 99,448</u>	<u>\$ 596,302</u>	<u>\$ 1,141,149</u>
Business-Type Activities:				
Water and Sewer	\$ 1,549,196	\$ -	\$ -	\$ 1,549,196
Allowance for doubtful accounts	<u>(185,542)</u>	<u>-</u>	<u>-</u>	<u>(185,542)</u>
Total business-type activities	<u>\$ 1,363,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,363,654</u>

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

	<u>Governmental Activities</u>
Local option sales tax	\$ 511,817
Sales tax	<u>84,485</u>
Total	<u>\$ 596,302</u>

The due from other governments that is owed to the TDA consists of \$8,387 due from the City which is further discussed in Note 6 and agrees to the amount reported in Note 2B.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 3,164,369	\$ -	\$ -	\$ 3,164,369
Other	5,687	-	-	5,687
Construction in progress	69,286	25,650	-	94,936
Total non-depreciated capital assets	<u>3,239,342</u>	<u>25,650</u>	<u>-</u>	<u>3,264,992</u>
Depreciable Capital Assets:				
Buildings	5,792,419	149,479	-	5,941,898
Other improvements	4,208,482	1,068,269	-	5,276,751
Equipment	4,385,723	382,132	-	4,767,855
Infrastructure	3,911,606	-	-	3,911,606
Vehicles and motorized equipment	4,676,528	540,462	441,149	4,775,841
Total depreciable capital assets	<u>22,974,758</u>	<u>2,140,342</u>	<u>441,149</u>	<u>24,673,951</u>
Less Accumulated Depreciation:				
Buildings	1,900,823	114,388	-	2,015,211
Other improvements	1,366,821	409,154	-	1,775,975
Equipment	3,415,917	382,557	-	3,798,474
Infrastructure	500,466	163,946	-	664,412
Vehicles and motorized equipment	3,072,587	400,965	441,149	3,032,403
Total accumulated depreciation	<u>10,256,614</u>	<u>\$ 1,471,010</u>	<u>\$ 441,149</u>	<u>11,286,475</u>
Total depreciable capital assets, net	<u>12,718,144</u>			<u>13,387,476</u>
Governmental activities capital assets, net	<u>\$ 15,957,486</u>			<u>\$ 16,652,468</u>

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

General government	\$ 82,291
Public safety	545,767
Transportation	463,723
Cultural and recreational	348,022
Stormwater	31,207
Total	<u>\$ 1,471,010</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2020.

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 75,890	\$ -	\$ -	\$ -	\$ 75,890
Right of ways	28,911	-	-	-	28,911
Construction in progress	2,212,580	2,417,544	-	(148,198)	4,481,926
Total non-depreciable capital assets	<u>2,317,381</u>	<u>2,417,544</u>	<u>-</u>	<u>(148,198)</u>	<u>4,586,727</u>
Depreciable Capital Assets:					
Buildings	11,059,524	1,436,259	-	-	12,495,783
Improvements other than buildings	276,742	281,658	-	-	558,400
Distribution systems	39,174,342	3,326,730	-	148,198	42,649,270
Machinery and equipment	11,593,315	1,930,705	26,850	-	13,497,170
Natural gas fill station	258,342	-	-	-	258,342
Total depreciable capital assets	<u>62,362,265</u>	<u>6,975,352</u>	<u>26,850</u>	<u>148,198</u>	<u>69,458,965</u>
Less Accumulated Depreciation:					
Buildings	7,754,881	269,896	-	-	8,024,777
Improvements other than buildings	136,364	37,343	-	-	173,707
Distribution systems	10,871,543	1,103,971	-	-	11,975,514
Machinery and equipment	8,019,897	1,131,521	26,850	-	9,124,568
Natural gas fill station	120,700	13,053	-	-	133,753
Total accumulated depreciation	<u>26,903,385</u>	<u>\$ 2,555,784</u>	<u>\$ 26,850</u>	<u>\$ -</u>	<u>29,432,319</u>
Total depreciable capital assets, net	<u>35,458,880</u>				<u>40,026,646</u>
Business-type activities capital assets, net	<u>\$ 37,776,261</u>				<u>\$ 44,613,373</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 16,652,468	\$ 44,613,373
Long-term debt	(4,541,955)	(8,882,716)
Capital lease	(217,853)	-
Unspent debt proceeds	-	418,448
Net investment in capital assets	<u>\$ 11,892,660</u>	<u>\$ 36,149,105</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$ 336,893	\$ 209,292	\$ 546,185
Nonmajor governmental funds	<u>1,962</u>	<u>-</u>	<u>1,962</u>
Total	<u>\$ 338,855</u>	<u>\$ 209,292</u>	<u>\$ 548,147</u>
Business-Type Activities:			
Water and Sewer Fund	<u>\$ 450,324</u>	<u>\$ 531,975</u>	<u>\$ 982,299</u>

The other payables in the General Fund include \$8,387 owed to the TDA. The other payables in the Water and Sewer Fund include an accrual of \$485,000 for the settlement of a lawsuit.

Construction Commitments

The government has active construction projects as of June 30, 2020. At June 30, 2020, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Rail Trail Project	<u>\$ 94,936</u>	<u>\$ 58,064</u>

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$666,338 for the year ended June 30, 2020.

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.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

At June 30, 2020, the City reported a liability of \$2,884,673 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020 (measured as of June 30, 2019), the City's proportion was 0.10563% which was an increase of .00290% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the City recognized pension expense of \$1,277,066. At June 30, 2020, 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	\$ 493,929	\$ -
Changes of assumptions	470,154	-
Net difference between projected and actual earnings on pension plan investments	70,361	-
Changes in proportion and differences between City contributions and proportionate share of contributions	35,293	23,184
City contributions subsequent to the measurement date	666,338	-
Total	<u>\$ 1,736,075</u>	<u>\$ 23,184</u>

\$666,338 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, 2021. 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
2021	\$ 513,114
2022	173,501
2023	281,690
2024	78,248
2025	-
Total	<u>\$ 1,046,553</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Actuarial Assumptions. The total pension liability in the December 31, 2018 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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, 2018 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 6,597,774	\$ 2,884,673	\$ (201,667)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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, 2020

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>35</u>
Total	<u><u>40</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, 2018 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	3.26 percent

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five - year period ending December 31, 2014.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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 \$47,056 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, 2020, the City reported a total pension liability of \$866,491. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$87,601.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 164,156	\$ 81,888
Changes of assumptions	40,607	25,368
City benefit payments made		
subsequent to the measurement date	21,703	-
Total	\$ 226,466	\$ 107,256

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

\$21,703 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, 2021. 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
2021	\$ 12,564
2022	12,564
2023	25,409
2024	32,808
2025	<u>14,162</u>
Total	<u>\$ 97,507</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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 948,663</u>	<u>\$ 866,491</u>	<u>\$ 792,184</u>

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

	2020
Beginning balance	\$ 733,997
Service cost	48,722
Interest on the total pension liability	25,861
Differences between expected and actual experience in the measurement of the total pension liability	75,832
Changes of assumptions or other inputs	29,135
Benefit payments	<u>(47,056)</u>
Ending balance of the total pension liability	<u>\$ 866,491</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.64% at December 31, 2018 to 3.26% at December 31, 2019.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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:

	LGERS	LEOSSA	Total
Pension expense	\$ 1,277,066	\$ 87,601	\$ 1,364,667
Pension liability	2,884,673	866,491	3,751,164
Proportionate share of the net pension liability	0.10563%	N/A	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 493,929	\$ 164,156	\$ 658,085
Changes of assumptions	470,154	40,607	510,761
Net difference between projected and actual earnings on plan investments	70,361	-	70,361
Changes in proportion and differences between contributions and proportionate share of contributions	35,293	-	35,293
Benefit payments and administrative costs paid subsequent to the measurement date	666,338	21,703	688,041

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 81,888	\$ 81,888
Changes of assumptions	-	25,368	25,368
Changes in proportion and differences between contributions and proportionate share of contributions	23,184	-	23,184

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State’s ACFR 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 \$114,377 for the reporting year. No amounts were forfeited.

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, 2018, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	2
Active plan members	<u>128</u>
Total	<u><u>130</u></u>

Total OPEB Liability

The City's total OPEB liability of \$2,949,707 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 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	3.89 percent
Measurement Date	3.50 percent
Healthcare cost trend rates:	
Pre-Medicare, Medical and Prescription Drug	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$ 2,543,184</u>
Changes for the year:	
Service cost	195,954
Interest	98,424
Differences between expect and actual experience	5,111
Changes in assumptions or other inputs	133,302
Benefit payments	<u>(26,268)</u>
Net changes	<u>406,523</u>
Balance at June 30, 2020	<u>\$ 2,949,707</u>

The City selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by the Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

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

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

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, 2018 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2018 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 3,321,788</u>	<u>\$ 2,949,707</u>	<u>\$ 2,620,416</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>\$ 2,502,464</u>	<u>\$ 2,949,707</u>	<u>\$ 3,498,393</u>

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$220,753. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,842	\$ 552,042
Changes of assumptions	119,672	146,938
Benefit payments and administrative costs made subsequent to the measurement date	<u>26,913</u>	<u>-</u>
Total	<u>\$ 151,427</u>	<u>\$ 698,980</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$26,913 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, 2021. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2021	\$ (79,856)
2022	(79,856)
2023	(79,856)
2024	(79,856)
2025	(79,856)
Thereafter	<u>(175,186)</u>
Total	<u>\$ (574,466)</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, 2020

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	\$ 4,842
Changes of assumptions - OPEB	119,672
Differences between expected and actual experience (LGERS & LEOSSA)	658,085
Changes of assumptions (LGERS & LEOSSA)	510,761
Changes in proportion and differences between City contributions and proportionate share of contributions (LGERS & LEOSSA)	35,293
Net difference between projected and actual earnings on pension plan investments (LGERS & LEOSSA)	70,361
Benefit payments paid subsequent to the measurement date (LEOSSA & LGERS)	688,041
Benefit payments and administrative costs made subsequent to the measurement date (OPEB)	26,913
Total deferred outflows	\$ 2,113,968

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

Source	Amount
Differences between expected and actual experience - OPEB	\$ 552,042
Differences between expected and actual experience (LEOSSA & LGERS)	81,888
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	23,184
Changes of assumptions (OPEB)	146,938
Changes of assumptions (LEOSSA)	25,368
Taxes receivable, net	99,448
Other receivables	126,749
Stormwater receivables	70,151
Total deferred inflows	\$ 1,125,768

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,

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 Blue Cross Blue Shield 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.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 600,000	\$ 132,000	\$ 468,000

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2021	\$ 56,085
2022	56,085
2023	56,085
2024	56,085
2025	56,085
Total minimum lease payments	280,425
Less: amount representing interest	(62,572)
Present value of minimum lease payments	\$ 217,853

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%	\$ 464,519
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%	531,250
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%	1,050,000
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%	206,441

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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%	93,620
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%	184,677
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%	74,218
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%	189,222
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%	53,593
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%	250,246
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%	402,355
2019 Note payable to bank for equipment, to be repaid in 6 semi-annual installments of \$78,543 through August 30, 2021; including interest at 2.67%	229,475
2019 Note payable to bank for police radios, to be repaid in 10 semi-annual installments of \$16,942 through August 28, 2023; including interest at 3.156%	111,450
2020 Note payable to bank for police vehicles, fire truck and equipment to be repaid in 10 semi-annual installments of \$82,218 through July 30, 2024; including interest at 2.198%	<u>700,889</u>
Total	<u>\$ 4,541,955</u>

The City has outstanding notes from direct placements related to governmental activities totaling \$464,519, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$464,519 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City has outstanding notes from direct placements related to governmental activities totaling \$531,250, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$531,250 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$1,050,000, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$1,050,000 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$206,441, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$206,441 contain provisions that an event of default would result in (1) declare the unpaid principal components and all accrued interest and other charges of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$93,620, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$93,620 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City has outstanding notes from direct placements related to governmental activities totaling \$184,677, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$184,677 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

The City has outstanding notes from direct placements related to governmental activities totaling \$74,218, which are secured by the equipment. The City's outstanding notes from direct placements related to governmental activities of \$74,218 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$189,222, which are secured by the equipment. The City's outstanding notes from direct placements related to governmental activities of \$189,222 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments; (4) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$53,593, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$53,593 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City has outstanding notes from direct placements related to governmental activities totaling \$250,246, which are secured by vehicles and equipment. The City's outstanding notes from direct placements related to governmental activities of \$250,246 contain provisions that an event of default would result in (1) termination of any services and of licenses for the licensed software; (2) waive any claim against the licensor.

The City has outstanding notes from direct placements related to governmental activities totaling \$402,355, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$402,355 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to governmental activities totaling \$229,475, which are secured by the equipment and all additions. The City's outstanding notes from direct placements related to governmental activities of \$229,475 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) take possession of the equipment; (3) release or sell any or all of the equipment; (4) require copies of all books and records pertaining to the equipment; (5) avail itself of all available remedies under applicable laws.

The City has outstanding notes from direct placements related to governmental activities totaling \$111,450, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$111,448 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

The City has outstanding notes from direct placements related to governmental activities totaling \$700,889, which are secured by police vehicles, a fire truck and equipment. The City's outstanding notes from direct placements related to governmental activities of \$700,889 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2020 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%	\$ 367,007
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%	364,980
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%	537,138
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	349,670
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%	1,073,579
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%	1,300,000
2019 Note payable to bank for renovation of the Public Works Facility, to be repaid on or before October 25, 2020. The note payable is an interim financing loan for the renovation, to be financed through USDA at the completion of the project.	<u>4,890,342</u>
Total	<u>\$ 8,882,716</u>

The City's outstanding notes from direct placements related to business-type activities of \$367,007, which are secured by the equipment, contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses; (4) terminate the contract and use, operate, lease or hold all or any part of the equipment in its discretion; (5) take possession of any proceeds of the equipment, including net proceeds; (6) pursue any other remedy available at law or equity to the bank.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City has outstanding notes from direct placements related to business-type activities totaling \$364,980, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to business-type activities of \$364,980 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

The City's outstanding notes from direct borrowing related to business-type activities of \$537,138 contain provisions that an event of default would result in immediate prepayment of loan in whole and any further commitment of funds may be withdrawn.

The City's outstanding notes from direct borrowing related to business-type activities of \$349,670 contain provisions that an event of default would result in immediate prepayment of loan in whole and any further commitment of funds may be withdrawn.

The City's outstanding notes from direct borrowing related to business-type activities of \$1,073,579 contain provisions that an event of default would result in the prepayment of the note in whole and any further commitment of funds may be withdrawn.

The City has outstanding notes from direct placements related to business-type activities totaling \$1,300,000, which are secured by the equipment. The City's outstanding notes from direct placements related to business-type activities of \$1,300,000 contain provisions that an event of default would result in (1) declare the unpaid principal components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding payments; (4) avail itself of all available remedies under the financing agreement, including sale of the Equipment, and recovery of attorneys' fees and other expenses.

The City has outstanding notes from direct placements related to business-type activities totaling \$4,890,342, which are secured by the mortgaged property. The City's outstanding notes from direct borrowings related to business-type activities of \$4,890,342 contain provisions that an event of default would result in (1) declare the unpaid principle components of the Installment Payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) remit any balance remaining in the Project Fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure as provided in the financing agreement, and recovery of attorneys' fees and other expenses.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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
2021	\$ 1,506,235	\$ 100,322	\$ 5,426,306	\$ 81,829
2022	973,684	70,154	540,228	68,886
2023	686,688	49,491	544,644	55,788
2024	486,161	33,763	417,943	43,696
2025	339,187	21,583	377,390	35,015
2026-2030	500,000	46,963	984,183	97,362
2031-2035	50,000	722	524,923	32,142
2036-2040	-	-	67,099	1,483
Total	<u>\$ 4,541,955</u>	<u>\$ 322,998</u>	<u>\$ 8,882,716</u>	<u>\$ 416,201</u>

The City is subject to the Local Government Bond Act of North Carolina which limits the amount of debt local governments can issue to 8 percent of the appraised value of property subject to taxation. The City's debt margin, at June 30, 2020, was approximately \$128,286,000.

Changes in Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Current Maturities
Governmental Activities:					
Notes from direct placements	\$ 5,139,635	\$ 776,000	\$ 1,373,680	\$ 4,541,955	\$ 1,506,235
Capitalized leases	254,538	-	36,685	217,853	38,809
Total pension liability (LEOSSA)	733,997	132,494	-	866,491	-
Net pension liability (LGRS)	1,730,346	317,772	-	2,048,118	-
Total OPEB liability	1,805,661	288,631	-	2,094,292	-
Compensated absences	423,605	241,242	224,073	440,774	176,310
Governmental activities long-term liabilities	<u>10,087,782</u>	<u>1,756,139</u>	<u>1,634,438</u>	<u>10,209,483</u>	<u>1,721,354</u>
Business-Type Activities:					
Notes from direct borrowings and direct placements	9,414,566	-	531,850	8,882,716	5,426,306
Net pension liability (LGRS)	706,761	129,794	-	836,555	-
Total OPEB liability	737,523	117,892	-	855,415	-
Compensated absences	150,238	94,901	83,620	161,519	64,608
Business-type activities long-term liabilities	<u>11,009,088</u>	<u>342,587</u>	<u>615,470</u>	<u>10,736,205</u>	<u>5,490,914</u>
Total	<u>\$ 21,096,870</u>	<u>\$ 2,098,726</u>	<u>\$ 2,249,908</u>	<u>\$ 20,945,688</u>	<u>\$ 7,212,268</u>

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. Summary Disclosure of Significant Contingencies

A. 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.

B. Coronavirus Disease

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (“COVID-19”) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 is expected to impact various parts of its fiscal year 2020 and 2021 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

5. Interfund Activity

A. Due To/From Other Funds

Balances due to/from other funds at June 30, 2020, consist of the following:

	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Total Due From Other Funds
General Fund	\$ -	\$ 47	\$ 6,008	\$ 6,055
Nonmajor governmental funds	7,514	314	1,519	9,347
Water and Sewer Fund	89,746	1,002	-	90,748
Total due to other funds	\$ 97,260	\$ 1,363	\$ 7,527	\$ 106,150

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

B. Transfers To/From Other Funds

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. The City transferred \$153,000 from the Capital Reserve Fund to the Belmont Rail Trail Capital Project Fund to finance the construction of the Belmont Rail Trail.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6. Related Party Transactions

Belmont Tourism Development Authority

The City assesses and collects occupancy taxes on the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within city limits that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(3). This tax is distributed to the TDA on a quarterly basis. The amount distributed to the TDA during the year ended June 30, 2020 was \$94,125. The balance due to the TDA, as of June 30, 2020, was \$8,387.

7. Subsequent Events

A. American Rescue Plan Act

On March 11, 2021, the *American Rescue Plan Act ("ARPA")* was signed into law. This new law expands benefits during the Coronavirus (COVID-19) pandemic. The City of Belmont was awarded \$2,001,101 on August 6, 2021 in ARPA funds. The remaining amount of \$2,001,101 is expected to be received within the next 12 months.

B. Capital Projects

In January 2022, the City Council approved a project ordinance for the Belmont Recreation Center set for FY2021-2022. This project includes funding sources from a traditional commercial loan in the amount of \$12,142,835, not yet issued, a Parks and Recreation Trust Fund grant in the amount of \$500,000, and a State Capital and Infrastructure Fund (SCIF) grant in the amount of \$1,500,000. No expenditures related to this project were incurred in the current fiscal year.

In February 2022, the City was approved for an appropriation of a State Capital and Infrastructure Fund (SCIF) grant in the amount of \$1,000,000 for the North Belmont Public Safety Station set for FY2021-2022. No expenditures related to this project were incurred in the current fiscal year.

8. Restatement

During the fiscal year ended June 30, 2020, the City determined that construction in progress for governmental activities was overstated. The amount reported as construction in progress at June 30, 2019, was for a CDBG project in which the City would not retain title to the assets and should not have been capitalized. Beginning capital asset balances and related net position for the City's governmental activities have been reduced by \$1,519,934.

CITY OF BELMONT, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Beginning balance	\$ 733,997	\$ 588,626	\$ 714,819	\$ 712,996
Service cost	48,722	47,253	34,339	37,788
Interest on the total pension liability	25,861	17,857	26,707	24,681
Differences between expected and actual experience in the measurement of the total pension liability	75,832	157,030	(177,108)	-
Changes of assumptions or other inputs	29,135	(29,713)	35,716	(17,341)
Benefit payments	(47,056)	(47,056)	(45,847)	(43,305)
Ending balance of the total pension liability	<u>\$ 866,491</u>	<u>\$ 733,997</u>	<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 EMPLOYEE PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 LAST FOUR FISCAL YEARS***

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Total pension liability	\$ 866,491	\$ 733,997	\$ 588,626	\$ 714,819
Covered payroll	1,869,473	1,649,950	1,543,775	1,484,384
Total pension liability as a percentage of covered employee payroll	46.35%	44.49%	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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

Other Post-Employment Benefits			
	2020	2019	2018
Service cost	\$ 195,954	\$ 184,638	\$ 200,505
Interest	98,424	105,867	87,672
Differences between expected and actual experience	5,111	(693,954)	377
Changes of assumptions	133,302	(15,248)	(199,413)
Benefit payments	(26,268)	(23,612)	(32,420)
Net change in total OPEB liability	406,523	(442,309)	56,721
Total OPEB liability - beginning	2,543,184	2,985,493	2,928,772
Total OPEB liability - ending	<u>\$ 2,949,707</u>	<u>\$ 2,543,184</u>	<u>\$ 2,985,493</u>
Covered employee payroll	\$ 5,636,067	\$ 5,636,067	\$ 4,525,106
Total OPEB liability as a percentage of covered employee payroll	52.34%	45.12%	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%
2019	3.89%
2020	3.50%

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)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS***

	Local Governmental Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
City of Belmont's proportion of the net pension liability (asset) (%)	0.10563%	0.10273%	0.09572%	0.08532%	0.09595%	0.09515%	0.09800%
City of Belmont's proportion of the net pension liability (asset) (\$)	\$ 2,884,673	\$ 2,437,107	\$ 1,462,336	\$ 1,810,776	\$ 430,618	\$ (561,144)	\$ 1,181,276
City of Belmont's covered payroll	\$ 6,557,305	\$ 5,983,685	\$ 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 payroll	43.99%	40.73%	26.26%	37.18%	8.76%	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	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.

CITY OF BELMONT, NORTH CAROLINA

CITY OF BELMONT'S CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS

	<u>Local Governmental Employees' Retirement System</u>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 666,338	\$ 521,593	\$ 460,668	\$ 415,241	\$ 330,554	\$ 479,664	\$ 346,813
Contributions in relation to the contractually required contribution	<u>666,338</u>	<u>521,593</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City of Belmont's covered payroll	\$ 7,283,575	\$ 6,557,305	\$ 5,983,685	\$ 5,568,457	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058
Contributions as a percentage of covered payroll	9.15%	7.95%	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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 8,967,000	\$ 8,933,819	\$ (33,181)	\$ 7,394,216
Prior years	130,000	141,729	11,729	131,032
Penalties and interest	15,000	18,853	3,093	15,093
Total ad valorem taxes	<u>9,112,000</u>	<u>9,094,401</u>	<u>(18,359)</u>	<u>7,540,341</u>
Other Taxes and Licenses:				
Lease vehicle tax	2,600	2,510	(90)	31,268
Occupancy tax	105,000	90,270	(14,730)	106,714
Vehicle license tax	150,000	148,315	(1,685)	147,710
Total other taxes and licenses	<u>257,600</u>	<u>241,095</u>	<u>(16,505)</u>	<u>285,692</u>
Unrestricted Intergovernmental:				
Local option sales tax	2,578,000	2,951,358	373,358	2,546,715
Utility franchise tax	900,000	926,419	26,419	921,485
Solid waste disposal tax	7,000	9,141	2,141	7,936
Beer and wine tax	52,400	52,494	3,093	49,270
Total unrestricted intergovernmental	<u>3,537,400</u>	<u>3,939,412</u>	<u>405,011</u>	<u>3,525,406</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	323,250	323,251	1	310,530
Wellness funds	5,000	5,000	-	-
Unauthorized substance tax	-	-	-	12,511
Police grants	34,300	34,849	549	-
State grants	5,000	5,000	-	1,324
Other grants	25,000	117,292	3,093	35,000
Total restricted intergovernmental revenues	<u>392,550</u>	<u>485,392</u>	<u>3,643</u>	<u>359,365</u>
Permits and Fees:				
Zoning permits	<u>105,000</u>	<u>139,235</u>	<u>6,518</u>	<u>114,518</u>
Sales and Services:				
Recreation department fees	112,000	113,102	1,102	128,327
Sale of cemetery lots	-	20	20	(50)
Cemetery interment fees	2,600	2,641	41	3,625
Technology fees	11,000	11,658	658	2,826
Engineering review fees	132,000	137,891	5,891	24,512
Solid waste fees	505,168	484,576	(20,592)	572,260
Fire protection services	-	-	-	599
Sale of surplus property	21,667	22,852	1,185	31,401
Alarm registration fee	1,000	1,160	3,093	1,100
Total sales and services	<u>785,435</u>	<u>773,900</u>	<u>(8,602)</u>	<u>764,600</u>

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	95,000	92,451	3,093	106,817
Other General Revenues:				
Miscellaneous	206,910	296,844	89,934	217,753
SRO contribution	70,000	87,000	17,000	108,000
Special police funds	3,500	3,670	3,093	5,349
Total other general revenues	280,410	387,514	110,027	331,102
Total revenues	14,565,395	15,153,400	588,005	13,027,841
Expenditures:				
General Government:				
Mayor and Council:				
Fees	26,273	28,890	(2,617)	30,801
Group insurance	20,000	18,425	1,575	25,621
Travel and training	3,500	3,039	461	2,706
Supplies	4,000	3,229	771	2,153
Dues and memberships	11,000	10,929	71	9,265
Miscellaneous	115,865	61,677	54,188	6,450
Total	180,638	126,189	54,449	76,996
Administration and Finance:				
Salaries	225,961	217,608	8,353	199,341
Employee benefits	67,962	62,937	5,025	53,910
Professional services	265,000	236,476	28,524	195,209
Telephone	5,400	5,861	(461)	4,796
Heating	1,006	1,086	(80)	1,315
Travel and training	13,000	13,361	(361)	12,621
Equipment maintenance	2,800	2,793	7	316
Equipment rental	781	435	346	586
Building repairs	2,084	2,084	-	815
Advertisement	-	-	-	241
Postage	1,500	1,802	(302)	803
Office supplies	2,000	1,014	986	928
Supplies	12,500	17,225	(4,725)	12,948
Car allowance	4,800	4,800	-	4,400
Subscriptions	2,800	2,751	49	1,914
Insurance and bonds	28,113	27,947	166	23,108
Building cleaning service	3,000	3,175	(175)	1,004
Miscellaneous expense	66,654	162,054	(95,400)	88,800
Community promotion	19,000	23,708	(4,708)	21,872
Bank charges	38,000	39,119	(1,119)	33,063

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Water and sewer fees	1,260	1,461	(201)	1,073
Stormwater fees	288	506	(218)	252
Electricity	8,000	6,496	1,504	6,847
Capital outlay	-	-	-	225
Total	771,909	834,699	(62,790)	666,387
City Attorney:				
Fees	9,000	9,000	-	8,250
Special compensation	100,000	101,055	(1,055)	90,568
Travel and training	1,000	(75)	1,075	671
Telephone	457	456	1	342
Total	110,457	110,436	21	99,831
Planning and Zoning:				
Salaries	405,575	392,721	12,854	314,107
Employee benefits	147,064	141,601	5,463	98,111
Professional services	55,000	83,122	(28,122)	43,951
Travel and training	3,500	4,049	(549)	7,037
Telephone	5,400	5,904	(504)	5,307
Advertisement	2,000	2,627	(627)	1,532
Miscellaneous	118,250	136,889	(18,639)	28,004
Supplies	3,300	3,367	(67)	5,330
Vehicle maintenance	500	316	184	162
Office supplies	5,000	4,326	674	3,045
Gas and lubricants	300	239	61	504
Water and sewer fees	510	497	13	506
Storm water fees	525	668	(143)	216
Subscriptions and dues	3,500	3,805	(305)	1,096
Insurance	9,613	9,585	28	9,826
Equipment maintenance	500	214	286	367
Equipment rentals	50	45	5	659
Building repairs	175	175	-	515
Total	760,762	790,150	(29,388)	520,275
Total general government	1,823,766	1,861,474	(37,708)	1,363,489
Public Safety:				
Police:				
Salaries	2,280,000	2,290,002	(10,002)	2,122,275
Employee benefits	450,820	426,960	23,860	475,418
Professional services	120,000	118,891	1,109	95,880
Retirement	200,451	219,684	(19,233)	173,133
Separation allowance	47,056	45,232	1,824	47,056

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Mandated	108,898	114,377	(5,479)	99,508
Special compensation	-	-	-	7,099
Telephone	57,000	59,884	(2,884)	51,726
Heating	2,250	2,228	22	2,104
Travel and training	17,000	16,540	460	14,403
Building repairs	12,000	11,952	48	14,822
Radio equipment maintenance	4,000	1,805	2,195	87
Equipment maintenance	17,000	11,647	5,353	22,137
Vehicle maintenance	55,000	51,051	3,949	45,462
Equipment rental	-	45	(45)	85
Gas and lubricants	68,000	70,854	(2,854)	83,599
Water and sewer fees	1,310	1,933	(623)	1,328
Stormwater fees	1,000	1,334	(334)	828
Electricity	23,000	19,337	3,663	19,313
Miscellaneous	29,500	29,439	61	32,930
Postage	1,100	1,526	(426)	1,238
Unemployment	313	313	-	412
Office supplies	7,000	6,928	72	3,401
Supplies	42,000	37,829	4,171	23,489
Uniforms	32,000	39,355	(7,355)	28,835
Subscriptions and dues	1,500	1,440	60	490
Insurance	105,000	103,950	1,050	135,838
K-9 supplies	2,100	983	1,117	1,192
Undercover operations	11,000	11,900	(900)	9,553
Capital outlay	2,200	1,629	571	809
Total	3,698,498	3,699,048	(550)	3,514,450
Fire:				
Salaries	1,138,880	1,120,153	18,727	1,022,366
Employee benefits	368,794	373,885	(5,091)	325,970
Special compensation	30,182	30,182	-	27,641
Professional services	7,100	7,907	(807)	5,799
Telephone	3,600	3,235	365	2,281
Postage	355	210	145	350
Heating	1,900	1,862	38	2,539
Travel and training	7,000	5,120	1,880	6,705
Building maintenance	21,000	20,289	711	42,850
Equipment maintenance	25,000	24,310	690	14,307
Vehicle maintenance	76,000	75,526	474	62,446
Gas and lubricants	13,500	13,401	99	15,379
Water and sewer fees	4,560	6,399	(1,839)	2,140
Stormwater fees	252	406	(154)	252

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Electricity	6,500	6,623	(123)	5,907
Office supplies	500	179	321	1,126
Supplies	16,027	16,179	(152)	13,944
Uniforms	47,000	44,954	2,046	11,860
Insurance and bonds	57,975	57,955	20	51,719
Equipment rental	-	45	(45)	-
Subscriptions	3,568	4,921	(1,353)	4,567
Gaston County Radio Agreement	-	-	-	447
South Point VFD contract	25,313	23,622	1,691	34,114
Total	1,855,006	1,837,363	17,643	1,654,709
Total public safety	5,553,504	5,536,411	17,093	5,169,159
Transportation:				
Streets:				
Salaries	573,973	572,449	1,524	480,132
Employee benefits	237,944	223,862	14,082	177,258
Professional services	60,000	63,208	(3,208)	41,484
Telephone	1,400	12,978	(11,578)	8,577
Heating	-	156	(156)	-
Travel and training	4,500	4,183	317	3,761
Building repair	1,300	1,254	46	2,782
Equipment maintenance	12,000	9,194	2,806	22,951
Vehicle maintenance	30,000	28,881	1,119	26,862
Gas and lubricants	19,000	17,655	1,345	21,040
Equipment rental	26,000	27,831	(1,831)	22,734
Electricity street lights	217,750	182,423	35,327	190,862
Water and sewer fees	3,800	5,317	(1,517)	3,491
Office supplies	4,100	3,861	239	380
Materials and supplies	65,000	62,405	2,595	48,488
State fees	1,500	912	588	778
Contracted street repairs	40,000	35,884	4,116	14,740
Routine street repairs	72,600	66,250	6,350	60,650
Insurance and bonds	79,979	70,631	9,348	67,252
Employee uniforms	14,000	12,560	1,440	11,905
Contracted services - cemetery	32,459	32,325	134	33,295
Contracted mowing	171,800	171,791	9	162,470
Beautification projects	53,750	39,186	14,564	21,194
Landfill fees	30,000	20,925	9,075	-
Improvements	76,000	68,450	7,550	57,579
Total transportation	1,828,855	1,734,571	94,284	1,480,665

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Environmental Protection:				
Sanitation:				
Professional services	903,900	897,553	6,347	943,330
Total environmental protection	903,900	897,553	6,347	943,330
Cultural and Recreational:				
Parks and Recreation:				
Salaries	213,500	212,055	1,445	231,123
Employee benefits	68,704	65,293	3,411	78,362
Professional services	10,000	26,102	(16,102)	12,493
Special compensation	15,000	13,815	1,185	17,692
Telephone	7,000	6,836	164	5,465
Building repairs	31,000	30,268	732	2,461
Equipment maintenance	4,000	3,788	212	3,771
Vehicle maintenance	2,500	2,070	430	5,895
Heating	1,100	1,231	(131)	1,333
Travel and training	5,000	4,274	726	3,769
Uniforms	-	-	-	426
Miscellaneous	1,000	1,003	(3)	724
Water and sewer fees	24,360	24,304	56	34,324
Gas and lubricants	1,200	565	635	1,019
Equipment rental	500	255	245	744
Land usage	10,000	11,400	(1,400)	11,400
Electricity	45,000	43,761	1,239	38,728
Advertisement	1,000	700	300	1,226
Postage	100	181	(81)	280
Office supplies	1,000	806	194	1,339
Supplies	46,500	48,851	(2,351)	44,372
Subscriptions	17,000	1,637	15,363	684
Insurance and bonds	22,913	22,783	130	15,341
Community events	7,000	6,535	465	51,071
Total cultural and recreational	535,377	528,513	6,864	564,042
Economic and Physical Development:				
Tourism development	83,000	94,124	(11,124)	106,714
Economic development	286,411	263,243	23,168	235,812
Total economic and physical development	369,411	357,367	12,044	342,526
Capital Outlay:				
Capital purchases	2,949,813	2,040,963	908,850	2,265,809

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	1,247,628	1,246,391	1,237	1,279,800
Interest and fees	129,141	130,363	(1,222)	108,711
Total debt service	1,376,769	1,376,754	15	1,388,511
Total expenditures	15,341,395	14,333,606	1,007,789	13,517,531
Revenues over (under) expenditures	(776,000)	819,794	1,595,794	(489,690)
Other Financing Sources (Uses):				
Transfers to other funds:				
Techworks Project Fund	-	-	-	(59,500)
Long-term debt issued	776,000	776,000	-	606,000
Total other financing sources (uses)	776,000	776,000	-	546,500
Net change in fund balance	\$ -	1,595,794	\$ 1,595,794	56,810
Fund Balance:				
Beginning of year - July 1		5,053,720		4,996,910
End of year - June 30		\$ 6,649,514		\$ 5,053,720

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>		<u>Total</u>
	<u>Stormwater Fund</u>	<u>Belmont Rail Trail Capital Project Fund</u>	<u>Capital Reserve Fund</u>	
Assets:				
Cash and cash equivalents	\$ 722,123	\$ 85,859	\$ 677,186	\$ 1,485,168
Accounts receivable, net	70,151	-	-	70,151
Due from other funds	9,033	314	-	9,347
Due from other governments	6,117	-	-	6,117
Inventories	5,000	-	-	5,000
Total assets	<u>\$ 812,424</u>	<u>\$ 86,173</u>	<u>\$ 677,186</u>	<u>\$ 1,575,783</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,962	\$ -	\$ -	\$ 1,962
Due to other funds	1,049	-	314	1,363
Total liabilities	<u>3,011</u>	<u>-</u>	<u>314</u>	<u>3,325</u>
Deferred Inflows of Resources	<u>70,151</u>	<u>-</u>	<u>-</u>	<u>70,151</u>
Fund Balances:				
Non-spendable:				
Inventory	5,000	-	-	5,000
Restricted:				
Stabilization by state statute	15,150	314	-	15,464
Committed for capital projects	-	85,859	676,872	762,731
Assigned	719,112	-	-	719,112
Total fund balances	<u>739,262</u>	<u>86,173</u>	<u>676,872</u>	<u>1,502,307</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 812,424</u>	<u>\$ 86,173</u>	<u>\$ 677,186</u>	<u>\$ 1,575,783</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, 2020**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>		<u>Total</u>
	<u>Stormwater Fund</u>	<u>Belmont Rail Trail Capital Project Fund</u>	<u>Capital Reserve Fund</u>	
Revenues:				
Sales and services	\$ 700,709	\$ -	\$ -	\$ 700,709
Investment earnings	-	-	34,725	34,725
Total revenues	<u>700,709</u>	<u>-</u>	<u>34,725</u>	<u>735,434</u>
Expenditures:				
Environmental protection	279,696	-	-	279,696
Capital outlay	105,421	25,650	-	131,071
Debt service:				
Principal	163,974	-	-	163,974
Interest and fees	9,403	-	-	9,403
Total expenditures	<u>558,494</u>	<u>25,650</u>	<u>-</u>	<u>584,144</u>
Revenues over (under) expenditures	142,215	(25,650)	34,725	151,290
Other Financing Sources (Uses):				
Transfer (to)/from other funds	-	153,000	(153,000)	-
Net change in fund balances	142,215	127,350	(118,275)	151,290
Fund Balances:				
Beginning of year - July 1	<u>597,047</u>	<u>(41,177)</u>	<u>795,147</u>	<u>1,351,017</u>
End of year - June 30	<u>\$ 739,262</u>	<u>\$ 86,173</u>	<u>\$ 676,872</u>	<u>\$ 1,502,307</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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 786,665	\$ 700,709	\$ (85,956)	\$ 427,507
Expenditures:				
Environmental protection:				
Salaries	133,008	137,714	(4,706)	109,395
Employee benefits	37,957	44,654	(6,697)	36,823
Professional services	78,322	61,576	16,746	65,108
Telephone	1,000	1,597	(597)	811
Travel and training	800	-	800	210
Gas and lubricants	7,900	4,153	3,747	6,981
Office supplies	1,500	383	1,117	1,023
Supplies	14,962	14,615	347	111,220
Utilities	3,500	1,080	2,420	2,377
Miscellaneous	12,438	10,508	1,930	-
Subscriptions and dues	3,000	3,416	(416)	2,550
Capital outlay	317,233	105,421	211,812	-
Debt service:				
Principal	165,095	163,974	1,121	161,848
Interest and fees	9,950	9,403	547	11,334
Total expenditures	786,665	558,494	228,171	509,680
Net change in fund balance	\$ -	142,215	\$ 142,215	(82,173)
Fund Balance:				
Beginning of year - July 1		597,047		679,220
End of year - June 30		\$ 739,262		\$ 597,047

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, 2020**

	Project Authorization	Actual		Total to Date	Variance Over/Under
	Prior Years	Current Year			
Expenditures:					
Capital outlay:					
Design	\$ 153,000	\$ 69,286	\$ 25,650	\$ 94,936	\$ 58,064
Revenues under expenditures	(153,000)	(69,286)	(25,650)	(94,936)	58,064
Other Financing Sources:					
Transfer from Capital Reserve Fund	153,000	28,109	153,000	181,109	28,109
Net change in fund balance	<u>\$ -</u>	<u>\$ (41,177)</u>	127,350	<u>\$ 86,173</u>	<u>\$ 86,173</u>
Fund Balance:					
Beginning of year - July 1			<u>(41,177)</u>		
End of year, June 30			<u>\$ 86,173</u>		

CITY OF BELMONT, NORTH CAROLINA

CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ 33,000	\$ 34,725	\$ 1,725	\$ 38,898
Other Financing Sources (Uses):				
Fund balance appropriated	120,000	-	(120,000)	-
Transfer to Belmont Rail Trail Capital Project Fund	(153,000)	(153,000)	-	-
Total other financing sources (uses)	(33,000)	(153,000)	(120,000)	-
Net change in fund balance	\$ -	(118,275)	\$ (118,275)	38,898
Fund Balance:				
Beginning of year - July 1		795,147		756,249
End of year - June 30		\$ 676,872		\$ 795,147

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 3,917,307	\$ 3,879,110	\$ (38,197)	\$ 3,738,031
Sewer charges	3,361,054	3,344,308	(16,746)	3,192,306
Water and sewer taps	5,000	4,646	(354)	69,153
Reconnections	16,000	16,440	440	47,030
Service connection fees	30,000	25,635	(4,365)	37,162
Penalties	22,150	29,156	7,006	93,986
Pretreatment fees	11,580	12,639	1,059	11,539
Impact fees	72,208	2,669	(69,539)	58,311
Inspection fees	65,000	65,039	39	38,736
System development fees	355,700	554,296	198,596	241,756
Maintenance fees	443,250	485,440	42,190	273,871
Miscellaneous revenues	66,982	40,887	(26,095)	57,915
Total operating revenues	<u>8,366,231</u>	<u>8,460,265</u>	<u>94,034</u>	<u>7,859,796</u>
Non-Operating Revenues:				
Interest income	2,000	1,828	(172)	2,089
Proceeds from sale of assets	7,506	7,506	-	61,705
Insurance claim payments	20,601	20,601	-	-
Total non-operating revenues	<u>30,107</u>	<u>29,935</u>	<u>(172)</u>	<u>63,794</u>
Total revenues	<u>8,396,338</u>	<u>8,490,200</u>	<u>93,862</u>	<u>7,923,590</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	1,291,531	1,261,578	29,953	1,118,994
Employee benefits	446,031	428,354	17,677	383,774
Professional services	255,000	248,912	6,088	213,633
Telephone	20,000	20,324	(324)	13,530
Travel and training	18,120	13,633	4,487	15,243
Equipment maintenance	26,700	22,191	4,509	30,641
Vehicle maintenance	22,000	24,903	(2,903)	25,312
Gas and lubricants	35,000	34,790	210	33,497
Equipment rental	25,000	24,818	182	24,464
Postage	27,000	27,379	(379)	25,548
Electricity	15,000	12,145	2,855	19,970
Heating	1,500	2,496	(996)	60
Advertisements	-	-	-	1,638
Office supplies	3,600	3,408	192	3,096
Supplies	285,500	279,330	6,170	147,354
Materials	97,000	97,420	(420)	85,155

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Uniforms	17,000	16,506	494	16,750
Contracted repairs	20,000	20,215	(215)	56,293
Utility cuts and repairs	75,000	80,063	(5,063)	80,063
Subscriptions and dues	25,000	18,002	6,998	27,580
State fees	2,500	1,831	669	1,756
Wastewater services	42,050	37,240	4,810	2,569
Insurance and bonds	56,713	56,346	367	26,251
Software	10,000	8,236	1,764	31,520
Impact fees	129,063	129,063	-	792,460
Total water administration and distribution	2,946,308	2,869,183	77,125	3,177,151
Water Treatment Plant:				
Salaries	621,786	601,192	20,594	644,130
Employee benefits	209,177	209,155	22	232,638
Professional services	20,000	19,476	524	11,276
Telephone	15,000	14,241	759	5,110
Postage	500	195	305	347
Heating	1,700	1,797	(97)	6,455
Travel and training	13,000	11,457	1,543	10,441
Plant repairs	50,000	31,041	18,959	108,554
Equipment rental	1,000	174	826	-
Equipment maintenance	69,213	66,225	2,988	30,188
Vehicle maintenance	20,000	15,925	4,075	4,669
Gas and lubricants	15,000	14,718	282	3,519
State fees	5,800	5,117	683	5,858
Materials	-	-	-	7,473
Contract services	12,500	9,290	3,210	62,059
Electricity	321,500	312,924	8,576	114,549
Office supplies	6,000	5,998	2	2,016
Supplies	10,000	9,735	265	15,865
Water treatment	8,200	8,855	(655)	106,893
Lab testing	70,000	82,279	(12,279)	-
Lab supplies	156,410	161,984	(5,574)	19,027
Uniforms	10,000	10,140	(140)	8,941
Subscriptions and dues	1,000	127	873	6,451
Insurance and bonds	49,813	50,044	(231)	29,251
Wastewater services	98,756	83,563	15,193	-
Advertisement	500	29	471	-
Sludge disposal	130,000	127,294	2,706	-
Southfork area water and sewer extensions	6,500	6,500	-	-
Total water treatment plant	1,923,355	1,859,475	63,880	1,435,710

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
Waste Collection and Treatment:				
Salaries	709,000	713,072	(4,072)	524,977
Employee benefits	237,884	242,265	(4,381)	198,542
Professional services	10,000	10,516	(516)	22,795
Telephone	5,000	5,197	(197)	15,557
Postage	3,900	3,791	109	301
Travel and training	7,500	6,982	518	6,959
Sludge disposal	-	-	-	18,648
Materials	7,000	5,997	1,003	-
Mills pre-treatment testing	-	-	-	8,391
Lab testing	-	-	-	66,707
Plant repairs	125,000	139,775	(14,775)	104,922
Equipment maintenance	40,000	39,735	265	72,090
Vehicle maintenance	3,500	3,166	334	7,658
State fees	5,800	5,550	250	4,470
Gas and lubricants	3,500	2,801	699	17,280
Heating	4,000	3,808		
Electricity	120,000	122,654	(2,654)	317,243
Wastewater services	125,648	105,040	20,608	96,282
Advertisements	500	-	500	840
Office supplies	2,000	2,374	(374)	2,094
Supplies	6,000	1,390	4,610	7,325
Uniforms	12,000	11,768	232	8,922
Subscriptions and dues	6,800	6,077	723	686
Lab supplies	20,000	17,920	2,080	162,465
Equipment rental	50	45	5	12,491
Insurance bonds	36,313	35,406	907	24,947
Contracted services	75,000	71,478	3,522	-
Total waste collection and treatment	<u>1,566,395</u>	<u>1,556,807</u>	<u>9,396</u>	<u>1,702,592</u>
Debt Service:				
Interest and fees	94,625	94,625	-	142,301
Principal retirement	531,851	531,850	1	492,854
Total debt service	<u>626,476</u>	<u>626,475</u>	<u>1</u>	<u>635,155</u>
Capital Outlay	<u>5,203,525</u>	<u>4,269,500</u>	<u>934,025</u>	<u>1,785,470</u>
Total capital outlay	<u>5,203,525</u>	<u>4,269,500</u>	<u>934,025</u>	<u>1,785,470</u>
Total expenditures	<u>12,266,059</u>	<u>11,181,440</u>	<u>1,084,427</u>	<u>8,736,078</u>

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues under expenditures	(3,869,721)	(2,691,240)	1,178,481	(812,488)
Other Financing Sources:				
Transfer from capital reserve	3,866,021	-	(3,866,021)	-
Issuance of long-term debt	3,700	-	(3,700)	-
Total other financing sources	3,869,721	-	(3,869,721)	-
Revenues and other financing sources under expenditures	\$ -	\$ (2,691,240)	\$ (2,691,240)	\$ (812,488)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources under expenditures		\$ (2,691,240)		\$ (812,488)
Reconciling items:				
Payment of debt principal		531,850		492,854
Capital outlay		4,269,500		1,785,470
Amount included in capital outlay not capitalized		(121,146)		(135,254)
Change in accrued vacation pay		(11,281)		(40,058)
Change in OPEB liability		(117,892)		128,270
Capital contributions - donated water lines		2,826,997		4,766,207
Public Works Renovation Project - interest		278		326
Capital Reserve Fund - interest		53,001		60,587
Interest expense accrual		4,028		4,253
Depreciation		(2,555,784)		(2,236,364)
Accrual for settlement of lawsuit		(485,000)		-
Change in deferred outflows of resources - pensions		(56,215)		224,116
Change in net pension liability		(129,794)		(282,684)
Change in deferred inflows of resources - pensions		8,898		19,516
Change in deferred outflows of resources - OPEB		36,319		2,858
Change in deferred inflows of resources - OPEB		27,275		(178,394)
Loss on disposal of assets		-		(6,396)
Change in inventory		38,504		10,791
Total reconciling items		4,319,538		4,616,098
Change in net position (Exhibit H)		\$ 1,628,298		\$ 3,803,610

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, 2020

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Non-Operating Revenues:					
Interest income	\$ -	\$ 134	\$ -	\$ 134	\$ 134
Expenditures:					
Economic and physical development:					
Design, installment, and administration	2,090,000	2,085,294	-	2,085,294	4,706
Revenues under expenditures	(2,090,000)	(2,085,160)	-	(2,085,160)	4,840
Other Financing Sources:					
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	2,090,000	2,090,000	-	2,090,000	-
Revenues and other financing sources over expenditures	\$ -	\$ 4,840	\$ -	\$ 4,840	\$ 4,840

CITY OF BELMONT, NORTH CAROLINA

PUBLIC WORKS RENOVATION ENTERPRISE CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2020

	<u>Project</u>	<u>Actual</u>			
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Variance</u>
		<u>Years</u>	<u>Year</u>	<u>to Date</u>	<u>Over/Under</u>
Revenues:					
Interest earned on investments	\$ -	\$ 326	\$ 278	\$ 604	\$ 604
Expenditures:					
Economic and physical development:					
Construction	4,890,342	2,054,350	2,417,544	4,471,894	418,448
Furniture, equipment and fixtures	250,000	-	-	-	250,000
Total expenditures	<u>5,140,342</u>	<u>2,054,350</u>	<u>2,417,544</u>	<u>4,471,894</u>	<u>668,448</u>
Revenues under expenditures	<u>(5,140,342)</u>	<u>(2,054,024)</u>	<u>(2,417,266)</u>	<u>(4,471,290)</u>	<u>669,052</u>
Other Financing Sources:					
Transfer from Water and Sewer Fund	252,446	-	-	-	(252,446)
Transfer from General Fund	502,446	-	-	-	(502,446)
Loan proceeds	4,385,450	4,890,342	-	4,890,342	504,892
Total other financing sources	<u>5,140,342</u>	<u>4,890,342</u>	<u>-</u>	<u>4,890,342</u>	<u>(250,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,836,318</u>	<u>\$ (2,417,266)</u>	<u>\$ 419,052</u>	<u>\$ 419,052</u>

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ 50,000	\$ 53,001	\$ 3,001	\$ 60,587
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(3,866,021)	-	3,866,021	-
Appropriated fund balance	3,816,021	-	(3,816,021)	-
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 53,001</u>	<u>\$ 53,001</u>	<u>\$ 60,587</u>

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 BALANCE SHEET
 JUNE 30, 2020**

Assets:

Cash and cash equivalents	\$ 50,108
Due from Primary Government	8,387
Accounts receivable, net	<u>846</u>
Total assets	<u>\$ 59,341</u>

Liabilities:

Accounts payable and accrued liabilities	<u>\$ 583</u>
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Fund Balance:

Restricted for tourism	<u>58,758</u>
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Total liabilities and fund balance	<u>\$ 59,341</u>
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Reconciliation of the Balance Sheet to the Statement of Net Position:

There are no reconciling items.

CITY OF BELMONT, NORTH CAROLINA

BELMONT TOURISM DEVELOPMENT AUTHORITY

COMPONENT UNIT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Occupancy tax	\$ 83,000	\$ 94,125	\$ 11,125	\$ 97,229
Expenditures:				
Economic and physical development:				
Tourism program	125,000	124,631	369	102,687
Revenues over (under) expenditures	(42,000)	(30,506)	11,494	(5,458)
Other Financing Sources (Uses):				
Appropriated fund balance	42,000	-	(42,000)	-
Net change in fund balance	\$ -	(30,506)	\$ (30,506)	(5,458)
Fund Balance:				
Beginning of year - July 1		89,264		94,722
End of year - June 30		\$ 58,758		\$ 89,264

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 9,136,663	\$ 9,059,670	\$ 76,993
2018-2019	26,011	-	14,569	11,442
2017-2018	15,107	-	2,509	12,598
2016-2017	10,533	-	1,476	9,057
2015-2016	9,004	-	893	8,111
2014-2015	11,377	-	280	11,097
2013-2014	9,872	-	3,027	6,845
2012-2013	9,511	-	3,415	6,096
2011-2012	8,311	-	108	8,203
2010-2011	7,706	-	398	7,308
2009-2010	7,847	-	7,847	-
Total	<u>\$ 115,279</u>	<u>\$ 9,136,663</u>	<u>\$ 9,094,192</u>	<u>157,750</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>(58,302)</u>
Ad valorem taxes receivable, net				<u>\$ 99,448</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)				\$ 9,094,401
Less penalties and interest collected				(18,853)
Taxes written off and refunded				7,847
Miscellaneous				<u>10,797</u>
Total collections and credits				<u>\$ 9,094,192</u>

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	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	\$ 1,787,952,233	\$ 0.515	\$ 9,207,954	\$ 8,541,257	\$ 666,697
Discoveries - Current Year Taxes	278,058	0.515	1,432	1,432	-
Abatements	(14,120,971)	0.515	(72,723)	(72,723)	-
Total property valuation	<u>\$ 1,774,109,320</u>				
Net Levy			9,136,663	8,469,966	666,697
Uncollected taxes at June 30, 2020			(76,993)	(76,993)	-
Current Year's Taxes Collected			<u>\$ 9,059,670</u>	<u>\$ 8,392,973</u>	<u>\$ 666,697</u>
Current Levy Collection Percentage			<u>99.16%</u>	<u>99.09%</u>	<u>100.00%</u>

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Belmont's basic financial statements, and have issued our report thereon dated February 22, 2022.

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) as a basis for designing 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, Responses, and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005 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 from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2020-003 and 2020-005.

City of Belmont's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
February 22, 2022

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Belmont, North Carolina's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Belmont's major federal programs for the year ended June 30, 2020. The City of Belmont's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Belmont complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
February 22, 2022

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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? None reported

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Community Facilities Loans and Grants Cluster	10.766
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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

Material Weakness

Finding 2020-001

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

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. Cash reconciliations were not prepared and balanced to the general ledger in a timely manner during the year. Internal control over the bank reconciliation process is critical.

Effect: Errors could occur in financial reporting. Financial reports used for budget monitoring throughout the year may not properly reflect account balances.

Cause: There are limited City resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes. The general ledger was not reconciled to subsidiary ledgers on a regular basis, and yearend journal entries were not booked.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2019-001.

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. Management should put procedures in place to reconcile all bank accounts to the general ledger on a monthly basis.

Name of Contact Person: Jared Pyles, Finance Director

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

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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

Material Weakness

Finding 2020-002

Criteria: Management should have a system in place to monitor compliance with debt service requirements associated with the US Bancorp financing agreement entered into by the City. As part of the agreement, the City is required to make biannual principal and interest payments in December and June until the obligation has been paid.

Condition: For the fiscal year ended June 30, 2020, the City violated the financing agreement by not making a required principal and interest payment of \$47,236 in June 2020.

Effect: The City is not in compliance with the terms of the financing agreement.

Cause: Management did not take necessary measures to ensure that all required debt service payments were made in the current fiscal year.

Recommendation: In order to comply with the financing agreement, the City must make the missed debt service payment in fiscal year 2021, in addition to the biannually scheduled payments. Management should make all necessary efforts to make scheduled debt service payments in the future.

Contact Person: Jared Pyles, Finance Director

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

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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

Material Weakness

Non-Compliance

Finding 2020-003

Criteria: N.C. General Statute 159-34 requires the City to have an audit as soon as possible after the close of each fiscal year.

Condition: The annual audit was delayed due to turnover in financial personnel.

Effect: Delays of timely reporting and errors in financial reporting could occur.

Cause: The City's Finance Director position was turned over several times.

Recommendation: Management should cross-train where possible so that vacancies in key personnel do not create significant disruptions in day-to-day operations.

Name of Contact Person: Jared Pyles, Finance Director

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

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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

Material Weakness

Finding 2020-004

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

Condition: During the fiscal year ended June 30, 2020, the City determined that certain governmental capital project expenditures were improperly added to construction in progress for a project that was not going to result in a City-owned capital asset. Beginning balances have been adjusted for that reporting error for governmental activities.

Effect: For the statements affected, the prior year financial statements were misstated.

Cause: Incorrect capital asset listings for prior year.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2019-004.

Recommendation: Annual review of capital asset listing should be completed annually by department heads, finance officer, and city manager for accuracy and completeness to prevent prior period adjustments in the future.

Name of Contact Person: Jared Pyles, Finance Director

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

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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

Material Weakness

Non-Compliance

Finding 2020-005

Criteria: Per G.S. 159-8, all money received and expended by a local government should be included in the budget ordinance. The statutes require that funds be appropriated before incurring the obligation of funds and that amounts be pre-audited prior to disbursements being made.

Condition: During the fiscal year ended June 30, 2020, there were violations of the G.S. 159-8 by the City with regard to expenditures exceeding appropriations in the General Fund and Belmont Rail Trail Project Fund, and, therefore, a failure in the pre-audit requirement.

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

Cause: Lack of budget monitoring by management. The City expended more than what had been appropriated because budget amendments were not made for those items.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2019-005.

Recommendation: Management and the Board should ensure that amounts are pre-audited prior to disbursement of funds and budgets are approved as required by statutes.

Name of Contact Person: Jared Pyles, 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.

3. Federal Award Findings and Questioned Costs

None reported.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

Material Weakness

Finding 2020-001:

Name of Contact Person: Jared Pyles, 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 staff by ensuring additional training and educational opportunities are made available and attended 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 2022 to review and train on doing the year-end audit adjustments in the future.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2020-002:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The City is in the process implementing a debt and lease management software that will assist in monitoring scheduled debt service payments. The City has also made the missed debt service payment in the subsequent fiscal year in addition to the biannually scheduled payments.

Proposed Completion Date: Immediately.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

Material Weakness

Non-Compliance

Finding 2020-003:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The City is in the process implementing a debt and lease management software that will assist in monitoring scheduled debt service payments. The City has also made the missed debt service payment in the subsequent fiscal year in addition to the biannually scheduled payments.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2020-004:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The Finance Director and City Manager will meet with the City Engineer and Department Heads during the budget process and throughout the year to review and determine proper capitalized expenditures.

Proposed Completion Date: Immediately.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

Material Weakness

Non-Compliance

Finding 2020-005:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The City is aware of G.S. 159-8. The Finance Director will ensure amounts are pre-audited prior to disbursement of funds and appropriate budget amendments are approved to prevent expenditures exceeding appropriations and deficit balances in Capital Projects.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Finding: 2019-001
Status: Modified and repeated as Finding 2020-001

Finding: 2019-002
Status: Corrected.

Finding: 2019-003
Status: Corrected.

Finding: 2019-004
Status: Modified and repeated as Finding 2020-004

Finding: 2019-005
Status: Modified and repeated as Finding 2020-005

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>Federal Assistance</u>					
<u>U.S. Department of Agriculture</u>					
Community Facilities Loans and Grants Cluster:					
Direct Program:					
Community Facilities Loans and Grants	10.766		\$ 2,331,100	\$ -	\$ -
Total Community Facilities Loans and Grants Cluster			<u>2,331,100</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Treasury</u>					
Passed-through the N.C. Office of Management and Budget, N.C. Pandemic Recovery Office:					
COVID-19 - Coronavirus Relief Fund (CRF) (Note 3)	21.019	02-36-01	<u>92,292</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Treasury			<u>92,292</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Passed-through the N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistant Grant Program (JAG)	16.738	2017-DJ-BX-0129	24,300	-	-
Edward Byrne Memorial Justice Assistant Grant Program (JAG)	16.738	2017-DJ-BX-0129	19,311	-	-
Bulletproof Vest Partnership Program	16.607		<u>6,419</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Justice			<u>50,030</u>	<u>-</u>	<u>-</u>
Total Federal Assistance			<u>2,473,422</u>	<u>-</u>	<u>-</u>
<u>State Assistance</u>					
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4	<u>-</u>	<u>376,010</u>	<u>-</u>
<u>N.C. Department of Commerce</u>					
Rural Economic Development Division					
Building Reuse Program		2020-018-3201-2587	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total State Assistance			<u>-</u>	<u>401,010</u>	<u>25,000</u>
Total Federal and State Awards			<u>\$ 2,473,422</u>	<u>\$ 401,010</u>	<u>\$ 25,000</u>

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Belmont under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Belmont, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Belmont.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Belmont has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Coronavirus Relief Funds

The City of Belmont received \$92,292 of funding from the Coronavirus Relief Fund (21.019) from Gaston County in accordance with HB 1043 and is scheduled to receive \$88,274 appropriated from HB 1023. The City of Belmont has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2021.

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