

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2021

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Martha Stowe

Jim Hefferan

Marc Seelinger

Alex Szucs

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 aggregate discretely presented component units, 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, 2021, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of June 30, 2021 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 Governmental 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 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 consisted 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 basic 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 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
December 2, 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, 2021. 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

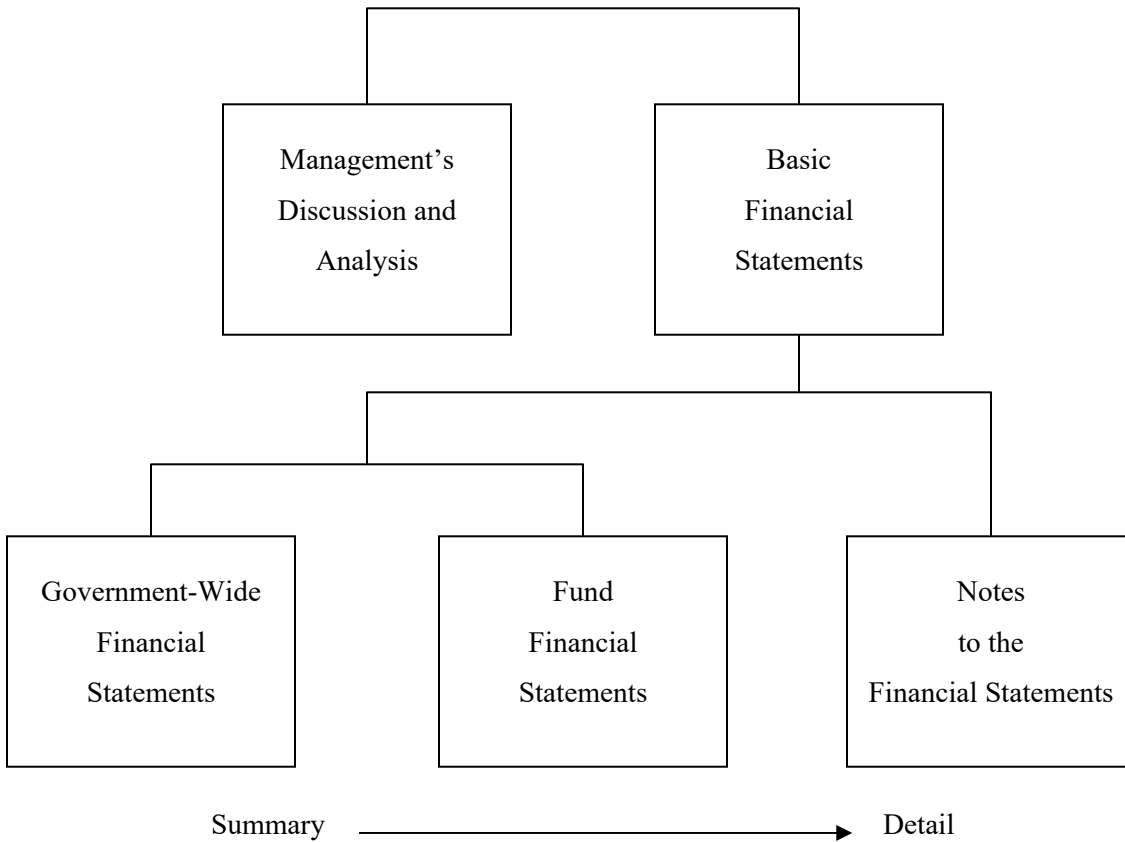
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$66,687,850 (net position).
- The government's total net position increased by \$6,452,962 due to an increase in both governmental activities and business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$11,958,025, with an overall increase of \$3,806,204. Approximately 12.95% of this total amount, or \$1,548,666, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,829,132, or 55.20%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding decreased by \$3,231,063 (23.68%), 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:						
Current and other assets	\$ 14,023,862	\$ 10,323,330	\$ 4,379,101	\$ 10,409,366	\$ 18,402,963	\$ 20,732,696
Capital assets	18,031,169	16,652,468	49,393,120	44,613,373	67,424,289	61,265,841
Total assets	<u>32,055,031</u>	<u>26,975,798</u>	<u>53,772,221</u>	<u>55,022,739</u>	<u>85,827,252</u>	<u>81,998,537</u>
Total deferred outflows	<u>2,465,448</u>	<u>1,566,592</u>	<u>859,067</u>	<u>547,376</u>	<u>3,324,515</u>	<u>2,113,968</u>
Liabilities:						
Long-term liabilities	11,854,844	8,488,129	7,262,909	5,245,291	19,117,753	13,733,420
Other liabilities	1,832,943	3,653,581	523,745	6,627,606	2,356,688	10,281,187
Total liabilities	<u>13,687,787</u>	<u>12,141,710</u>	<u>7,786,654</u>	<u>11,872,897</u>	<u>21,474,441</u>	<u>24,014,607</u>
Total deferred inflows	<u>722,094</u>	<u>619,994</u>	<u>267,382</u>	<u>209,426</u>	<u>989,476</u>	<u>829,420</u>
Net Position:						
Net investment in capital assets	12,721,842	11,892,660	44,290,986	36,149,105	57,012,828	48,041,765
Restricted	1,506,268	1,007,551	-	-	1,506,268	1,007,551
Unrestricted	5,882,488	2,880,475	2,286,266	7,338,687	8,168,754	10,219,162
Total net position	<u>\$ 20,110,598</u>	<u>\$ 15,780,686</u>	<u>\$ 46,577,252</u>	<u>\$ 43,487,792</u>	<u>\$ 66,687,850</u>	<u>\$ 59,268,478</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Belmont exceeded liabilities and deferred inflows by \$66,687,850 as of June 30, 2021. The City's net position increased by \$6,452,962 for the fiscal year ended June 30, 2021. However, the largest portion (85.49%) 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, \$1,506,268 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,168,754 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental and business-type net position:

- Continued diligence in property tax collection by maintaining levy collection rates over 99%.
- Growth in the tax base helped strengthen the City's financial position.
- Residential and commercial growth positively impacted water and sewer receipts.

City of Belmont's Changes in Net Position

Figure 3

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	2021	2021	2021	2020	2020	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,757,234	\$ 8,907,738	\$ 10,664,972	\$ 1,681,673	\$ 8,460,265	\$ 10,141,938
Operating grants and contributions	596,960	-	596,960	494,532	-	494,532
Capital grants and contributions	-	3,634,626	3,634,626	-	2,826,997	2,826,997
General revenues:						
Property taxes	9,838,457	-	9,838,457	9,130,577	-	9,130,577
Other taxes	4,967,546	-	4,967,546	4,171,366	-	4,171,366
Other	392,750	19,304	412,054	552,322	75,708	628,030
Total revenues	<u>17,552,947</u>	<u>12,561,668</u>	<u>30,114,615</u>	<u>16,030,470</u>	<u>11,362,970</u>	<u>27,393,440</u>
Expenses:						
General government	676,779	-	676,779	2,021,393	-	2,021,393
Public safety	5,686,375	-	5,686,375	6,429,872	-	6,429,872
Transportation	1,465,983	-	1,465,983	2,262,043	-	2,262,043
Environmental protection	2,039,295	-	2,039,295	1,298,575	-	1,298,575
Cultural and recreation	3,455,915	-	3,455,915	929,026	-	929,026
Economic and physical development	245,117	-	245,117	357,367	-	357,367
Water and sewer	-	9,985,889	9,985,889	-	9,734,672	9,734,672
Interest	106,300	-	106,300	134,076	-	134,076
Total expenses	<u>13,675,764</u>	<u>9,985,889</u>	<u>23,661,653</u>	<u>13,432,352</u>	<u>9,734,672</u>	<u>23,167,024</u>
Transfers	<u>361,289</u>	<u>(361,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>4,238,472</u>	<u>2,214,490</u>	<u>6,452,962</u>	<u>2,598,118</u>	<u>1,628,298</u>	<u>4,226,416</u>
Net Position:						
Beginning of year, as previously stated - July 1	15,780,686	43,487,792	59,268,478	14,702,502	41,859,494	56,561,996
Restatement	91,440	874,970	966,410	(1,519,934)	-	(1,519,934)
Beginning of year, as restated	<u>15,872,126</u>	<u>44,362,762</u>	<u>60,234,888</u>	<u>13,182,568</u>	<u>41,859,494</u>	<u>55,042,062</u>
End of year - June 30	<u>\$ 20,110,598</u>	<u>\$ 46,577,252</u>	<u>\$ 66,687,850</u>	<u>\$ 15,780,686</u>	<u>\$ 43,487,792</u>	<u>\$ 59,268,478</u>

Governmental Activities. Governmental activities increased the City's net position by \$4,238,472, or 26.70%, after restatement of \$91,440. Key elements of this increase are as follows:

- Increase in net position can be attributed to a total increase of \$1,522,477 among charges for services and property taxes while maintaining a conservative approach to spending with an increase of \$243,412 over prior year.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$2,214,490, or 4.99%, after restatement of \$874,970. Key elements of this increase are as follows:

- Capital contributions were \$3,634,626
- Charges for services increased by 5% or approximately \$447,473.

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 \$4,952,972, while total fund balance reached \$10,355,114. The City currently has an available fund balance of 30.96% of General Fund expenditures, while total fund balance represents 64.74% of the same amount.

At June 30, 2021, the governmental funds of the City of Belmont reported a combined fund balance of \$11,958,025, with an overall increase of \$3,806,204.

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 \$2,286,266. The total changes in net position for the Water and Sewer Fund were \$2,214,490. Other factors concerning the finances of this fund has 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, 2021 totals \$67,424,289 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

The major additions included recording the new City Works building in this fiscal year in the business-type activities.

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

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

Figure 4

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2021	2021		2020	2020	
Land	\$ 3,164,369	\$ 75,890	\$ 3,240,259	\$ 3,164,369	\$ 75,890	\$ 3,240,259
Buildings	4,163,509	10,938,495	15,102,004	3,926,687	4,471,006	8,397,693
Other improvements	3,673,223	402,827	4,076,050	3,500,776	384,693	3,885,469
Machinery and equipment	707,947	3,667,502	4,375,449	969,381	4,372,602	5,341,983
Vehicles and motorized equipment	2,431,095	-	2,431,095	1,743,438	-	1,743,438
Infrastructure	3,083,248	-	3,083,248	3,247,194	-	3,247,194
Distribution systems	-	33,952,241	33,952,241	-	30,673,756	30,673,756
Other non-depreciable items	5,687	28,911	34,598	5,687	28,911	34,598
Natural gas fill station	-	111,536	111,536	-	124,589	124,589
Construction in progress	802,091	215,718	1,017,809	94,936	4,481,926	4,576,862
Total	\$ 18,031,169	\$ 49,393,120	\$ 67,424,289	\$ 16,652,468	\$ 44,613,373	\$ 61,265,841

Long-Term Debt. As of June 30, 2021, the City of Belmont had total debt outstanding of \$10,411,461. Of this amount, \$5,102,134 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

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

Figure 5

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
	2021	2021		2020	2020	
Capitalized leases	\$ 179,045	\$ -	\$ 179,045	\$ 217,853	\$ -	\$ 217,853
Notes payable	5,130,282	5,102,134	10,232,416	4,541,955	8,882,716	13,424,671
Total	\$ 5,309,327	\$ 5,102,134	\$ 10,411,461	\$ 4,759,808	\$ 8,882,716	\$ 13,642,524

The City of Belmont's total debt decreased by \$3,231,063, or 23.68%, 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 \$141,314,768.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 55 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 374 new single-family residential permits, which is a 73% increase from the 215 permits issued during the previous year. These 374 single-family residential permits are the highest number of permits issued since at least 2007. The total value of these new houses is \$71,806,871, which is \$21 million more than the previous year. In addition to these new houses, the staff issued permits for new multifamily developments with a combined valuation of \$82,620,300. The Belmont city council's goal of diversifying the City's tax base made major gains in FY 2020-2021 with over \$182 million in non-residential construction permitted. Overall, the tax base for Belmont is estimated to increase 4% to \$1.85 billion.

Budget Highlights for the Fiscal Year Ended June 30, 2022

Governmental Activities: Based on the actual results from this fiscal year, moderate growth is again anticipated in some of the major General Fund revenues in the coming fiscal year. Overall, total General Fund revenues are projected to increase by 3% over the adopted FY 2019-2020 budget total. An important component of this overall revenue growth is the increase projected again this coming year for the two of the largest General Fund revenues – Current Year Ad Valorem Taxes and Local Option Sales Taxes – which, together, account for 78% of total General Fund revenues.

In line with revenues, budgeted expenditures in the General Fund for the coming fiscal year are also projected to increase by 3% from the prior fiscal year. This increase is due to the city council's emphasis on investing in the City's parks and infrastructure.

Business-Type Activities: Water and sewer rates remained flat for FY 2020-2021 after five years of increases and two years of no increases. The rates will allow the City to continue implementing the top priorities of the Capital Improvement Program (CIP) for the Water & Sewer Fund. The overall budget for the Water & Sewer Fund will decrease by 9% over the previous adopted budget, but this decrease is due to not budgeting as much capital reserve to be spent on system improvements. Continued emphasis will be given to moving ahead with the highest priority capital projects from the CIP.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Director of Finance, City of Belmont, 1401 East Catawba Street, Belmont, North Carolina 28012.

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CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority	Downtown Belmont Development Association
Assets:					
Current assets:					
Cash and cash equivalents	\$ 11,277,315	\$ 2,661,345	\$ 13,938,660	\$ 69,152	\$ 40,734
Taxes receivables, net	84,722	-	84,722	-	-
Accounts receivable, net	144,864	1,402,292	1,547,156	846	-
Due from other governments	940,873	290,444	1,231,317	-	-
Due from primary government	-	-	-	35,720	-
Internal balances	357,216	(357,216)	-	-	-
Inventories	42,398	204,988	247,386	-	-
Total current assets	12,847,388	4,201,853	17,049,241	105,718	40,734
Restricted assets:					
Cash and cash equivalents	1,176,474	177,248	1,353,722	-	-
Capital assets:					
Non-depreciable	3,972,147	320,519	4,292,666	-	-
Depreciable, net of accumulated depreciation	14,059,022	49,072,601	63,131,623	-	-
Total capital assets	18,031,169	49,393,120	67,424,289	-	-
Total assets	32,055,031	53,772,221	85,827,252	105,718	40,734
Deferred Outflows of Resources:					
OPEB deferrals	464,457	189,709	654,166	-	-
Pension deferrals	2,000,991	669,358	2,670,349	-	-
Total deferred outflows of resources	2,465,448	859,067	3,324,515	-	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	826,186	306,405	1,132,591	1,385	310
Payable from restricted assets:					
Customer deposits	-	175,445	175,445	-	-
Performance bond deposits	927,021	-	927,021	-	-
Accrued interest	44,016	41,895	85,911	-	-
Due to component unit	35,720	-	35,720	-	-
Long-term liabilities, due within one year	1,141,608	549,647	1,691,255	-	-
Total current liabilities	2,974,551	1,073,392	4,047,943	1,385	310
Long-term liabilities:					
Net pension liability - LGERS	2,904,256	1,186,245	4,090,501	-	-
Total pension liability - LEOSSA	1,142,774	-	1,142,774	-	-
Total OPEB liability	2,022,223	825,979	2,848,202	-	-
Long-term liabilities, due in more than one year	4,643,983	4,701,038	9,345,021	-	-
Total long-term liabilities	10,713,236	6,713,262	17,426,498	-	-
Total liabilities	13,687,787	7,786,654	21,474,441	1,385	310
Deferred Inflows of Resources:					
OPEB deferrals	651,061	265,926	916,987	-	-
Pension deferrals	71,033	1,456	72,489	-	-
Total deferred inflows of resources	722,094	267,382	989,476	-	-
Net Position:					
Net investment in capital assets	12,721,842	44,290,986	57,012,828	-	-
Restricted for:					
Stabilization by state statute	1,251,815	-	1,251,815	-	-
Debt service - USDA	2,294	-	2,294	-	-
Capital asset replacement reserve - USDA	5,000	-	5,000	-	-
Streets	247,159	-	247,159	-	-
Tourism	-	-	-	104,333	-
Unrestricted	5,882,488	2,286,266	8,168,754	-	40,424
Total net position	\$ 20,110,598	\$ 46,577,252	\$ 66,687,850	\$ 104,333	\$ 40,424

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, 2021

	<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	\$ 676,779	\$ 812,003	\$ 228,913	\$ -
Public safety	5,686,375	150,422	52,900	-
Transportation	1,465,983	-	307,197	-
Environmental protection	2,039,295	754,514	-	-
Cultural and recreational	3,455,915	40,295	7,950	-
Economic and physical development	245,117	-	-	-
Interest on long-term debt	106,300	-	-	-
Total governmental activities	<u>13,675,764</u>	<u>1,757,234</u>	<u>596,960</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>9,985,889</u>	<u>8,907,738</u>	<u>-</u>	<u>3,634,626</u>
Total primary government	<u>\$ 23,661,653</u>	<u>\$ 10,664,972</u>	<u>\$ 596,960</u>	<u>\$ 3,634,626</u>
Component Units:				
Belmont Tourism Development Authority	\$ 52,096	\$ -	\$ -	\$ -
Downtown Belmont Development Association	<u>29,483</u>	<u>599</u>	<u>45,829</u>	<u>-</u>
Total component units	<u>\$ 81,579</u>	<u>\$ 599</u>	<u>\$ 45,829</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, 2021

	Net Revenue (Expense) and Changes in Net Position				
	Governmental Activities	Business-Type Activities	Total	Component Units	
				Belmont Tourism Development Authority	Downtown Belmont Development Association
Function/Programs:					
Governmental Activities:					
General government	\$ 364,137	\$ -	\$ 364,137		
Public safety	(5,483,053)	-	(5,483,053)		
Transportation	(1,158,786)	-	(1,158,786)		
Environmental protection	(1,284,781)	-	(1,284,781)		
Cultural and recreational	(3,407,670)	-	(3,407,670)		
Economic and physical development	(245,117)	-	(245,117)		
Interest on long-term debt	(106,300)	-	(106,300)		
Total governmental activities	<u>(11,321,570)</u>	<u>-</u>	<u>(11,321,570)</u>		
Business-Type Activities:					
Water and sewer	-	2,556,475	2,556,475		
Total primary government	<u>(11,321,570)</u>	<u>2,556,475</u>	<u>(8,765,095)</u>		
Component Units:					
Belmont Tourism Development Authority				\$ (52,096)	\$ -
Downtown Belmont Development Association				-	16,945
Total component units				<u>(52,096)</u>	<u>16,945</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	9,838,457	-	9,838,457	-	-
Other taxes	4,967,546	-	4,967,546	97,671	-
Unrestricted investment earnings	6,218	1,841	8,059	-	-
Insurance claim proceeds	-	17,463	17,463	-	-
Miscellaneous	386,532	-	386,532	-	-
Total general revenues	<u>15,198,753</u>	<u>19,304</u>	<u>15,218,057</u>	<u>97,671</u>	<u>-</u>
Transfers	361,289	(361,289)	-	-	-
Change in net position	<u>4,238,472</u>	<u>2,214,490</u>	<u>6,452,962</u>	<u>45,575</u>	<u>16,945</u>
Net Position:					
Beginning of year - July 1	15,780,686	43,487,792	59,268,478	58,758	23,479
Restatement	91,440	874,970	966,410	-	-
Beginning of year, as restated	<u>15,872,126</u>	<u>44,362,762</u>	<u>60,234,888</u>	<u>58,758</u>	<u>23,479</u>
End of year - June 30	<u>\$ 20,110,598</u>	<u>\$ 46,577,252</u>	<u>\$ 66,687,850</u>	<u>\$ 104,333</u>	<u>\$ 40,424</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 9,687,767	\$ 1,589,548	\$ 11,277,315
Taxes receivable, net	84,722	-	84,722
Accounts receivable, net	70,460	74,404	144,864
Due from other funds	354,889	3,377	358,266
Due from other governments	932,775	8,098	940,873
Inventory	31,189	11,209	42,398
Cash, restricted	1,176,474	-	1,176,474
Total assets	<u>\$ 12,338,276</u>	<u>\$ 1,686,636</u>	<u>\$ 14,024,912</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 817,915	\$ 8,271	\$ 826,186
Liabilities payable from restricted assets:			
Performance bond deposits	927,021	-	927,021
Due to component unit	35,720	-	35,720
Due to other funds	-	1,050	1,050
Total liabilities	<u>1,780,656</u>	<u>9,321</u>	<u>1,789,977</u>
Deferred Inflows of Resources:			
Property taxes receivable	84,722	-	84,722
Unavailable revenue	64,807	-	64,807
Solid waste receivable	52,977	-	52,977
Stormwater receivable	-	74,404	74,404
Total deferred inflows of resources	<u>202,506</u>	<u>74,404</u>	<u>276,910</u>
Fund Balances:			
Non-spendable:			
Inventories	31,189	11,209	42,398
Restricted:			
Stabilization by state statute	1,240,340	11,475	1,251,815
Debt service - USDA	2,294	-	2,294
Capital asset replacement reserve - USDA	5,000	-	5,000
Streets	247,159	-	247,159
Committed	-	774,132	774,132
Assigned	-	806,095	806,095
Unassigned	8,829,132	-	8,829,132
Total fund balances	<u>10,355,114</u>	<u>1,602,911</u>	<u>11,958,025</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,338,276</u>	<u>\$ 1,686,636</u>	<u>\$ 14,024,912</u>

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

CITY OF BELMONT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

Reconciliation of the Balance Sheet to the Statement of Net Position:	<u>Total</u>
<p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:</p>	
Ending fund balance - governmental funds	\$ 11,958,025
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,031,169
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	276,910
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(44,016)
Compensated absences	(476,264)
Net pension liability - LGERS	(2,904,256)
Total pension liability - LEOSSA	(1,142,774)
Total OPEB liability	(2,022,223)
Deferred outflows of resources related to OPEB	464,457
Deferred outflows of resources related to pensions	2,000,991
Deferred inflows of resources related to OPEB	(651,061)
Deferred inflows of resources related to pensions	(71,033)
Note payable	(5,130,282)
Capital leases payable	<u>(179,045)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 20,110,598</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, 2021

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 9,853,183	\$ -	\$ 9,853,183
Other taxes and licenses	271,433	-	271,433
Unrestricted intergovernmental	4,700,825	-	4,700,825
Restricted intergovernmental	596,960	-	596,960
Permits and fees	152,161	-	152,161
Sales and services	942,901	754,514	1,697,415
Investment earnings	5,284	934	6,218
Miscellaneous revenues	361,532	25,000	386,532
Total revenues	<u>16,884,279</u>	<u>780,448</u>	<u>17,664,727</u>
Expenditures:			
Current:			
General government	1,699,393	-	1,699,393
Public safety	6,043,607	-	6,043,607
Transportation	1,806,859	-	1,806,859
Environmental protection	1,003,688	492,983	1,496,671
Cultural and recreational	712,418	14,533	726,951
Economic and physical development	245,117	-	245,117
Debt service:			
Principal	1,741,232	165,101	1,906,333
Interest and other charges	112,123	7,227	119,350
Capital outlay	2,631,383	-	2,631,383
Total expenditures	<u>15,995,820</u>	<u>679,844</u>	<u>16,675,664</u>
Revenues over (under) expenditures	<u>888,459</u>	<u>100,604</u>	<u>989,063</u>
Other Financing Sources (Uses):			
Long-term debt issued	2,455,852	-	2,455,852
Transfers from other funds	361,289	-	361,289
Total other financing sources (uses)	<u>2,817,141</u>	<u>-</u>	<u>2,817,141</u>
Net change in fund balances	3,705,600	100,604	3,806,204
Fund Balances:			
Beginning of year - July 1	<u>6,649,514</u>	<u>1,502,307</u>	<u>8,151,821</u>
End of year - June 30	<u>\$ 10,355,114</u>	<u>\$ 1,602,911</u>	<u>\$ 11,958,025</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, 2021**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 3,806,204
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,951,252
In the Statement of Activities, only the gain or loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.	(92,342)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,571,649)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(19,438)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not have any effect on net position.	(2,455,852)
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.	1,906,333
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Accrued interest payable	13,050
Compensated absences	(35,490)
OPEB plan expense	274,228
Pension expense - LGERS	(437,086)
Pension expense - LEOSSA	<u>(100,738)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 4,238,472</u>

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

CITY OF BELMONT, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 9,557,670	\$ 9,918,047	\$ 9,853,183	\$ (64,864)
Other taxes and licenses	245,000	245,000	271,433	26,433
Unrestricted intergovernmental	3,595,000	4,151,170	4,700,825	549,655
Restricted intergovernmental	370,025	550,591	596,960	46,369
Permits and fees	78,000	78,000	152,161	74,161
Sales and services	575,667	1,194,713	942,901	(251,812)
Investment earnings	50,000	50,000	5,284	(44,716)
Miscellaneous	176,125	176,125	361,532	185,407
Total revenues	<u>14,647,487</u>	<u>16,363,646</u>	<u>16,884,279</u>	<u>520,633</u>
Expenditures:				
Current:				
General government	1,513,703	1,583,703	1,699,393	(115,690)
Environmental protection	948,000	948,000	1,003,688	(55,688)
Public safety	5,903,961	6,103,959	6,043,607	60,352
Transportation	1,808,329	1,850,329	1,806,859	43,470
Cultural and recreation	785,770	785,770	712,418	73,352
Economic and physical development	302,000	230,000	245,117	(15,117)
Debt service:				
Principal	1,274,036	1,195,316	1,741,232	(545,916)
Interest and other charges	174,684	174,684	112,123	62,561
Capital outlay	1,937,004	2,632,878	2,631,383	1,495
Total expenditures	<u>14,647,487</u>	<u>15,504,639</u>	<u>15,995,820</u>	<u>(491,181)</u>
Revenues over (under) expenditures	<u>-</u>	<u>859,007</u>	<u>888,459</u>	<u>29,452</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	-	2,455,852	2,455,852
Transfers to other funds	-	(859,007)	-	859,007
Transfers from other funds	-	-	361,289	361,289
Total other financing sources (uses)	<u>-</u>	<u>(859,007)</u>	<u>2,817,141</u>	<u>3,676,148</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,705,600</u>	<u>\$ 3,705,600</u>
Fund Balance:				
Beginning of year - July 1			<u>6,649,514</u>	
End of year - June 30			<u>\$ 10,355,114</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, 2021

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,661,345
Accounts receivable (net)	1,402,292
Due from other governments	290,444
Inventories	<u>204,988</u>
Total current assets	<u>4,559,069</u>
Restricted assets:	
Cash and cash equivalents	<u>177,248</u>
Non-current assets:	
Capital assets:	
Non-depreciable	320,519
Depreciable, net of accumulated depreciation	<u>49,072,601</u>
Total non-current assets	<u>49,393,120</u>
Total assets	<u>54,129,437</u>
Deferred Outflows of Resources:	
OPEB deferrals	189,709
Pension deferrals	<u>669,358</u>
Total deferred outflows of resources	<u>859,067</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	306,405
Accrued interest	41,895
Due to other funds	357,216
Current portion of compensated absences	59,420
Current portion of long-term debt	490,227
Payable from restricted assets:	
Customer deposits	<u>175,445</u>
Total current liabilities	<u>1,430,608</u>
Non-current liabilities:	
Net pension liability	1,186,245
Compensated absences	89,131
Total OPEB liability	825,979
Non-current portion of long-term debt	<u>4,611,907</u>
Total non-current liabilities	<u>6,713,262</u>
Total liabilities	<u>8,143,870</u>
Deferred Inflows of Resources:	
OPEB deferrals	265,926
Pension deferrals	<u>1,456</u>
Total deferred inflows of resources	<u>267,382</u>
Net Position:	
Net investment in capital assets	44,290,986
Unrestricted	<u>2,286,266</u>
Total net position	<u>\$ 46,577,252</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, 2021

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 7,108,917
Other operating revenues	<u>1,798,821</u>
Total operating revenues	<u>8,907,738</u>
Operating Expenses:	
Water administration and distribution	3,098,854
Water treatment plant	1,587,731
Waste collection and treatment	1,944,087
Depreciation	<u>2,862,290</u>
Total operating expenses	<u>9,492,962</u>
Operating income (loss)	<u>(585,224)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	1,841
Insurance claims	17,463
Interest and other charges	<u>(492,927)</u>
Total non-operating revenues (expenses)	<u>(473,623)</u>
Income before transfers	(1,058,847)
Transfer to other funds	<u>(361,289)</u>
Income (loss) before capital contributions	(1,420,136)
Capital Contributions:	
Contributed capital - donated water lines	<u>3,634,626</u>
Change in net position	<u>2,214,490</u>
Net Position:	
Beginning of year - July 1	43,487,792
Restatement	<u>874,970</u>
Beginning of year, as restated	<u>44,362,762</u>
End of year - June 30	<u>\$ 46,577,252</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, 2021**

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 8,578,656
Cash paid for goods and services	(3,617,213)
Cash paid to or on behalf of employees for services	(3,636,404)
Customer deposits, net	43,921
Net cash provided (used) by operating activities	<u>1,368,960</u>
Cash Flows from Non-Capital Financing Activities:	
Payments to/from other funds	440,437
Transfers to other funds	<u>(361,289)</u>
Net cash provided (used) in non-capital and related financing activities	<u>79,148</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from insurance claim	17,463
Acquisition and construction of capital assets	(3,132,441)
Proceeds from long-term debt	1,929,598
Principal paid on long-term debt	(5,710,180)
Interest paid on long-term debt	<u>(473,901)</u>
Net cash provided (used) in capital and related financing activities	<u>(7,369,461)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>1,841</u>
Net increase (decrease) in cash and cash equivalents	(5,919,512)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>8,758,105</u>
End of year - June 30	<u>\$ 2,838,593</u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ (585,224)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,862,290
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(329,082)
Increase (decrease) in deferred inflows of resources for pensions	(5,266)
Increase (decrease) in net pension liability	349,690
Increase (decrease) in total OPEB liability	(29,436)
(Increase) decrease deferred outflows of resources for pensions	(165,896)
Increase (decrease) in deferred inflows of resources for OPEB	63,222
(Increase) decrease deferred outflows of resources for OPEB	(145,795)
(Increase) decrease in inventories	(602)
Increase (decrease) in accounts payable and accrued liabilities	(675,894)
Increase (decrease) in compensated absences payable	(12,968)
Increase (decrease) in customer deposits	43,921
Total adjustments	<u>1,954,184</u>
Net cash provided (used) by operating activities	<u>\$ 1,368,960</u>
Non-Cash Transactions:	
Capital contributions	<u>\$ 3,634,626</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, 2021

1. Summary of Significant Accounting Policies

The accounting policies of the City of Belmont (the “City”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The City is a municipal corporation, which is governed by an elected Mayor and a five-member Council.

Belmont Tourism Development Authority

The Tourism Development Authority (the “TDA”) was established to promote travel, tourism, and conventions in the City, and to sponsor tourist-related events and activities in the City of Belmont, North Carolina under Session Law 2005-220. The six members of this Board are appointed by the City Council. At least two-thirds of the proceeds derived from the occupancy tax, levied and collected by the City, remitted to the Tourism Development Authority, must be used to promote tourism in the City of Belmont, with the remainder used for tourism-related expenditures. The Belmont Tourism Development Authority, which has a June 30 year-end, is presented as if it were a governmental fund type. The budget and actual schedule of the Tourism Development is also presented after the Enterprise Fund supplementary information. The City is financially accountable for the Belmont Tourism Development Authority, which is reported as a discrete component unit separate from the financial information of the primary government. The Authority did not issue separate financial statements.

Downtown Belmont Development Association, Inc.

The Downtown Belmont Development Association, Inc. (DBDA) is a non-profit 501(c)(3) corporation that was founded to further advance the economic, aesthetic, and cultural environment of historic Downtown Belmont, North Carolina. The DBDA lessens the burden of the City as it relates to eliminating the physical and economic deterioration of the City’s traditional downtown area, thereby promoting the City’s historic preservation, contributing to the betterment of the community. The DBDA is made up of a ten-member Board, all of whom are appointed by the City Council. The City Council can remove any member of the entity with or without cause. The DBDA does 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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 City has no fiduciary funds to report. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City reports the following major Enterprise Fund:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the City's water and sewer operations. The water and sewer capital project funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the water and sewer capital projects have been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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, 2021, 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, 2021

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City, the TDA and the DBDA are made in Board-designated official depositories and are secured as required by state law [G.S. 159-31]. The City, the TDA and the DBDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City, the TDA and the DBDA 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, the TDA and the DBDA 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. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market mutual fund, is valued at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is 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	\$ 247,159
USDA loan reserve requirement	2,294
Performance bond deposits	<u>927,021</u>
Total governmental activities	<u>\$ 1,176,474</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 175,445
USDA loan reserve requirement	<u>1,803</u>
Total business-type activities	<u>\$ 177,248</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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. Reserved for USDA Rural Development is restricted because it can only be expended for debt service expenditures related to the public works building loan.

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, 2020.

Allowance for Doubtful Accounts

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

Inventory

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

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.

Capital assets are depreciated using the straight-line method. Interest expense is capitalized on construction in progress to the extent that it exceeds income.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 assets 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 assets 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, solid waste and stormwater receivables, unavailable revenues, 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, 2021

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.

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 (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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

Restricted for Debt Service – portion of fund balance that is restricted for future debt service payments.

Restricted for Capital Asset Replacement Reserve – portion of fund balance that is restricted for capital asset replacement costs as required by the grantor.

<u>Purpose</u>	<u>General Fund</u>	<u>Aggregate Nonmajors</u>	<u>Total</u>
Stabilization by state statute	\$ 1,240,340	\$ 11,475	\$ 1,251,815
Streets	247,159	-	247,159
Capital asset replacement reserve -			
USDA	5,000	-	5,000
Debt service - USDA	2,294	-	2,294
Total restricted fund balance	<u>\$ 1,494,793</u>	<u>\$ 11,475</u>	<u>\$ 1,506,268</u>

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 Rail Trail Capital Project Fund – portion of fund balance that has been budgeted by the Board for use in investment in capital project related activities.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Committed for Capital Reserve Fund – portion of fund balance that has been budgeted by the Board for use in the Capital Reserve Fund.

Fund	Amount
Rail Trail Project Fund	\$ 96,326
Capital Reserve Fund	677,806
Total committed fund balance	\$ 774,132

Assigned Fund Balance

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

Assigned for Stormwater Fund – portion of fund balance that has been budgeted by the Board for use in the Stormwater Fund.

Stormwater Fund	\$ 806,095
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Unassigned Fund Balance

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes of other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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

The City of Belmont has adopted a formal fund balance policy for the available fund balance at the close of each fiscal year should be no less than 25% of the City's total annual operating budget, with a target policy equal to 30%. 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	\$ 10,355,114
Less:	
Inventories	31,189
Restricted for stabilization by state statute	1,240,340
Restricted for streets	247,159
Restricted for USDA	7,294
Working capital/fund balance policy	3,876,160
Remaining fund balance	\$ 4,952,972

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 in 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.

Interfund Transactions

Interfund services provided are accounted for as revenues or expenses in the government-wide financial statements, since they would be treated as such if they involved organizations external to the City. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

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, 2021

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, 2021, the expenditures exceeded authorized appropriations by the governing board for the following departments and funds:

<u>Fund</u>	<u>Amount</u>
General Fund:	
Administration and finance	\$ (62,323)
Planning and zoning	(57,883)
Sanitation	(55,688)
Economic and physical development	(15,117)
Debt service	(483,355)
Total General Fund:	<u>\$ (674,366)</u>
Water and Sewer Fund:	
Water treatment plant	\$ (10,371)
Debt service	(5,634,081)
Transfers to other funds	(932,425)
Total Water and Sewer Fund:	<u>\$ (6,576,877)</u>
Public Works Renovation Enterprise Capital Project Fund	<u>\$ (321,842)</u>
Automated Meter Infrastructure Program Capital Project Fund	<u>\$ (4,840)</u>

B. Lack of Approved Budget

For the fiscal year ended June 30, 2021, the City's capital reserve lacked an approved budget ordinance. Management and the Board will more closely review the budget reports to ensure compliance in future years.

C. 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 2021 audit was significantly delayed due to turnover in financial personnel. N.C. General Statute 159-13(b)(16), states that appropriated fund balance 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 year the budget year. Appropriated fund balance in the Enterprise Fund Capital Reserve Fund exceeded total beginning fund balance. Please refer to finding 2021-003 and 2021-005, respectively, for further information.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

At June 30, 2021, the City's deposits, had a carrying amount of \$5,218,258 and a bank balance of \$5,826,401. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$5,076,401 was covered by collateral held under the Pooling Method. At June 30, 2021, the City's petty cash totaled \$900.

The City of Belmont Tourism Development Authority's deposits had a carrying amount of \$69,152 and a bank balance of \$69,152. All of the bank balances for the TDA were covered by federal depository insurance.

The DBDA's deposits had a carrying amount of \$40,734 and a bank balance of \$40,734. All of the bank balances for the DBDA were covered by federal depository insurance.

Investments

At June 30, 2021, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2021
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 10,073,224

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk: The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The City has no policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAM by Standard and Poor's and AAA-mf Moody's Investors Service as of June 30, 2021.

Receivables

Receivables at Exhibit A at June 30, 2021 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 70,460	\$ 131,354	\$ 932,775	\$ 1,134,589
Other governmental	83,443	-	8,098	91,541
Total receivables	153,903	131,354	940,873	1,226,130
Allowance for doubtful accounts	(9,039)	(46,632)	-	(55,671)
Total governmental activities	<u>\$ 144,864</u>	<u>\$ 84,722</u>	<u>\$ 940,873</u>	<u>\$ 1,170,459</u>
Business-Type Activities:				
Water and sewer	\$ 1,653,327	\$ -	\$ 290,444	\$ 1,943,771
Allowance for doubtful accounts	(251,035)	-	-	(251,035)
Total business-type activities	<u>\$ 1,402,292</u>	<u>\$ -</u>	<u>\$ 290,444</u>	<u>\$ 1,692,736</u>

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

	<u>Governmental Activities</u>
Local option sales tax	\$ 683,376
Sales tax	126,532
NCDMV	95,245
Occupancy tax revenue	35,720
Total	<u>\$ 940,873</u>
	<u>Business-Type Activities</u>
Sales tax	<u>\$ 290,444</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	July 1, 2020 as restated	Increases	Decreases	June 30, 2021
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 3,255,809	\$ -	\$ 91,440	\$ 3,164,369
Other	5,687	-	-	5,687
Construction in progress	94,936	707,155	-	802,091
Total non-depreciated capital assets	3,356,432	707,155	91,440	3,972,147
Depreciable Capital Assets:				
Buildings	5,941,898	371,225	-	6,313,123
Other improvements	5,276,751	625,167	-	5,901,918
Equipment	4,767,855	101,857	-	4,869,712
Infrastructure	3,911,606	-	-	3,911,606
Vehicles and motorized equipment	4,775,841	1,145,848	174,719	5,746,970
Total depreciable capital assets	24,673,951	2,244,097	174,719	26,743,329
Less Accumulated Depreciation:				
Buildings	2,015,211	134,403	-	2,149,614
Other improvements	1,775,975	452,720	-	2,228,695
Equipment	3,798,474	363,291	-	4,161,765
Infrastructure	664,412	163,946	-	828,358
Vehicles and motorized equipment	3,032,403	457,289	173,817	3,315,875
Total accumulated depreciation	\$ 11,286,475	\$ 1,571,649	\$ 173,817	12,684,307
Total depreciable capital assets, net				14,059,022
Governmental activities capital assets, net				\$ 18,031,169

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

General government	\$ 41,132
Public safety	578,350
Transportation	40,503
Cultural and recreational	373,797
Stormwater	537,867
Total	\$ 1,571,649

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2021.

	July 1, 2020 as restated	Increases	Decreases	Transfers	June 30, 2021
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 75,890	\$ -	\$ -	\$ -	\$ 75,890
Right-of-ways	28,911	-	-	-	28,911
Construction in progress	4,481,926	1,195,976	-	5,462,184	215,718
Total non-depreciable capital assets	4,586,727	1,195,976	-	5,462,184	320,519
Depreciable Capital Assets:					
Buildings	12,495,783	1,353,905	-	5,462,184	19,311,872
Improvements other than buildings	558,400	70,951	-	-	629,351
Distribution systems	43,533,845	3,634,626	-	-	47,168,471
Machinery and equipment	13,497,170	511,609	-	-	14,008,779
Natural gas fill station	258,342	-	-	-	258,342
Total depreciable capital assets	70,343,540	5,571,091	-	5,462,184	81,376,815
Less Accumulated Depreciation:					
Buildings	8,024,777	348,600	-	-	8,373,377
Improvements other than buildings	173,707	52,817	-	-	226,524
Distribution systems	11,985,119	1,231,111	-	-	13,216,230
Machinery and equipment	9,124,568	1,216,709	-	-	10,341,277
Natural gas fill station	133,753	13,053	-	-	146,806
Total accumulated depreciation	\$ 29,441,924	\$ 2,862,290	\$ -	\$ -	32,304,214
Total depreciable capital assets, net					49,072,601
Business-type activities capital assets, net					\$ 49,393,120

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 18,031,169	\$ 49,393,120
Long-term debt	(5,130,282)	(5,102,134)
Capital lease	(179,045)	-
Net investment in capital assets	\$ 12,721,842	\$ 44,290,986

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Due to Component Unit</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 598,795	\$ 35,720	\$ 1,190,157	\$ 1,824,672
Other governmental	<u>4,058</u>	<u>-</u>	<u>4,213</u>	<u>8,271</u>
Total	<u>\$ 602,853</u>	<u>\$ 35,720</u>	<u>\$ 1,194,370</u>	<u>\$ 1,832,943</u>
Business-Type Activities:				
Water and sewer	<u>\$ 222,748</u>	<u>\$ -</u>	<u>\$ 125,552</u>	<u>\$ 348,300</u>

Construction Commitments

The government has active construction projects as of June 30, 2021. At year-end, 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>\$ 109,469</u>	<u>\$ 43,531</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Belmont is a participating employer in the statewide 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, 2021

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, 2021, was 10.15% of compensation for law enforcement officers and 10.90% 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 \$815,083 for the year ended June 30, 2021.

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, 2021**

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

At June 30, 2021, the City reported a liability of \$4,090,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 (measurement date), the City's proportion was 0.11447%, which was an increase of 0.00884% from its proportion measured as of June 30, 2019. For the year ended June 30, 2021, the City recognized pension expense of \$1,430,697. At June 30, 2021, 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	\$ 516,558	\$ -
Changes of assumptions	304,414	-
Net difference between projected and actual earnings on pension plan investments	575,628	-
Changes in proportion and differences between City contributions and proportionate share of contributions	96,446	5,024
City contributions subsequent to the measurement date	<u>815,083</u>	<u>-</u>
Total	<u>\$ 2,308,129</u>	<u>\$ 5,024</u>

\$815,083 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, 2022. 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
2022	\$ 433,772
2023	552,025
2024	331,869
2025	170,356
2026	-
Thereafter	-
Total	<u>\$ 1,488,022</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation, with the exception of the discount rate, 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, 2020 are summarized in the following table:

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

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)	\$ 8,299,180	\$ 4,090,501	\$ 592,792

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. A separate report was not issued for the plan.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

All full-time law enforcement officers of the City are covered by the Separation Allowance.

At June 30, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Active plan members	<u>34</u>
Total	<u><u>38</u></u>

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 June 30, 2020 valuation. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increase	3.25 to 7.75 percent
Discount rate	2.12 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2020.

The actuarial assumptions used in the June 30, 2020 valuation was based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five - year period ending December 31, 2019.

Deaths after Retirement (Healthy): Pub-2010 Safety Retirees Mortality Table projected generationally using MP-2019. The male and female rates are set forward 1 year and adjusted by 97% for all ages.

Deaths before Retirement: Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019.

Deaths after Retirement (Disabled): Pub-2010 General Disabled Retirees Mortality Table projected generationally using MP-2019. The male and female rates are set back 3 years.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$41,582 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, 2021, the City reported a total pension liability of \$1,142,774. The total pension liability was measured as of December 31, 2020 based on a June 30, 2020 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$138,576.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 164,947	\$ 50,148
Changes of assumptions	179,775	17,317
City benefit payments made subsequent to the measurement date	17,498	-
Total	\$ 362,220	\$ 67,465

\$17,498 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, 2022. 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
2022	\$ 58,353
2023	71,198
2024	78,597
2025	59,951
2026	9,158
Thereafter	-
Total	\$ 277,257

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 2.12 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 (1.12 percent) or 1-percentage-point higher (3.12 percent) than the current rate:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total pension liability	\$ 1,251,749	\$ 1,142,774	\$ 1,043,474

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

	2021
Beginning balance	\$ 866,491
Service cost	52,192
Interest on the total pension liability	27,570
Differences between expected and actual experience in the measurement of the total pension liability	51,634
Changes of assumptions or other inputs	186,469
Benefit payments	(41,582)
Ending balance of the total pension liability	\$ 1,142,774

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.26% at December 31, 2019 to 2.12% at 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.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,430,697	\$ 138,576	\$ 1,569,273
Pension liability	4,090,501	1,142,774	5,233,275
Proportionate share of the net pension liability	0.11447%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 516,558	\$ 164,947	\$ 681,505
Changes of assumptions	304,414	179,775	484,189
Net difference between projected and actual earnings on plan investments	575,628	-	575,628
Changes in proportion and differences between contributions and proportionate share of contributions	96,446	-	96,446
Benefit payments and administrative costs paid subsequent to the measurement date	<u>815,083</u>	<u>17,498</u>	<u>832,581</u>
	<u>\$ 2,308,129</u>	<u>\$ 362,220</u>	<u>\$ 2,670,349</u>

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 50,148	\$ 50,148
Changes of assumptions	-	17,317	17,317
Changes in proportion and differences between contributions and proportionate share of contributions	<u>5,024</u>	<u>-</u>	<u>5,024</u>
	<u>\$ 5,024</u>	<u>\$ 67,465</u>	<u>\$ 72,489</u>

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, 2021

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 \$112,312 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 allows employees hired on or before December 1, 2014 who retire from the City of Belmont with 25 or more years of service under the North Carolina Local Governmental Employees' Retirement System and 10 or more years of service with the City are eligible for health insurance until they reach age 65. Such insurance is provided until the retiree becomes eligible for Medicare. Healthcare and prescription drug coverage are provided under the City's insured group healthcare plan. The City will pay the full cost of the health insurance premium under the retiree becomes eligible for Medicare. Life insurance, dental, and vision coverage are available at the retiree's expense until retiree is eligible for Medicare. Retirees 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 upon the retiree becoming eligible for Medicare (attaining age 65), or upon the retirees' death, whichever comes first. The City Council may amend the benefit provision. A separate report was not issued for the Plan.

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, 2020, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	3
Active plan members	<u>58</u>
Total	<u><u>61</u></u>

Total OPEB Liability

The City's total OPEB liability of \$2,848,202 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020 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
Wage inflation	3.25 percent
Salary increases, including wage inflation:	
General employees	3.30 to 8.30 percent
Firefighters	3.30 to 8.00 percent
Law enforcement officers	3.30 to 7.80 percent
Municipal Bond Index Rate:	
Prior measurement date	3.50 percent
Measurement date	2.21 percent
Healthcare cost trend rates:	
pre-medicare, medical and prescription drug	8.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent \geq 2028

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	<u>\$ 2,949,707</u>
Changes for the year:	
Service cost	209,911
Interest	102,740
Changes of benefit terms	(624,860)
Differences between expect and actual experience	(357,283)
Changes in assumptions or other inputs	596,552
Benefit payments	(28,565)
Net changes	<u>(101,505)</u>
Balance at June 30, 2021	<u><u>\$ 2,848,202</u></u>

Demographic Assumptions – General Employees:

Deaths before Retirement: Pub-2010 General Employees Male and Female Mortality tables projected generationally with MP-2019.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Death after Retirement (Healthy): Pub-2010 General Retirees Mortality table projected generationally with MP-2019. The male rates are set forward 2 years and adjusted with the following factors: 80 and younger, 96.0%; age 81, 96.8%; age 82, 97.6%; age 83, 98.4%; age 84, 99.2%; age 85 and older, 100.0%. The female rates are adjusted with the following factors: 91 and younger, 100.0%; age 92, 102.5%; age 93, 105.0%; age 94, 107.5%; age 95 and older, 110.0%.

Deaths after Retirement (Disabled): Pub-2010 General Disabled Retirees Mortality table projected generationally with MP-2019. The male rates are set forward 3 years, and the female rates are set back 1 year.

Demographic Assumptions – Firefighters and Rescue Squad Workers:

Deaths before Retirement: Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019.

Death after Retirement (Healthy): Pub-2010 Safety Retirees Mortality table projected generationally with MP-2019. The male and female rates are set forward 1 year and adjusted by 97% for all ages.

Deaths after Retirement (Disabled): Pub-2010 Safety Disabled Retirees Mortality table projected generationally with MP-2019. The male and female rates are set back 3 years.

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.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 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, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 3,163,608	\$ 2,848,202	\$ 2,565,459

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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:

	<u>1%</u> <u>Decrease</u>	<u>Current</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability	\$ 2,491,524	\$ 2,848,202	\$ 3,271,159

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$356,000. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,279	\$ 793,143
Changes of assumptions	627,081	123,844
Benefit payments and administrative costs made subsequent to the measurement date	<u>22,806</u>	<u>-</u>
Total	<u>\$ 654,166</u>	<u>\$ 916,987</u>

\$22,806 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, 2022. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ (49,569)
2023	(49,569)
2024	(49,569)
2025	(49,569)
2026	(49,569)
Thereafter	<u>(37,782)</u>
Total	<u>\$ (285,627)</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. The City has no liability beyond the payment of monthly contributions. The contributions to the death benefit plan cannot be separated between the post-employment benefit amount and the other amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City considers these contributions to be immaterial.

Deferred Outflows/Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Differences between expected and actual experience - OPEB	\$ 4,279
Differences between expected and actual experience - (LGERS & LEOSSA)	681,505
Changes of assumptions (LGERS & LEOSSA)	484,189
Changes of assumptions - OPEB	627,081
Changes in proportion and differences between City contributions and proportionate share of contributions (LGERS & LEOSSA)	96,446
Net difference between projected and actual earnings on pension plan investments (LGERS & LEOSSA)	575,628
Benefit payments paid subsequent to the measurement date (LEOSSA & LGERS)	832,581
Benefit payments and administrative costs made subsequent to the measurement date (OPEB)	<u>22,806</u>
Total	<u>\$ 3,324,515</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

<u>Source</u>	<u>Amount</u>
Differences between expected and actual experience - OPEB	\$ 793,143
Differences between expected and actual experience (LEOSSA & LGERS)	50,148
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	5,024
Changes of assumptions (OPEB)	123,844
Changes of assumptions (LEOSSA)	17,317
Taxes receivable, net	84,722
Stormwater receivables	74,404
Unavailable revenue	64,807
Solid waste receivable	52,977
Total deferred inflows	<u>\$ 1,266,386</u>

Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are re-insured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

The City carries employee health insurance through 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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 16 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, 2021:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 600,000	\$ 144,000	\$ 456,000

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2022	\$ 56,085
2023	56,085
2024	56,085
2025	56,085
Total minimum lease payments	224,340
Less: amount representing interest	(45,295)
Present value of minimum lease payments	<u>\$ 179,045</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Notes Payable

Serviced by General Fund:

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%	\$ 425,000
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%	950,000
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%	46,806
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%	24,932
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%	95,534
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%	151,526
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%	271,243
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%	77,508
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%	80,842
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%	551,039
2021 Note payables to USDA for construction of the new public works facility, to be repaid in 40 annual installments of \$109,906 and \$53,980 through March 2061; including interest at 2.125%	<u>2,455,852</u>
Total	<u>\$ 5,130,282</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City has outstanding notes from direct placements related to governmental activities totaling \$425,000, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$425,000 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 \$950,000, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$950,000 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 \$46,806, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$46,806 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 \$24,932, which are secured by the equipment. The City's outstanding notes from direct placements related to governmental activities of \$24,932 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 \$95,534, which are secured by the equipment. The City's outstanding notes from direct placements related to governmental activities of \$95,534 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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$151,526, which are secured by vehicles and equipment. The City's outstanding notes from direct placements related to governmental activities of \$151,526 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 \$271,243, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$271,243 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 \$77,508, which are secured by the equipment and all additions. The City's outstanding notes from direct placements related to governmental activities of \$77,508 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 \$80,842, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$80,842 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 \$551,039, which are secured by police vehicles, a fire truck, and equipment. The City's outstanding notes from direct placements related to governmental activities of \$551,039 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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$2,455,852, which are secured by real property financed with loan funds in compliance with G.S. 160A-20. The City's outstanding notes from direct placements related to governmental activities of \$2,455,852 contain provisions that an event of default would result in (1) declare the unpaid balance on the note and any indebtedness secured hereby immediately due and payable; (2) enter upon the premises and take possession of, repair, improve, use, and operate the collateral or make equipment unusable, for the purpose of protecting or preserving the collateral of this lien, or preparing or processing the collateral for sale, and (3) exercise any sale of other rights accorded by law.

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2021 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:

Serviced by Water and Sewer Fund:

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%	\$ 248,985
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%	492,375
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	324,696
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%	1,006,480
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%	1,100,000
2021 Note payables to USDA for construction of the new public works facility, to be repaid in 40 annual installments of \$109,906 and \$53,980 through March 2061; including interest at 2.125%	<u>1,929,598</u>
Total	<u>\$ 5,102,134</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City's outstanding notes from direct placements related to business-type activities of \$248,985, 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.

The City's outstanding notes from direct borrowing related to business-type activities of \$492,375 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 \$324,696 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 \$1,006,480 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 \$1,100,000, which are secured by the equipment. The City's outstanding notes from direct placements related to business-type activities of \$1,100,000 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 \$1,929,598, which are secured by real property financed with loan funds in compliance with G.S. 160A-20. The City's outstanding notes from direct placements related to business-type activities of \$1,929,598 contain provisions that an event of default would result in (1) declare the unpaid balance on the note and any indebtedness secured hereby immediately due and payable; (2) enter upon the premises and take possession of, repair, improve, use, and operate the collateral or make equipment unusable, for the purpose of protecting or preserving the collateral of this lien, or preparing or processing the collateral for sale, and (3) exercise any sale of other rights accorded by law.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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
2022	\$ 910,046	\$ 129,922	\$ 490,227	\$ 102,272
2023	623,893	109,154	495,305	90,857
2024	424,086	93,172	369,170	80,434
2025	329,739	80,583	369,966	73,408
2026	143,060	71,362	370,670	66,367
2027-2031	679,285	261,956	964,336	260,431
2032-2036	254,607	204,007	655,232	183,031
2037-2041	282,972	175,751	222,335	138,090
2042-2046	314,355	144,363	246,993	113,428
2047-2051	349,219	109,495	274,387	86,031
2052-2056	387,922	70,760	304,796	55,597
2057-2061	431,098	27,733	338,717	21,790
Total	<u>\$ 5,130,282</u>	<u>\$ 1,478,258</u>	<u>\$ 5,102,134</u>	<u>\$ 1,271,736</u>

At June 30, 2021, the City of Belmont had a legal debt margin of \$141,314,768.

Changes in Long-Term Liabilities:

	July 1, 2020	Increases	Decreases	June 30, 2021	Current Maturities
Governmental Activities:					
Notes from direct placements	\$ 4,541,955	\$ 2,455,852	\$ 1,867,525	\$ 5,130,282	\$ 910,046
Capitalized leases	217,853	-	38,808	179,045	41,056
Total pension liability (LEOSSA)	866,491	276,283	-	1,142,774	-
Net pension liability (LGERS)	2,048,118	856,138	-	2,904,256	-
Total OPEB liability	2,094,292	-	72,069	2,022,223	-
Compensated absences	440,774	324,091	288,601	476,264	190,506
Governmental activities long-term liabilities	<u>10,209,483</u>	<u>3,912,364</u>	<u>2,267,003</u>	<u>11,854,844</u>	<u>1,141,608</u>
Business-Type Activities:					
Notes from direct borrowings and direct placements	8,882,716	1,929,598	5,710,180	5,102,134	490,227
Net pension liability (LGERS)	836,555	349,690	-	1,186,245	-
Total OPEB liability	855,415	-	29,436	825,979	-
Compensated absences	161,519	102,928	115,896	148,551	59,420
Business-type activities long-term liabilities	<u>10,736,205</u>	<u>2,382,216</u>	<u>5,855,512</u>	<u>7,262,909</u>	<u>549,647</u>
Total	<u>\$ 20,945,688</u>	<u>\$ 6,294,580</u>	<u>\$ 8,122,515</u>	<u>\$ 19,117,753</u>	<u>\$ 1,691,255</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, 2021**

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

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 2021-22 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

Due To/From Other Funds

Balances due to/from other funds at June 30, 2021 consist of the following:

<u>From</u>	<u>To</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 354,153
Water and Sewer Fund	Stormwater Fund	3,063
Capital Reserve Fund	Belmont Rail Trail Capital Project	314
Stormwater Fund	General Fund	736
Total		<u>\$ 358,266</u>

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.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

The transfers to/from other funds during the year ended June 30, 2021 were for the purpose of funding capital projects and consist of the following:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	For debt service payments	\$ 361,289
Water and Sewer Fund	Public Works Renovation Enterprise Capital Project Fund	To close project	571,136
Automated Meter Infrastructure Program Capital Project Fund	Water and Sewer Fund	To close project	<u>4,840</u>
Total			<u>\$ 937,265</u>

6. Subsequent Events

The City of Belmont was awarded \$4,002,202 from the Federal American Rescue Plan (ARP). Subsequent to year-end the City received \$2,001,101 in August 2021 and the remaining amount of \$2,001,101 was received in August 2022.

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 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.

7. Restatement

During the fiscal year ended June 30, 2021, the City determined that certain capital assets were not properly added in the year of acquisition. Beginning capital asset balances and related net position balances have been adjusted for that reporting error in the amount of \$91,440 for governmental activities and \$874,970 for business-type activities.

CITY OF BELMONT, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance					
	2021	2020	2019	2018	2017
Beginning balance	\$ 866,491	\$ 733,997	\$ 588,626	\$ 714,819	\$ 712,996
Service cost	52,192	48,722	47,253	34,339	37,788
Interest on the total pension liability	27,570	25,861	17,857	26,707	24,681
Differences between expected and actual experience in the measurement of the total pension liability	51,634	75,832	157,030	(177,108)	-
Changes of assumptions or other inputs	186,469	29,135	(29,713)	35,716	(17,341)
Benefit payments	(41,582)	(47,056)	(47,056)	(45,847)	(43,305)
Ending balance of the total pension liability	<u>\$ 1,142,774</u>	<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 PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,142,774	\$ 866,491	\$ 733,997	\$ 588,626	\$ 714,819
Covered employee payroll	1,771,097	1,869,473	1,649,950	1,543,775	1,484,384
Total pension liability as a percentage of covered employee payroll	64.52%	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

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

CITY OF BELMONT, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST FOUR FISCAL YEARS**

Other Post-Employment Benefits				
	2021	2020	2019	2018
Service cost	\$ 209,911	\$ 195,954	\$ 184,638	\$ 200,505
Interest	102,740	98,424	105,867	87,672
Changes of benefit terms	(624,860)	-	-	-
Differences between expected and actual experience	(357,283)	5,111	(693,954)	377
Changes of assumptions or other inputs	596,552	133,302	(15,248)	(199,413)
Benefit payments	(28,565)	(26,268)	(23,612)	(32,420)
Net change in total OPEB liability	(101,505)	406,523	(442,309)	56,721
Total OPEB liability - beginning	2,949,707	2,543,184	2,985,493	2,928,772
Total OPEB liability - ending	<u>\$ 2,848,202</u>	<u>\$ 2,949,707</u>	<u>\$ 2,543,184</u>	<u>\$ 2,985,493</u>
Covered employee payroll	\$ 3,266,591	\$ 5,636,067	\$ 5,636,067	\$ 4,525,106
Total OPEB liability as a percentage of covered employee payroll	87.19%	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%
2021	2.21%

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

CITY OF BELMONT, NORTH CAROLINA

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

Local Governmental Employees' Retirement System				
	2021	2020	2019	2018
Belmont's proportion of the net pension liability (asset) (%)	0.11447%	0.10563%	0.10273%	0.09572%
Belmont's proportion of the net pension liability (asset) (\$)	\$ 4,090,501	\$ 2,884,673	\$ 2,437,107	\$ 1,462,336
Belmont's covered payroll	\$ 7,283,575	\$ 6,557,305	\$ 5,983,685	\$ 5,568,457
Belmont's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.16%	43.99%	40.73%	26.26%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

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

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

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

CITY OF BELMONT, NORTH CAROLINA

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

Local Governmental Employees' Retirement System				
	2017	2016	2015	2014
Belmont's proportion of the net pension liability (asset) (%)	0.08532%	0.09595%	0.09515%	0.09800%
Belmont's proportion of the net pension liability (asset) (\$)	\$ 1,810,776	\$ 430,618	\$ (561,144)	\$ 1,181,276
Belmont's covered payroll	\$ 4,870,706	\$ 4,917,601	\$ 4,867,058	\$ 4,608,158
Belmont's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.18%	8.76%	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

CITY OF BELMONT, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 815,083	\$ 666,338	\$ 521,593	\$ 460,668
Contributions in relation to the contractually required contribution	<u>815,083</u>	<u>666,338</u>	<u>521,593</u>	<u>460,668</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Belmont's covered payroll	\$ 7,881,270	\$ 7,283,575	\$ 6,557,305	\$ 5,983,685
Contributions as a percentage of covered payroll	10.34%	9.15%	7.95%	7.70%

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

CITY OF BELMONT, NORTH CAROLINA

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

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

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 9,097,575	\$ 9,666,247	\$ 568,672	\$ 87
Prior years	811,472	180,857	(630,615)	9,075,461
Penalties and interest	9,000	6,079	(2,921)	18,853
Total ad valorem taxes	<u>9,918,047</u>	<u>9,853,183</u>	<u>(64,864)</u>	<u>9,094,401</u>
Other Taxes and Licenses:				
Lease vehicle tax	25,000	43,252	18,252	2,510
Occupancy tax	70,000	61,951	(8,049)	90,270
Vehicle license tax	150,000	166,230	16,230	148,315
Total other taxes and licenses	<u>245,000</u>	<u>271,433</u>	<u>26,433</u>	<u>241,095</u>
Unrestricted Intergovernmental:				
Local option sales tax	3,196,170	3,704,366	508,196	2,951,358
Utility franchise tax	900,000	936,797	36,797	926,419
Solid waste disposal tax	7,000	9,030	2,030	9,141
Beer and wine tax	48,000	50,632	2,632	52,494
Total unrestricted intergovernmental	<u>4,151,170</u>	<u>4,700,825</u>	<u>549,655</u>	<u>3,939,412</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	319,000	307,197	(11,803)	323,251
Wellness funds	-	7,950	7,950	5,000
Unauthorized substance tax	5,000	52,900	47,900	34,849
State grants	46,025	-	(46,025)	5,000
Other grants	180,566	228,913	48,347	117,292
Total restricted intergovernmental revenues	<u>550,591</u>	<u>596,960</u>	<u>46,369</u>	<u>485,392</u>
Permits and Fees:				
Zoning permits	<u>78,000</u>	<u>152,161</u>	<u>74,161</u>	<u>139,235</u>
Sales and Services:				
Recreation department fees	80,000	40,295	(39,705)	113,102
Sale of cemetery lots	-	916	916	20
Cemetery interment fees	2,000	3,057	1,057	2,641
Technology fees	-	9,198	9,198	11,658
Engineering review fees	82,290	127,892	45,602	137,891
Solid waste fees	618,225	611,121	(7,104)	484,576
Fire protection services	-	1,158	1,158	-
Sale of surplus property	411,448	149,264	(262,184)	22,852
Alarm registration fee	750	-	(750)	1,160
Total sales and services	<u>1,194,713</u>	<u>942,901</u>	<u>(251,812)</u>	<u>773,900</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	50,000	5,284	(44,716)	92,451
Other General Revenues:				
Miscellaneous	140,625	251,376	110,751	296,844
SRO contribution	35,500	108,000	72,500	87,000
Special police funds	-	2,156	2,156	3,670
Total other general revenues	176,125	361,532	185,407	387,514
Total revenues	16,363,646	16,884,279	520,633	15,153,400
Expenditures:				
General Government:				
Mayor and Council:				
Fees	32,047	31,732	315	28,890
Group insurance	30,379	25,480	4,899	18,425
Travel and training	5,000	256	4,744	3,039
Supplies	6,000	6,545	(545)	3,229
Dues and memberships	22,310	20,213	2,097	10,929
Miscellaneous	6,499	14,389	(7,890)	61,677
Total	102,235	98,615	3,620	126,189
Administration and Finance:				
Salaries	267,874	273,279	(5,405)	217,608
Employee benefits	90,030	95,753	(5,723)	62,937
Professional services	197,000	248,707	(51,707)	236,476
Telephone	6,000	7,039	(1,039)	5,861
Heating	1,000	1,385	(385)	1,086
Travel and training	15,000	7,176	7,824	13,361
Equipment maintenance	500	-	500	2,793
Equipment rental	781	-	781	435
Building repairs	500	1,716	(1,216)	2,084
Advertisement	500	-	500	-
Postage	500	1,044	(544)	1,802
Office supplies	4,500	2,284	2,216	1,014
Supplies	16,000	16,151	(151)	17,225
Car allowance	4,800	5,040	(240)	4,800
Subscriptions	1,746	2,643	(897)	2,751
Insurance and bonds	21,500	22,088	(588)	27,947
Building cleaning service	30,000	697	29,303	3,175

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous expense	44,500	69,259	(24,759)	162,054
Community promotion	17,718	7,642	10,076	23,708
Bank charges	10,500	29,429	(18,929)	39,119
Water and sewer fees	1,200	3,793	(2,593)	1,375
Stormwater fees	320	410	(90)	506
Solid Waste Fee	-	84	(84)	86
Electricity	8,000	7,173	827	6,496
Total	740,469	802,792	(62,323)	834,699
City Attorney:				
Fees	15,345	6,750	8,595	9,000
Special compensation	93,655	102,015	(8,360)	101,055
Travel and training	1,000	340	660	(75)
Telephone	457	456	1	456
Total	110,457	109,561	896	110,436
Planning and Zoning:				
Salaries	342,424	342,424	-	392,721
Employee benefits	111,702	116,710	(5,008)	141,601
Professional services	83,500	153,903	(70,403)	83,122
Travel and training	6,000	5,079	921	4,049
Telephone	4,800	6,762	(1,962)	5,904
Advertisement	2,000	4,375	(2,375)	2,627
Miscellaneous	61,100	24,445	36,655	136,889
Supplies	2,650	4,809	(2,159)	3,367
Vehicle maintenance	500	487	13	316
Office supplies	4,000	4,973	(973)	4,326
Gas and lubricants	500	353	147	239
Water and sewer fees	450	320	130	411
Storm water fees	216	300	(84)	668
Subscriptions and dues	1,500	6,650	(5,150)	3,805
Insurance	8,000	10,865	(2,865)	9,585
Equipment maintenance	500	-	500	214
Equipment rentals	700	-	700	45
Solid Waste Fee	-	70	(70)	86
Building repairs	-	5,900	(5,900)	175
Total	630,542	688,425	(57,883)	790,150
Total general government	1,583,703	1,699,393	(115,690)	1,861,474

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Public Safety:				
Police:				
Salaries	2,589,756	2,539,727	50,029	2,290,002
Employee benefits	536,720	526,099	10,621	426,960
Professional services	114,901	118,596	(3,695)	118,891
Retirement	269,323	269,323	-	219,684
Separation allowance	39,914	37,619	2,295	45,232
Mandated	124,752	124,752	-	114,377
Special compensation	10,000	-	10,000	-
Telephone	62,976	62,976	-	59,884
Heating	3,836	3,836	-	2,228
Travel and training	16,828	16,828	-	16,540
Building repairs	40,692	40,692	-	11,952
Radio equipment maintenance	4,596	4,596	-	1,805
Equipment maintenance	23,541	23,542	(1)	11,647
Vehicle maintenance	32,000	53,551	(21,551)	51,051
Equipment rental	-	33	(33)	45
Gas and lubricants	67,500	70,233	(2,733)	70,854
Water and sewer fees	1,250	3,947	(2,697)	1,847
Stormwater fees	1,000	1,420	(420)	1,334
Electricity	23,000	23,613	(613)	19,337
Miscellaneous	43,196	31,796	11,400	29,439
Advertisement	300	-	300	-
Postage	1,600	1,660	(60)	1,526
Unemployment	-	616	(616)	313
Office supplies	5,970	6,860	(890)	6,928
Supplies	28,000	35,863	(7,863)	38,962
Uniforms	21,000	40,806	(19,806)	39,355
Subscriptions and dues	-	745	(745)	1,440
Insurance	122,609	102,568	20,041	103,950
K-9 supplies	2,100	3,716	(1,616)	983
Undercover operations	4,000	5,617	(1,617)	11,900
Solid waste fee	-	84	(84)	86
Capital outlay	1,000	483	517	496
Total	4,192,360	4,152,197	40,163	3,699,048

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries	1,158,407	1,170,983	(12,576)	1,120,153
Employee benefits	413,057	413,097	(40)	373,885
Special compensation	35,262	-	35,262	30,182
Professional services	3,780	5,214	(1,434)	7,907
Telephone	2,500	5,906	(3,406)	3,235
Postage	355	230	125	210
Heating	2,600	2,250	350	1,862
Travel and training	10,830	3,513	7,317	5,120
Building maintenance	12,500	18,170	(5,670)	20,289
Equipment maintenance	18,607	26,775	(8,168)	24,310
Vehicle maintenance	72,672	79,150	(6,478)	75,526
Gas and lubricants	12,000	10,119	1,881	13,401
Water and sewer fees	3,000	4,339	(1,339)	6,313
Stormwater fees	252	440	(188)	406
Electricity	7,000	6,575	425	6,623
Office supplies	2,000	88	1,912	179
Supplies	16,827	17,704	(877)	16,179
Uniforms	40,300	28,896	11,404	44,954
Insurance and bonds	53,712	62,143	(8,431)	57,955
Subscriptions	3,680	5,469	(1,789)	4,921
Gaston County radio agreement	1,500	2,460	(960)	-
Equipment rental	-	-	-	45
Solid waste fee	-	84	(84)	86
South Point VFD contract	40,758	27,805	12,953	23,622
Total	1,911,599	1,891,410	20,189	1,837,363
Total public safety	6,103,959	6,043,607	60,352	5,536,411
Transportation:				
Streets:				
Salaries	528,595	573,995	(45,400)	572,449
Employee benefits	204,045	203,082	963	223,862
Professional services	60,750	66,294	(5,544)	63,208
Telephone	5,200	21,851	(16,651)	12,978
Heating	-	-	-	156
Travel and training	4,000	817	3,183	4,183
Building repair	-	915	(915)	1,254
Equipment maintenance	15,000	8,287	6,713	9,194
Vehicle maintenance	18,000	17,731	269	28,881
Gas and lubricants	18,000	14,250	3,750	17,655
Equipment rental	10,000	7,914	2,086	27,831
Electricity street lights	241,000	227,595	13,405	182,423

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Water and sewer fees	1,860	7,893	(6,033)	5,317
Office supplies	900	6,949	(6,049)	3,861
Advertisement	100	11	89	-
Materials and supplies	42,000	78,073	(36,073)	62,405
State fees	1,500	4,525	(3,025)	912
Landfill fees	45,000	9,547	35,453	20,925
Contracted street repairs	118,000	853	117,147	35,884
Routine street repairs	72,600	72,122	478	66,250
Insurance and bonds	76,367	73,313	3,054	70,631
Employee uniforms	10,000	16,700	(6,700)	12,560
Contracted services - cemetery	34,000	31,684	2,316	32,325
Contracted mowing	163,412	178,519	(15,107)	171,791
Beautification projects	60,000	46,680	13,320	39,186
Improvements	120,000	137,259	(17,259)	68,450
Total transportation	1,850,329	1,806,859	43,470	1,734,571
Environmental Protection:				
Sanitation:				
Professional services	948,000	1,003,688	(55,688)	897,553
Cultural and Recreational:				
Parks and Recreation:				
Salaries	247,485	210,201	37,284	212,055
Employee benefits	78,919	73,930	4,989	65,293
Professional services	14,500	23,373	(8,873)	26,102
Special compensation	27,300	9,882	17,418	13,815
Telephone	3,500	4,715	(1,215)	6,836
Building repairs	500	875	(375)	30,268
Equipment maintenance	2,500	1,252	1,248	3,788
Vehicle maintenance	1,200	1,360	(160)	2,070
Heating	500	939	(439)	1,231
Travel and training	3,600	1,607	1,993	4,274
Uniforms	300	375	(75)	-
Miscellaneous	500	578	(78)	1,003
Water and sewer fees	32,500	13,662	18,838	24,218
Gas and lubricants	800	418	382	565
Equipment rental	750	-	750	255
Land usage	17,100	11,400	5,700	11,400
Electricity	30,240	46,986	(16,746)	43,761
Facility usage	600	-	600	-
Advertisement	1,500	2,469	(969)	700
Postage	500	291	209	181
Office supplies	800	495	305	806

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Supplies	43,000	38,051	4,949	48,851
Subscriptions	650	2,019	(1,369)	1,637
Insurance and bonds	16,690	23,247	(6,557)	22,783
Solid waste fee	2,016	84	1,932	86
Community events	3,000	1,266	1,734	6,535
Total parks and recreation	530,950	469,475	61,475	528,513
Main Street Program:				
Salaries	109,693	96,785	12,908	-
Employee benefits	40,683	37,816	2,867	-
Telephone	1,200	994	206	-
Travel and training	5,000	1,186	3,814	-
Equipment rental	2,250	401	1,849	-
Postage	300	60	240	-
Water and sewer fees	650	64	586	-
Stormwater fees	260	150	110	-
Electricity	1,000	136	864	-
Solid waste fee	84	14	70	-
Advertisement	21,550	19,576	1,974	-
Supplies	3,500	2,763	737	-
Subscriptions	1,000	1,144	(144)	-
Insurance and bonds	2,500	834	1,666	-
Grant match	10,000	7,500	2,500	-
Main street program	14,700	22,587	(7,887)	-
Event expenses	39,700	50,933	(11,233)	-
Heating	250	-	250	-
Gas and lubricants	500	-	500	-
Total main street program	254,820	242,943	11,877	-
Total cultural and recreational	785,770	712,418	73,352	528,513
Economic and Physical Development:				
Tourism development	70,000	97,671	(27,671)	94,124
Economic development	160,000	147,446	12,554	263,243
Total economic and physical development	230,000	245,117	(15,117)	357,367

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Capital Outlay:				
Capital purchases	<u>2,632,878</u>	<u>2,631,383</u>	<u>1,495</u>	<u>2,040,963</u>
Debt Service:				
Principal retirement	<u>1,195,316</u>	<u>1,741,232</u>	<u>(545,916)</u>	<u>1,246,391</u>
Interest and fees	<u>174,684</u>	<u>112,123</u>	<u>62,561</u>	<u>130,363</u>
Total debt service	<u>1,370,000</u>	<u>1,853,355</u>	<u>(483,355)</u>	<u>1,376,754</u>
Total expenditures	<u>15,504,639</u>	<u>15,995,820</u>	<u>(491,181)</u>	<u>14,333,606</u>
Revenues over (under) expenditures	<u>859,007</u>	<u>888,459</u>	<u>29,452</u>	<u>819,794</u>
Other Financing Sources (Uses):				
Transfers to other funds:				
Capital Reserve Fund	<u>(859,007)</u>	<u>-</u>	<u>859,007</u>	<u>-</u>
Transfers from other funds:				
Water and sewer	<u>-</u>	<u>361,289</u>	<u>361,289</u>	<u>-</u>
Long-term debt issued	<u>-</u>	<u>2,455,852</u>	<u>2,455,852</u>	<u>776,000</u>
Total other financing sources (uses)	<u>(859,007)</u>	<u>2,817,141</u>	<u>3,676,148</u>	<u>776,000</u>
Net change in fund balance	<u>\$ -</u>	<u>3,705,600</u>	<u>\$ 3,705,600</u>	<u>1,595,794</u>
Fund Balance:				
Beginning of year - July 1		<u>6,649,514</u>		<u>5,053,720</u>
End of year - June 30		<u>\$ 10,355,114</u>		<u>\$ 6,649,514</u>

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Special Revenue Funds	Capital Project Funds		Total
	Stormwater Fund	Rail Trail Project Fund	Capital Reserve Fund	
Assets:				
Cash and cash equivalents	\$ 815,102	\$ 96,326	\$ 678,120	\$ 1,589,548
Accounts receivable, net	74,404	-	-	74,404
Due from other governments	8,098	-	-	8,098
Due from other funds	3,063	314	-	3,377
Inventories	11,209	-	-	11,209
Total assets	<u>\$ 911,876</u>	<u>\$ 96,640</u>	<u>\$ 678,120</u>	<u>\$ 1,686,636</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,271	\$ -	\$ -	\$ 8,271
Due to other funds	736	-	314	1,050
Total liabilities	<u>9,007</u>	<u>-</u>	<u>314</u>	<u>9,321</u>
Deferred Inflows of Resources	<u>74,404</u>	<u>-</u>	<u>-</u>	<u>74,404</u>
Fund Balances:				
Non-spendable:				
Inventory	11,209	-	-	11,209
Restricted:				
Stabilization by state statute	11,161	314	-	11,475
Committed for capital projects	-	96,326	677,806	774,132
Assigned	806,095	-	-	806,095
Total fund balances	<u>828,465</u>	<u>96,640</u>	<u>677,806</u>	<u>1,602,911</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 911,876</u>	<u>\$ 96,640</u>	<u>\$ 678,120</u>	<u>\$ 1,686,636</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, 2021**

	<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	\$ 754,514	\$ -	\$ -	\$ 754,514
Miscellaneous revenues	-	25,000	-	25,000
Investment earnings	-	-	934	934
Total revenues	<u>754,514</u>	<u>25,000</u>	<u>934</u>	<u>780,448</u>
Expenditures:				
Cultural and recreational	-	14,533	-	14,533
Environmental protection	492,983	-	-	492,983
Debt service:				
Principal	165,101	-	-	165,101
Interest and fees	<u>7,227</u>	<u>-</u>	<u>-</u>	<u>7,227</u>
Total expenditures	<u>665,311</u>	<u>14,533</u>	<u>-</u>	<u>679,844</u>
Net change in fund balances	89,203	10,467	934	100,604
Fund Balances:				
Beginning of year - July 1	<u>739,262</u>	<u>86,173</u>	<u>676,872</u>	<u>1,502,307</u>
End of year - June 30	<u>\$ 828,465</u>	<u>\$ 96,640</u>	<u>\$ 677,806</u>	<u>\$ 1,602,911</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, 2021

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

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
Revenues:				
Charges for services	\$ 802,399	\$ 754,514	\$ (47,885)	\$ 700,709
Expenditures:				
Environmental protection:				
Salaries	93,546	108,651	(15,105)	137,714
Employee benefits	36,191	35,060	1,131	44,654
Professional services	78,322	23,165	55,157	61,576
Telephone	1,000	1,361	(361)	1,597
Travel and training	800	989	(189)	-
Gas and lubricants	7,900	2,975	4,925	4,153
Office supplies	1,500	928	572	383
Supplies	27,400	313,891	(286,491)	25,123
Utilities	3,500	2,088	1,412	1,080
Subscriptions and dues	3,000	3,875	(875)	3,416
Capital outlay	376,730	-	376,730	105,421
Debt service:				
Principal	165,095	165,101	(6)	163,974
Interest and fees	7,415	7,227	188	9,403
Total expenditures	802,399	665,311	137,088	558,494
Net change in fund balance	\$ -	89,203	\$ 89,203	142,215
Fund Balance:				
Beginning of year - July 1		739,262		597,047
End of year - June 30		\$ 828,465		\$ 739,262

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, 2021**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Contributions	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Expenditures:					
Design	153,000	94,936	14,533	109,469	43,531
Revenues over (under) expenditures	(153,000)	(94,936)	10,467	(84,469)	68,531
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	153,000	181,109	-	181,109	28,109
Net change in fund balance	<u>\$ -</u>	<u>\$ 86,173</u>	10,467	<u>\$ 96,640</u>	<u>\$ 96,640</u>
Fund Balance:					
Beginning of year, July 1			<u>86,173</u>		
End of year, June 30			<u>\$ 96,640</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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 934	\$ 934	\$ 34,725
Other Financing Sources (Uses):				
Transfer to Riverfront Park Project Fund	-	-	-	(153,000)
Net change in fund balance	<u>\$ -</u>	934	<u>\$ 934</u>	(118,275)
Fund Balance:				
Beginning of year, July 1		<u>676,872</u>		<u>795,147</u>
End of year - June 30		<u>\$ 677,806</u>		<u>\$ 676,872</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 4,381,750	\$ 3,824,549	\$ (557,201)	\$ 3,879,110
Sewer charges	3,784,340	3,284,368	(499,972)	3,344,308
Water and sewer taps	110,000	-	(110,000)	4,646
Reconnections	40,000	163,500	123,500	16,440
Service connection fees	43,937	16,063	(27,874)	25,635
Penalties	60,000	92,910	32,910	29,156
Pretreatment fees	11,580	16,917	5,337	12,639
Impact fees	-	664,890	664,890	2,669
Inspection fees	77,553	84,547	6,994	65,039
System development fees	-	364,401	364,401	554,296
Maintenance fees	161,540	394,663	233,123	485,440
Miscellaneous revenues	93,241	930	(92,311)	40,887
Total operating revenues	<u>8,763,941</u>	<u>8,907,738</u>	<u>143,797</u>	<u>8,460,265</u>
Non-Operating Revenues:				
Interest income	1,895	105	(1,790)	1,828
Proceeds from sale of assets	-	-	-	7,506
Insurance claim payments	-	17,463	17,463	20,601
Total non-operating revenues	<u>1,895</u>	<u>17,568</u>	<u>15,673</u>	<u>29,935</u>
Total revenues	<u>8,765,836</u>	<u>8,925,306</u>	<u>159,470</u>	<u>8,490,200</u>
Expenditures:				
Water and Sewer Administration and Distribution:				
Salaries	1,664,438	1,360,368	304,070	1,261,578
Employee benefits	581,415	473,797	107,618	428,354
Professional services	330,010	333,971	(3,961)	248,912
Telephone	31,135	31,135	-	20,324
Travel and training	21,500	6,341	15,159	13,633
Equipment maintenance	25,534	17,416	8,118	22,191
Vehicle maintenance	25,295	25,295	-	24,903
Gas and lubricants	97,606	32,317	65,289	34,790
Equipment rental	12,370	12,370	-	24,818
Postage	20,000	25,764	(5,764)	27,379
Electricity	19,500	18,223	1,277	12,145
Heating	4,127	4,127	-	2,496
Advertisements	2,000	-	2,000	-
Office supplies	3,900	3,147	753	3,408
Supplies	336,686	251,953	84,733	279,330
Materials	201,337	101,337	100,000	97,420
Uniforms	19,763	19,763	-	16,506
Building cleaning fees	30,000	20,013	9,987	-

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
Expenditures (continued):				
Water Administration and Distribution (continued):				
Contracted repairs	40,000	34,418	5,582	20,215
Utility cuts and repairs	75,000	72,219	2,781	80,063
Subscriptions and dues	28,000	22,651	5,349	18,002
State/federal mandate	2,500	553	1,947	1,831
Wastewater services	46,734	44,544	2,190	37,240
Insurance and bonds	51,831	51,831	-	56,346
Software	39,400	-	39,400	8,236
Impact fees	-	-	-	129,063
Total water administration and distribution	<u>3,710,081</u>	<u>2,963,553</u>	<u>746,528</u>	<u>2,869,183</u>
Water Treatment Plant:				
Salaries	718,920	726,295	(7,375)	601,192
Employee benefits	269,346	271,079	(1,733)	209,155
Professional services	12,000	17,236	(5,236)	19,476
Telephone	5,000	4,810	190	14,241
Postage	3,900	2,389	1,511	195
Heating	5,000	3,279	1,721	1,797
Travel and training	14,988	6,763	8,225	11,457
Plant repairs	80,000	64,347	15,653	31,041
Equipment rental	26,641	26,641	-	174
Equipment maintenance	40,000	31,527	8,473	66,225
Vehicle maintenance	2,500	1,451	1,049	15,925
Gas lubricants	3,000	2,824	176	14,718
State fees	6,300	5,671	629	5,117
Materials	7,000	7,424	(424)	-
Contract services	76,000	73,857	2,143	9,290
Sludge disposal	30,000	54,885	(24,885)	127,294
Electricity	110,000	138,927	(28,927)	312,924
Advertisements	500	-	500	29
Office supplies	2,000	1,981	19	5,998
Supplies	7,000	5,575	1,425	9,735
Water treatment	133,648	122,446	11,202	8,855
Lab testing	-	-	-	82,279
Lab supplies	21,200	20,075	1,125	161,984
Uniforms	12,200	11,482	718	10,140
Subscriptions and dues	6,800	6,037	763	127
Insurance and bonds	40,404	37,717	2,687	50,044
Wastewater services	-	-	-	83,563
Southfork area water and sewer extensions	-	-	-	6,500
Total water treatment plant	<u>1,634,347</u>	<u>1,644,718</u>	<u>(10,371)</u>	<u>1,859,475</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
Waste Collection and Treatment:				
Salaries	607,070	607,070	-	713,072
Employee benefits	263,018	251,346	11,672	242,265
Professional services	28,000	21,855	6,145	10,516
Telephone	14,106	12,576	1,530	5,197
Postage	500	363	137	3,791
Travel and training	14,027	14,027	-	6,982
Sludge disposal	130,000	130,000	-	-
Materials	-	-	-	5,997
Mills pre-treatment testing	9,500	7,184	2,316	-
Lab testing	80,000	65,972	14,028	-
Plant repairs	106,571	106,571	-	139,775
Equipment maintenance	100,215	100,215	-	39,735
Vehicle maintenance	6,000	4,486	1,514	3,166
State fees	5,800	6,160	(360)	5,550
Gas and lubricants	12,000	12,323	(323)	2,801
Heating	-	-	-	3,808
Electricity	324,000	320,796	3,204	122,654
Wastewater services	140,400	109,622	30,778	105,040
Advertisements	1,000	-	1,000	-
Office supplies	4,500	2,610	1,890	2,374
Supplies	7,250	8,013	(763)	1,390
Uniforms	11,650	12,476	(826)	11,768
Subscriptions and dues	1,000	-	1,000	6,077
Lab supplies	156,410	132,100	24,310	17,920
Equipment rental	1,000	-	1,000	45
Insurance bonds	27,183	43,687	(16,504)	35,406
Southfork area W&S extensions	-	-	-	71,478
Total waste collection and treatment	<u>2,051,200</u>	<u>1,969,452</u>	<u>81,748</u>	<u>1,556,807</u>
Debt Service:				
Interest and fees	143,601	473,901	(330,300)	94,625
Principal retirement	<u>406,399</u>	<u>5,710,180</u>	<u>(5,303,781)</u>	<u>531,850</u>
Total debt service	<u>550,000</u>	<u>6,184,081</u>	<u>(5,634,081)</u>	<u>626,475</u>
Capital Outlay	<u>2,723,359</u>	<u>2,142,151</u>	<u>581,208</u>	<u>4,269,500</u>
Total capital outlay	<u>2,723,359</u>	<u>2,142,151</u>	<u>581,208</u>	<u>4,269,500</u>
Total expenditures	<u>10,668,987</u>	<u>14,903,955</u>	<u>(4,234,968)</u>	<u>11,181,440</u>
Revenues over (under) expenditures	<u>(1,903,151)</u>	<u>(5,978,649)</u>	<u>(4,075,498)</u>	<u>(2,691,240)</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Loan proceeds	-	1,929,598	1,929,598	-
Transfer to Enterprise Fund Capital Project Fund	-	(571,136)	(571,136)	-
Transfer from Water and Sewer Capital Reserve Fund	1,903,151	-	(1,903,151)	-
Transfer from Enterprise Fund Capital Project Fund	-	4,840	4,840	-
Transfer to General fund	-	(361,289)	(361,289)	-
Total other financing sources (uses)	1,903,151	1,002,013	(901,138)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (4,976,636)	\$ (4,976,636)	\$ (2,691,240)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (4,976,636)		\$ (2,691,240)
Reconciling items:				
Payment of debt principal		5,710,180		531,850
Amount included in capital outlay not capitalized		-		(121,146)
Capital outlay		2,142,151		4,269,500
Change in accrued vacation pay		12,968		(11,281)
Change in OPEB liability		29,436		(117,892)
Capital contributions - donated water lines		3,634,626		2,826,997
Public Works Renovation Project - interest		102		278
Capital Reserve Fund - interest		1,634		53,001
Interest expense accrual		(19,026)		4,028
Depreciation and amortization		(2,862,290)		(2,555,784)
Accrual for settlement of lawsuit		-		(485,000)
Change in deferred outflows of resources - pensions		165,896		(56,215)
Change in net pension liability		(349,690)		(129,794)
Change in deferred inflows of resources - pensions		5,266		8,898
Change in deferred outflows of resources - OPEB		145,795		36,319
Change in deferred inflows of resources - OPEB		(63,222)		27,275
Transfer to Enterprise Fund Capital Project Fund		571,136		-
Transfer from Enterprise Fund Capital Project Fund		(4,840)		-
Loan proceeds		(1,929,598)		-
Change in inventory		602		38,504
Total reconciling items		7,191,126		4,319,538
Change in net position (Exhibit H)		\$ 2,214,490		\$ 1,628,298

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, 2021

	<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>		
Non-Operating Revenues:					
Interest income	\$ -	\$ 134	\$ -	\$ 134	\$ 134
Expenditures:					
Economic and physical development:					
Design, installment, and administration	<u>2,090,000</u>	<u>2,085,294</u>	<u>-</u>	<u>2,085,294</u>	<u>4,706</u>
Revenues over (under) expenditures	<u>(2,090,000)</u>	<u>(2,085,160)</u>	<u>-</u>	<u>(2,085,160)</u>	<u>4,840</u>
Other Financing Sources (Uses):					
Transfer from Water and Sewer Capital Reserve Fund	90,000	90,000	-	90,000	-
Transfer to Water and Sewer Fund	-	-	(4,840)	(4,840)	(4,840)
Installment financing agreement	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>2,090,000</u>	<u>2,090,000</u>	<u>(4,840)</u>	<u>2,085,160</u>	<u>(4,840)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,840</u>	<u>\$ (4,840)</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021

	Project Authorization	Actual			Variance Over/Under
	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:					
Interest earned on investments	\$ -	\$ 604	\$ 102	\$ 706	\$ 706
Expenditures:					
Economic and physical development:					
Construction	4,890,342	4,471,894	990,290	5,462,184	(571,842)
Furniture, equipment, and fixtures	250,000	-	-	-	250,000
Total expenditures	<u>5,140,342</u>	<u>4,471,894</u>	<u>990,290</u>	<u>5,462,184</u>	<u>(321,842)</u>
Revenues over (under) expenditures	<u>(5,140,342)</u>	<u>(4,471,290)</u>	<u>(990,188)</u>	<u>(5,461,478)</u>	<u>(321,136)</u>
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	252,446	-	571,136	571,136	318,690
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 (uses)	<u>5,140,342</u>	<u>4,890,342</u>	<u>571,136</u>	<u>5,461,478</u>	<u>321,136</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 419,052</u>	<u>\$ (419,052)</u>	<u>\$ -</u>	<u>\$ -</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, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 1,634	\$ 1,634	\$ 53,001
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(2,000,000)	-	2,000,000	-
Appropriated fund balance	2,000,000	-	(2,000,000)	-
Total other financing sources (uses)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,634	\$ 1,634	\$ 53,001

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 BALANCE SHEET
 JUNE 30, 2021**

Assets:

Cash and cash equivalents	\$ 69,152
Accounts receivable, net	<u>36,566</u>
Total assets	<u>\$ 105,718</u>

**Liabilities, Deferred Inflows of Resources,
 and Fund Balances:**

Liabilities:

Accounts payable and accrued liabilities	<u>\$ 1,385</u>
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Deferred Inflows of Resources:

Unavailable revenues	<u>35,720</u>
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Fund Balance:

Restricted for tourism	<u>68,613</u>
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Total liabilities and fund balance	<u>\$ 105,718</u>
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Reconciliation of the Balance Sheet to the Statement of Net Position:

Amounts reported for the Belmont Tourism Development Authority in the Statement of Net Position (Exhibit A) are different because:

Ending fund balance - Belmont Tourism Development Authority	\$ 68,613
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Liabilities for earned revenues considered deferred inflows of resources in fund statements.	<u>35,720</u>
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Net position of the Belmont Tourism Development Authority (Exhibit A)	<u>\$ 104,333</u>
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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, 2021

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

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
Revenues:				
Occupancy tax	\$ 72,115	\$ 61,951	\$ (10,164)	\$ 94,125
Expenditures:				
Economic and physical development:				
Tourism program	72,115	52,096	20,019	124,631
Net change in fund balance	<u>\$ -</u>	9,855	<u>\$ 9,855</u>	(30,506)
Fund Balance:				
Beginning of year - July 1		<u>58,758</u>		<u>89,264</u>
End of year - June 30		<u>\$ 68,613</u>		<u>\$ 58,758</u>

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 9,767,376	\$ 9,719,678	\$ 47,698
2019-2020	76,993	-	50,517	26,476
2018-2019	11,442	-	3,026	8,416
2017-2018	12,598	-	2,043	10,555
2016-2017	9,057	-	1,710	7,347
2015-2016	8,111	-	1,375	6,736
2014-2015	11,097	-	1,309	9,788
2013-2014	6,845	-	931	5,914
2012-2013	6,096	-	672	5,424
2011-2012	8,203	-	5,203	3,000
2010-2011	7,308	-	7,308	-
Total	<u>\$ 157,750</u>	<u>\$ 9,767,376</u>	<u>\$ 9,793,772</u>	<u>131,354</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>(46,632)</u>
Ad valorem taxes receivable, net				<u>\$ 84,722</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)				\$ 9,853,183
Less penalties and interest collected				(6,079)
Taxes written off and refunded				7,308
Miscellaneous				<u>(60,640)</u>
Total collections and credits				<u>\$ 9,793,772</u>

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$ 1,898,138,447	\$ 0.515	\$ 9,775,413	\$ 8,826,450	\$ 948,963
Discoveries - Current Year Taxes	1,160,194	0.515	5,975	5,975	-
Abatements	(2,720,777)	0.515	(14,012)	(14,012)	-
Total property valuation	<u>\$ 1,896,577,864</u>				
Net Levy			9,767,376	8,818,413	948,963
Uncollected taxes at June 30, 2021			(47,698)	(47,698)	-
Current Year's Taxes Collected			<u>\$ 9,719,678</u>	<u>\$ 8,770,715</u>	<u>\$ 948,963</u>
Current Levy Collection Percentage			<u>99.51%</u>	<u>99.46%</u>	<u>100.00%</u>

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Belmont's basic financial statements, and have issued our report thereon dated December 2, 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 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 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 2021-003 and 2021-005.

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
December 2, 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, 2021. 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; 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, 2021.

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
December 2, 2022

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

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>AL #</u>
Community Facilities Loans and Grants Cluster	10.766

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

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, 2021

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

Material Weakness

Finding 2021-001

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 year-end journal entries were not booked.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2020-001.

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, 2021

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

Material Weakness

Finding 2021-002

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

Condition: Controls over financial reporting have been designed but not properly implemented and monitored. Approvals could not be verified for payroll timesheets or journal entries. We noted two occurrences of employees' monthly compensation being reported incorrectly to the Local Governmental Retirement System, thus retirement contributions were reported incorrectly.

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

Cause: The City's Finance Department does not have adequate safeguards in place to monitor internal controls over financial reporting.

Recommendation: Management should strengthen internal controls over the payroll system.

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, 2021

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

Material Weakness

Non-Compliance

Finding 2021-003

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.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2020-003.

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, 2021

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

Material Weakness

Finding 2021-004

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, 2021, the City determined that certain governmental assets were not properly added in the year of acquisition. Beginning capital asset balances and related net position have been adjusted for that reporting error for governmental and business-type 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, 2020-004.

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, 2021

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

Material Weakness

Non-Compliance

Finding 2021-005

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. Per G.S. 159-13(a), the budget ordinance shall authorize all financial transactions of the local government or public authority except those explicitly exempt within the statute. Per G.S. 159-13(b)(16), appropriated fund balance in a 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 year.

Condition: During the fiscal year ended June 30, 2021, there were violations of the G.S. 159-8 by the City with regard to expenditures exceeding appropriations in the General Fund, Water and Sewer Fund, Public Works Renovation Enterprise Capital Project Fund, and Automated Meter Infrastructure Program Capital Project Fund, and, therefore, a failure in the pre-audit requirement. There was a violation of G.S. 159-13(a) by the City for the lack of an approved budget for the Capital Reserve Fund and by the TDA for the lack of board approval for budget amendments made throughout the fiscal year. There was a violation of G.S. 159-13(b)(16) by the City for the appropriated fund balance exceeding the aforementioned amounts for the Enterprise Fund Capital Reserve Fund.

Effect: The City and TDA were 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. Additionally, the City did not adopt a balanced budget for one fund, the TDA did not approve budget amendments, and appropriated fund balance exceeded aforementioned amounts for one fund.

Identification of a Repeat Finding: This is a modified, repeat finding from the immediate previous audit, 2020-005.

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 and TDA agree 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, 2021**

Material Weakness

Finding 2021-001:

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 2021-002:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The Finance Director/Deputy Finance Director and Human Resources Director verify within the payroll system that timesheets have been approved prior to completing payroll. Alerts are prompted for any timesheets not approved within the software. Approvals are administered electronically within the payroll software. The Deputy Finance Director verifies proper Local Government Retirement System contributions by comparing the submittal through the online portal with the monthly payroll journals to ensure accuracy.

Proposed Completion Date: Immediately.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

Material Weakness

Non-Compliance

Finding 2021-003:

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 expects the software to be launched during Fiscal Year 2023.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2021-004:

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, 2021**

Material Weakness

Non-Compliance

Finding 2021-005:

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

- Finding:** 2020-001
Status: Repeated as Finding 2021-001.
- Finding:** 2020-002
Status: Corrected.
- Finding:** 2020-003
Status: Repeated as Finding 2021-003.
- Finding:** 2020-004
Status: Modified and repeated as Finding 2021-004.
- Finding:** 2020-005
Status: Modified and repeated as Finding 2021-005.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL 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>					
Passed through N.C. Department of Agriculture and Forest Services Urban and Community Forestry Program	10.675	18-119-4031	\$ 12,500	\$ -	\$ -
Community Facilities Loans and Grants Cluster: Direct Program:					
Community Facilities Loans and Grants	10.766		4,385,450	-	-
Total Community Facilities Loans and Grants Cluster			4,385,450	-	-
Total U.S. Department of Agriculture			4,397,950	-	-
<u>U.S. Department of Treasury</u>					
Direct Program:					
Equitable Sharing Program	21.016		6,706	-	-
Passed-through the N.C. Office of Management and Budget, N.C. Pandemic Recovery Office:					
COVID-19 - Coronavirus Relief Fund (CRF)	21.019	02-36-01	88,274	-	-
Total U.S. Department of Treasury			94,980	-	-
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Highway Safety Cluster					
State and Community Highway Safety	20.600	22021.2.12	5,869	-	-
Total Highway Safety Cluster:			5,869	-	-
Total U.S. Department of Transportation			5,869	-	-
<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	4,648	-	-
Total U.S. Department of Justice			4,648	-	-
Total federal assistance			4,503,447	-	-
<u>State Assistance</u>					
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4	-	207,386	-
Total state assistance			-	207,386	-
Total federal and state awards			\$ 4,503,447	\$ 207,386	\$ -

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, 2021. 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 the 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.

The City of Belmont had the following loan balances outstanding at June 30, 2021 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2021 consist of:

<u>Program Title</u>	<u>AL Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u>
Community Facilities Loans and Grants	10.766	N/A	\$ 4,385,450

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