

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2022

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Richard Turner

Martha Stowe

Jim Hefferan

Marc Seelinger

Alex Szucs

OFFICIALS

Barry Webb, Interim 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, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 units, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise a substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the audit of the basic financial statements and certain additional 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 March 27, 2023 on our consideration of the City of Belmont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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
March 27, 2023

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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, 2022. 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

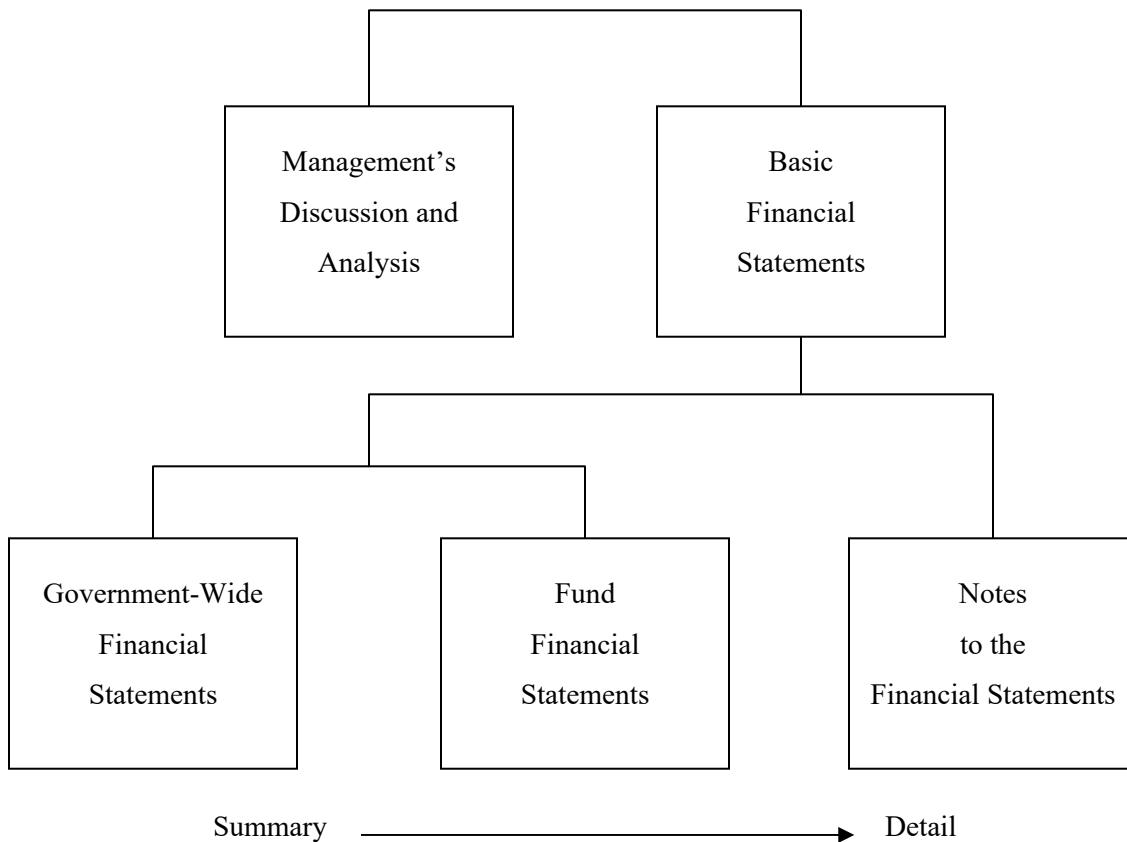
- The assets and deferred outflows of resources of the City of Belmont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$76,015,085 (net position).
- The government's total net position increased by \$9,327,235 due to an increase in both governmental activities 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 \$12,004,854 with an overall increase of \$46,829. Approximately 46.51% of this total amount, or \$5,583,657, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,746,612, or 54.17%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding decreased by \$1,407,506 (13.52%), 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 26-69 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 70 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 17,202,016	\$ 14,023,862	\$ 5,020,401	\$ 4,379,101	\$ 22,222,417	\$ 18,402,963
Noncurrent assets	23,968,257	18,031,169	51,471,252	49,393,120	75,439,509	67,424,289
Total assets	<u>41,170,273</u>	<u>32,055,031</u>	<u>56,491,653</u>	<u>53,772,221</u>	<u>97,661,926</u>	<u>85,827,252</u>
 Total deferred outflows	 <u>2,615,067</u>	 <u>2,465,448</u>	 <u>958,664</u>	 <u>859,067</u>	 <u>3,573,731</u>	 <u>3,324,515</u>
Liabilities:						
Long-term liabilities	9,500,422	11,854,844	6,157,751	7,262,909	15,658,173	19,117,753
Other liabilities	4,986,338	1,832,943	1,208,130	523,745	6,194,468	2,356,688
Total liabilities	<u>14,486,760</u>	<u>13,687,787</u>	<u>7,365,881</u>	<u>7,786,654</u>	<u>21,852,641</u>	<u>21,474,441</u>
 Total deferred inflows	 <u>2,400,026</u>	 <u>722,094</u>	 <u>967,905</u>	 <u>267,382</u>	 <u>3,367,931</u>	 <u>989,476</u>
Net Position:						
Net investment in capital assets	19,589,304	12,721,842	46,846,250	44,290,986	66,435,554	57,012,828
Restricted	5,553,092	1,506,268	-	-	5,553,092	1,506,268
Unrestricted	1,756,158	5,882,488	2,270,281	2,286,266	4,026,439	8,168,754
Total net position	<u>\$ 26,898,554</u>	<u>\$ 20,110,598</u>	<u>\$ 49,116,531</u>	<u>\$ 46,577,252</u>	<u>\$ 76,015,085</u>	<u>\$ 66,687,850</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 \$76,015,085 as of June 30, 2022. The City's net position increased by \$9,327,235 for the fiscal year ended June 30, 2022. However, the largest portion (87.40%) 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, \$5,553,092 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,026,439 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	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
	2022	2022	2022	2021	2021	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,887,024	\$ 9,442,334	\$ 11,329,358	\$ 1,757,234	\$ 8,907,738	\$ 10,664,972
Operating grants and contributions	1,141,140	-	1,141,140	596,960	-	596,960
Capital grants and contributions	2,149,951	3,620,915	5,770,866	-	3,634,626	3,634,626
General revenues:						
Property taxes	10,627,117	-	10,627,117	9,838,457	-	9,838,457
Other taxes	5,973,420	-	5,973,420	4,967,546	-	4,967,546
Other	776,988	3,496	780,484	392,750	19,304	412,054
Total revenues	<u>22,555,640</u>	<u>13,066,745</u>	<u>35,622,385</u>	<u>17,552,947</u>	<u>12,561,668</u>	<u>30,114,615</u>
Expenses:						
General government	2,431,815	-	2,431,815	676,779	-	676,779
Public safety	7,450,927	-	7,450,927	5,686,375	-	5,686,375
Transportation	923,878	-	923,878	1,465,983	-	1,465,983
Environmental protection	1,912,878	-	1,912,878	2,039,295	-	2,039,295
Cultural and recreation	2,522,309	-	2,522,309	3,455,915	-	3,455,915
Economic and physical development	412,946	-	412,946	245,117	-	245,117
Water and sewer	-	10,557,139	10,557,139	-	9,985,889	9,985,889
Interest	83,258	-	83,258	106,300	-	106,300
Total expenses	<u>15,738,011</u>	<u>10,557,139</u>	<u>26,295,150</u>	<u>13,675,764</u>	<u>9,985,889</u>	<u>23,661,653</u>
Transfers	<u>(29,673)</u>	<u>29,673</u>	<u>-</u>	<u>361,289</u>	<u>(361,289)</u>	<u>-</u>
Change in net position	<u>6,787,956</u>	<u>2,539,279</u>	<u>9,327,235</u>	<u>4,238,472</u>	<u>2,214,490</u>	<u>6,452,962</u>
Net Position:						
Beginning of year, as previously stated - July 1	20,110,598	46,577,252	66,687,850	15,780,686	43,487,792	59,268,478
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,440</u>	<u>874,970</u>	<u>966,410</u>
Beginning of year, as restated	<u>20,110,598</u>	<u>46,577,252</u>	<u>66,687,850</u>	<u>15,872,126</u>	<u>44,362,762</u>	<u>60,234,888</u>
End of year - June 30	<u>\$ 26,898,554</u>	<u>\$ 49,116,531</u>	<u>\$ 76,015,085</u>	<u>\$ 20,110,598</u>	<u>\$ 46,577,252</u>	<u>\$ 66,687,850</u>

Governmental Activities. Governmental activities increased the City's net position by \$6,787,956, or 33.75%. Key elements of this increase are as follows:

- Increase in net position can be attributed to a increases in State directed grant funding of approximately \$2,150,000 as well as an increase of approximately \$788,000 in property taxes. The City also maintained a conservative approach to spending while investing in public safety which accounted for nearly one-third of the 15% increase in expenditures over prior year.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$2,539,279, or 5.45%. Key elements of this increase are as follows:

- Charges for services increased by 6% or approximately \$534,000.

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, remaining fund balance in the General Fund was \$4,408,021, while total fund balance reached \$14,316,267. The City currently has a remaining fund balance of 27.30% of General Fund expenditures, while total fund balance represents 88.66% of the same amount.

At June 30, 2022, the governmental funds of the City of Belmont reported a combined fund balance of \$12,004,854, with an overall increase of \$46,829.

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 \$2,270,281. The total changes in net position for the Water and Sewer Fund were \$2,539,279. 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, 2022 totals \$75,405,297 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

The major additions included recording the Rocky Branch Blue Zone Project and the Skateboard Park in this fiscal year in governmental activities. The increase in business-type activities can be attributed to donated water lines from developers.

Additional information on the City's capital assets can be found beginning on page 42 of this report.

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

Figure 4

	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
	2022	2022	2022	2021	2021	2021
Land	\$ 3,164,369	\$ 105,563	\$ 3,269,932	\$ 3,164,369	\$ 75,890	\$ 3,240,259
Buildings	4,162,161	10,519,021	14,681,182	4,163,509	10,938,495	15,102,004
Other improvements	4,948,606	421,464	5,370,070	3,673,223	402,827	4,076,050
Machinery and equipment	459,251	3,523,345	3,982,596	707,947	3,667,502	4,375,449
Vehicles and motorized equipment	1,969,096	-	1,969,096	2,431,095	-	2,431,095
Infrastructure	2,919,302	-	2,919,302	3,083,248	-	3,083,248
Distribution systems	-	36,305,005	36,305,005	-	33,952,241	33,952,241
Other non-depreciable items	5,687	28,911	34,598	5,687	28,911	34,598
Natural gas fill station	-	98,483	98,483	-	111,536	111,536
Construction in progress	6,318,866	456,167	6,775,033	802,091	215,718	1,017,809
Total	\$ 23,947,338	\$ 51,457,959	\$ 75,405,297	\$ 18,031,169	\$ 49,393,120	\$ 67,424,289

Long-Term Debt. As of June 30, 2022, the City of Belmont had total debt outstanding of \$9,003,955. Of this amount, \$4,625,002 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

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

Figure 5

	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
	2022	2022	2022	2021	2021	2021
Lease liabilities issued	\$ 20,731	\$ 13,094	\$ 33,825	\$ -	\$ -	\$ -
Notes payable	4,358,222	4,611,908	8,970,130	5,309,327	5,102,134	10,411,461
Total	\$ 4,378,953	\$ 4,625,002	\$ 9,003,955	\$ 5,309,327	\$ 5,102,134	\$ 10,411,461

The City of Belmont's total debt decreased by \$1,407,506 or 13.52%, 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 \$155,898,359.

Additional information regarding the City of Belmont's long-term debt can be found beginning on page 61 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 414 new residential permits, which is a 10% increase from the 374 permits issued during the previous year. The total value of these new homes is \$71,784,298. In addition to these new houses, the staff issued permits for new non-residential permitting with a combined valuation of \$46,623,499. The Belmont city council's goal of diversifying the City's tax base made major gains in FY 2021-2022. Overall, the tax base for Belmont is estimated to increase 7% to \$2 billion.

Budget Highlights for the Fiscal Year Ended June 30, 2023

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 10% over the adopted FY 2021-2022 budget. A large portion of this increase can be attributed to the second tranche of ARPA funding.

In line with revenues, budgeted expenditures in the General Fund for the coming fiscal year are also projected to increase by 10% from the prior fiscal year. This increase is due to increases in the cost-of-living adjustment in fiscal year 2023, as well as large investments into public safety.

Business-Type Activities: Water and sewer rates remained flat for FY 2021-2022. 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 slightly increase by less than 1%. 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 POSITON
JUNE 30, 2022

	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	\$ 12,055,141	\$ 2,099,342	\$ 14,154,483	\$ 204,559	\$ 51,621
Taxes receivables, net	76,565	-	76,565	-	-
Accounts receivable, net	146,775	1,203,139	1,349,914	876	-
Due from other governments	1,190,419	345,373	1,535,792	-	-
Due from primary government	-	-	-	57,456	-
Internal balances	(822,428)	822,428	-	-	-
Prepaid items	-	-	-	-	2,044
Inventories	30,565	227,607	258,172	-	-
Total current assets	12,677,037	4,697,889	17,374,926	262,891	53,665
Restricted assets:					
Cash and cash equivalents	4,524,979	322,512	4,847,491	-	-
Non-current assets:					
Right to use leased asset, net	20,919	13,293	34,212	-	-
Capital assets:					
Non-depreciable	9,488,922	590,641	10,079,563	-	-
Depreciable, net of accumulated depreciation	14,458,416	50,867,318	65,325,734	-	-
Total capital assets	23,947,338	51,457,959	75,405,297	-	-
Total non-current assets	23,968,257	51,471,252	75,439,509	-	-
Total assets	41,170,273	56,491,653	97,661,926	262,891	53,665
Deferred Outflows of Resources:					
OPEB deferrals	410,580	167,701	578,281	-	-
Pension deferrals	2,204,487	790,963	2,995,450	-	-
Total deferred outflows of resources	2,615,067	958,664	3,573,731	-	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	991,146	937,004	1,928,150	5,970	3,768
Payable from restricted assets:					
Customer deposits	-	250,402	250,402	-	-
Performance bond deposits	1,267,938	-	1,267,938	-	-
Accrued interest	41,498	20,724	62,222	-	-
Due to component unit	57,456	-	57,456	-	-
Advance from grantors	2,628,300	-	2,628,300	-	-
Long-term liabilities, due within one year	893,405	564,012	1,457,417	-	-
Total current liabilities	5,879,743	1,772,142	7,651,885	5,970	3,768

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

CITY OF BELMONT, NORTH CAROLINA

**STATEMENT OF NET POSITON
JUNE 30, 2022**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority	Downtown Belmont Development Association
Long-term liabilities:					
Net pension liability - LGERS	1,258,497	514,033	1,772,530	-	-
Total pension liability - LEOSA	1,203,631	-	1,203,631	-	-
Total OPEB liability	2,140,632	874,343	3,014,975	-	-
Long-term liabilities, due in more than one year	4,004,257	4,205,363	8,209,620	-	-
Total long-term liabilities	8,607,017	5,593,739	14,200,756	-	-
Total liabilities	14,486,760	7,365,881	21,852,641	5,970	3,768
Deferred Inflows of Resources:					
OPEB deferrals	558,676	228,192	786,868	-	-
Pension deferrals	1,841,350	739,713	2,581,063	-	-
Total deferred inflows of resources	2,400,026	967,905	3,367,931	-	-
Net Position:					
Net investment in capital assets	19,589,304	46,846,250	66,435,554	-	-
Restricted for:					
Stabilization by state statute	4,927,132	-	4,927,132	-	-
Debt service - USDA	91,776	-	91,776	-	-
Capital asset replacement reserve - USDA	5,000	-	5,000	-	-
Streets	529,184	-	529,184	-	-
Tourism	-	-	-	256,921	-
Unrestricted	1,756,158	2,270,281	4,026,439	-	49,897
Total net position	\$ 26,898,554	\$ 49,116,531	\$ 76,015,085	\$ 256,921	\$ 49,897

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

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CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Programs:	Expenses			
Governmental Activities:				
General government	\$ 2,431,815	\$ 925,098	\$ 572,331	\$ 499,951
Public safety	7,450,927	8,000	139,922	-
Transportation	923,878	-	426,387	-
Environmental protection	1,912,878	785,955	-	-
Cultural and recreational	2,522,309	167,971	2,500	1,650,000
Economic and physical development	412,946	-	-	-
Interest on long-term debt	83,258	-	-	-
Total governmental activities	<u>15,738,011</u>	<u>1,887,024</u>	<u>1,141,140</u>	<u>2,149,951</u>
Business-Type Activities:				
Water and sewer	<u>10,557,139</u>	<u>9,442,334</u>	<u>-</u>	<u>3,620,915</u>
Total primary government	<u>\$ 26,295,150</u>	<u>\$ 11,329,358</u>	<u>\$ 1,141,140</u>	<u>\$ 5,770,866</u>
Component Units:				
Belmont Tourism Development Authority	\$ 70,280	\$ -	\$ -	\$ -
Downtown Belmont Development Association	247,775	591	256,657	-
Total component units	<u>\$ 318,055</u>	<u>\$ 591</u>	<u>\$ 256,657</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, 2022

	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	\$ (434,435)	\$ -	\$ (434,435)		
Public safety	(7,303,005)	-	(7,303,005)		
Transportation	(497,491)	-	(497,491)		
Environmental protection	(1,126,923)	-	(1,126,923)		
Cultural and recreational	(701,838)	-	(701,838)		
Economic and physical development	(412,946)	-	(412,946)		
Interest on long-term debt	(83,258)	-	(83,258)		
Total governmental activities	(10,559,896)	-	(10,559,896)		
Business-Type Activities:					
Water and sewer	-	2,506,110	2,506,110		
Total primary government	(10,559,896)	2,506,110	(8,053,786)		
Component Units:					
Belmont Tourism Development Authority				\$ (70,280)	\$ -
Downtown Belmont Development Association				-	9,473
Total component units				(70,280)	9,473
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	10,627,117	-	10,627,117	-	-
Other taxes	5,973,420	-	5,973,420	222,868	-
Unrestricted investment earnings	18,516	3,496	22,012	-	-
Miscellaneous	758,472	-	758,472	-	-
Total general revenues	17,377,525	3,496	17,381,021	222,868	-
Transfers	(29,673)	29,673	-	-	-
Change in net position	6,787,956	2,539,279	9,327,235	152,588	9,473
Net Position:					
Beginning of year - July 1	20,110,598	46,577,252	66,687,850	104,333	40,424
End of year - June 30	\$ 26,898,554	\$ 49,116,531	\$ 76,015,085	\$ 256,921	\$ 49,897

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds				
	General Fund	American Recovery Plan Act Special Revenue Fund	Recreation Center Capital Project Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 10,357,836	\$ -	\$ -	\$ 1,697,305	\$ 12,055,141
Taxes receivable, net	76,565	-	-	-	76,565
Accounts receivable, net	73,101	-	-	73,674	146,775
Due from other funds	3,765,695	-	-	-	3,765,695
Due from other governments	1,180,853	-	-	9,566	1,190,419
Inventory	26,129	-	-	4,436	30,565
Cash, restricted	3,021,048	1,503,931	-	-	4,524,979
Total assets	<u>\$ 18,501,227</u>	<u>\$ 1,503,931</u>	<u>\$ -</u>	<u>\$ 1,784,981</u>	<u>\$ 21,790,139</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 731,340	\$ -	\$ 122,664	\$ 137,142	\$ 991,146
Liabilities payable from restricted assets:					
Performance bond deposits	1,267,938	-	-	-	1,267,938
Advance from grantors	1,127,150	1,501,150	-	-	2,628,300
Due to component unit	57,456	-	-	-	57,456
Advance from other funds	822,428	-	-	-	822,428
Due to other funds	-	-	3,698,175	67,520	3,765,695
Total liabilities	<u>4,006,312</u>	<u>1,501,150</u>	<u>3,820,839</u>	<u>204,662</u>	<u>9,532,963</u>
Deferred Inflows of Resources:					
Property taxes receivable	76,565	-	-	-	76,565
Unavailable revenue	36,432	-	-	-	36,432
Solid waste receivable	65,651	-	-	-	65,651
Stormwater receivable	-	-	-	73,674	73,674
Total deferred inflows of resources	<u>178,648</u>	<u>-</u>	<u>-</u>	<u>73,674</u>	<u>252,322</u>
Fund Balances:					
Non-spendable:					
Inventories	26,129	-	-	4,436	30,565
Restricted:					
Stabilization by state statute	4,917,566	-	-	9,566	4,927,132
Debt service - USDA	91,776	-	-	-	91,776
Capital asset replacement reserve - USDA	5,000	-	-	-	5,000
Streets	529,184	-	-	-	529,184
Committed	-	2,781	-	430,922	433,703
Assigned	-	-	-	1,191,576	1,191,576
Unassigned	8,746,612	-	(3,820,839)	(129,855)	4,795,918
Total fund balances	<u>14,316,267</u>	<u>2,781</u>	<u>(3,820,839)</u>	<u>1,506,645</u>	<u>12,004,854</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,501,227</u>	<u>\$ 1,503,931</u>	<u>\$ -</u>	<u>\$ 1,784,981</u>	<u>\$ 21,790,139</u>

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

CITY OF BELMONT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

Reconciliation of the Balance Sheet to the Statement of Net Position:	<u>Total</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance - governmental funds	\$ 12,004,854
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,947,338
Right to use leased assets, net	20,919
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	252,322
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(41,498)
Compensated absences	(518,709)
Net pension liability - LGERS	(1,258,497)
Total pension liability - LEOSSA	(1,203,631)
Total OPEB liability	(2,140,632)
Deferred outflows of resources related to OPEB	410,580
Deferred outflows of resources related to pensions	2,204,487
Deferred inflows of resources related to OPEB	(558,676)
Deferred inflows of resources related to pensions	(1,841,350)
Note payable	(4,358,222)
Lease liabilities	<u>(20,731)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 26,898,554</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, 2022

	Major Funds				
	General Fund	American Recovery Plan Act Special Revenue Fund	Recreation Center Capital Project Fund	Nonmajor Governmental Funds	Total
Revenues:					
Ad valorem taxes	\$ 10,635,274	\$ -	\$ -	\$ -	\$ 10,635,274
Other taxes and licenses	457,002	-	-	-	457,002
Unrestricted intergovernmental	5,532,849	-	-	-	5,532,849
Restricted intergovernmental	1,141,140	499,951	1,500,000	150,000	3,291,091
Permits and fees	162,774	-	-	-	162,774
Sales and services	938,295	-	-	785,955	1,724,250
Investment earnings	14,247	2,781	-	1,488	18,516
Miscellaneous revenues	<u>748,472</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>758,472</u>
Total revenues	<u>19,630,053</u>	<u>502,732</u>	<u>1,500,000</u>	<u>947,443</u>	<u>22,580,228</u>
Expenditures:					
Current:					
General government	2,341,555	-	-	-	2,341,555
Public safety	6,811,804	-	-	-	6,811,804
Transportation	1,872,663	-	-	-	1,872,663
Environmental protection	1,100,458	-	-	335,310	1,435,768
Cultural and recreational	989,280	-	5,320,839	684,920	6,995,039
Economic and physical development	412,946	-	-	-	412,946
Debt service:					
Principal	917,014	-	-	71,997	989,011
Interest and other charges	84,240	-	-	1,536	85,776
Capital outlay	<u>1,617,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,617,801</u>
Total expenditures	<u>16,147,761</u>	<u>-</u>	<u>5,320,839</u>	<u>1,093,763</u>	<u>22,562,363</u>
Revenues over (under) expenditures	<u>3,482,292</u>	<u>502,732</u>	<u>(3,820,839)</u>	<u>(146,320)</u>	<u>17,865</u>
Other Financing Sources (Uses):					
Long-term debt issued	58,637	-	-	-	58,637
Transfers to other funds	(50,054)	(499,951)	-	(331,882)	(881,887)
Transfers from other funds	<u>470,278</u>	<u>-</u>	<u>-</u>	<u>381,936</u>	<u>852,214</u>
Total other financing sources (uses)	<u>478,861</u>	<u>(499,951)</u>	<u>-</u>	<u>50,054</u>	<u>28,964</u>
Net change in fund balances	3,961,153	2,781	(3,820,839)	(96,266)	46,829
Fund Balances:					
Beginning of year - July 1	<u>10,355,114</u>	<u>-</u>	<u>-</u>	<u>1,602,911</u>	<u>11,958,025</u>
End of year - June 30	<u>\$ 14,316,267</u>	<u>\$ 2,781</u>	<u>\$ (3,820,839)</u>	<u>\$ 1,506,645</u>	<u>\$ 12,004,854</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, 2022**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 46,829
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.	7,668,458
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,752,289)
Right to use leased asset capital expenditures, which are capitalized	58,637
Amortization expense allocates the costs of right to use assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(37,718)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(24,588)
The issuance of long-term debt provides current financial resources to governmental funds. This transaction does not have any effect on net position.	(58,637)
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.	989,011
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Accrued interest payable	2,518
Compensated absences	(42,445)
OPEB plan expense	(79,901)
Pension expense - LGERS	136,026
Pension expense - LEOSA	(117,945)
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 6,787,956</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, 2022

	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 10,539,152	\$ 10,539,152	\$ 10,635,274	\$ 96,122
Other taxes and licenses	250,000	250,000	457,002	207,002
Unrestricted intergovernmental	4,105,000	4,105,000	5,532,849	1,427,849
Restricted intergovernmental	351,025	351,025	1,141,140	790,115
Permits and fees	78,000	78,000	162,774	84,774
Sales and services	611,750	611,750	938,295	326,545
Investment earnings	30,000	30,000	14,247	(15,753)
Miscellaneous	271,125	271,125	748,472	477,347
Total revenues	<u>16,236,052</u>	<u>16,236,052</u>	<u>19,630,053</u>	<u>3,394,001</u>
Expenditures:				
Current:				
General government	1,761,330	1,744,583	2,315,343	(570,760)
Environmental protection	1,383,823	1,383,823	1,100,458	283,365
Public safety	6,303,520	6,303,520	6,811,804	(508,284)
Transportation	2,110,903	2,089,548	1,840,238	249,310
Cultural and recreation	883,832	883,832	989,280	(105,448)
Economic and physical development	303,835	303,835	412,946	(109,111)
Debt service:				
Principal	1,152,788	1,190,890	917,014	273,876
Interest and other charges	247,241	247,241	84,240	163,001
Capital outlay	<u>2,088,780</u>	<u>3,207,092</u>	<u>1,617,801</u>	<u>1,589,291</u>
Total expenditures	<u>16,236,052</u>	<u>17,354,364</u>	<u>16,089,124</u>	<u>1,265,240</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,118,312)</u>	<u>3,540,929</u>	<u>4,659,241</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	-	(50,054)	(50,054)
Transfers from other funds	<u>-</u>	<u>1,118,312</u>	<u>470,278</u>	<u>(648,034)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,118,312</u>	<u>420,224</u>	<u>(698,088)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,961,153</u>	<u>\$ 3,961,153</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of lease standard:				
Lease liability issues			58,637	
Capital outlay			(58,637)	
Fund Balance:				
Beginning of year - July 1			<u>10,355,114</u>	
End of year - June 30			<u>\$ 14,316,267</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, 2022

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,099,342
Accounts receivable (net)	1,203,139
Due from other governments	345,373
Advance to other funds	169,453
Inventories	<u>227,607</u>
Total current assets	<u>4,044,914</u>
 Restricted assets:	
Cash and cash equivalents	<u>322,512</u>
 Non-current assets:	
Right to use leased asset, net	13,293
Non-current advance to other funds	<u>652,975</u>
 Capital assets:	
Non-depreciable	590,641
Depreciable, net of accumulated depreciation	<u>50,867,318</u>
Total capital assets	<u>51,457,959</u>
 Total non-current assets	<u>52,124,227</u>
 Total assets	<u>56,491,653</u>
 Deferred Outflows of Resources:	
OPEB deferrals	167,701
Pension deferrals	<u>790,963</u>
Total deferred outflows of resources	<u>958,664</u>
 Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	937,004
Accrued interest	20,724
Current portion of compensated absences	57,749
Current portion of long-term debt	506,263
Payable from restricted assets:	
Customer deposits	<u>250,402</u>
Total current liabilities	<u>1,772,142</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, 2022**

	<u>Water and Sewer Fund</u>
Non-current liabilities:	
Net pension liability	514,033
Compensated absences	86,624
Total OPEB liability	874,343
Non-current portion of long-term debt	<u>4,118,739</u>
Total non-current liabilities	<u>5,593,739</u>
 Total liabilities	 <u>7,365,881</u>
 Deferred Inflows of Resources:	
OPEB deferrals	228,192
Pension deferrals	<u>739,713</u>
Total deferred inflows of resources	<u>967,905</u>
 Net Position:	
Net investment in capital assets	46,846,250
Unrestricted	<u>2,270,281</u>
 Total net position	 <u><u>\$ 49,116,531</u></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, 2022

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 7,233,961
Other operating revenues	<u>2,208,373</u>
Total operating revenues	<u>9,442,334</u>
Operating Expenses:	
Water administration and distribution	4,166,100
Water treatment plant	1,479,403
Waste collection and treatment	1,897,593
Depreciation and amortization	<u>2,940,421</u>
Total operating expenses	<u>10,483,517</u>
Operating income (loss)	<u>(1,041,183)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	3,496
Interest and other charges	<u>(73,622)</u>
Total non-operating revenues (expenses)	<u>(70,126)</u>
Income before transfers	(1,111,309)
Transfer from other funds	<u>29,673</u>
Income (loss) before capital contributions	(1,081,636)
Capital Contributions:	
Contributed capital - donated water lines	<u>3,620,915</u>
Change in net position	2,539,279
Net Position:	
Beginning of year - July 1	<u>46,577,252</u>
End of year - June 30	<u><u>\$ 49,116,531</u></u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**Water and
Sewer Fund****Cash Flows from Operating Activities:**

Cash received from customers	\$ 9,586,558
Cash paid for goods and services	(3,000,106)
Cash paid to or on behalf of employees for services	(3,962,110)
Customer deposits, net	74,957
Net cash provided (used) by operating activities	<u>2,699,299</u>

Cash Flows from Non-Capital Financing Activities:

Payments to/from other funds	(1,179,644)
Transfers to/from other funds	29,673
Net cash provided (used) in non-capital and related financing activities	<u>(1,149,971)</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(1,361,881)
Principal paid on long-term debt	(512,889)
Interest paid on long-term debt	(94,793)
Net cash provided (used) in capital and related financing activities	<u>(1,969,563)</u>

Cash Flows from Investing Activities:

Interest on investments	<u>3,496</u>
Net increase (decrease) in cash and cash equivalents	(416,739)

Cash and Cash Equivalents:

Beginning of year - July 1	<u>2,838,593</u>
End of year - June 30	<u>\$ 2,421,854</u>

**Reconciliation of Operating Income (Loss) Net Cash
Provided (Used) by Operating Activities :**

Operating income (loss)	<u>\$ (1,041,183)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	2,940,421
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	144,224
Increase (decrease) in deferred inflows of resources for pensions	738,257
Increase (decrease) in net pension liability	(672,212)
Increase (decrease) in total OPEB liability	48,364
(Increase) decrease deferred outflows of resources for pensions	(121,605)
Increase (decrease) in deferred inflows of resources for OPEB	(37,734)
(Increase) decrease deferred outflows of resources for OPEB	22,008
(Increase) decrease in inventories	(22,619)
Increase (decrease) in accounts payable and accrued liabilities	630,599
Increase (decrease) in compensated absences payable	(4,178)
Increase (decrease) in customer deposits	74,957
Total adjustments	<u>3,740,482</u>
Net cash provided (used) by operating activities	<u>\$ 2,699,299</u>

Non-Cash Transactions:

Right to use asset acquired in exchange for a lease liability	<u>\$ 35,757</u>
Capital contributions	<u>\$ 3,620,915</u>

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 is reported as a discrete component unit separate from the financial information of the primary government. 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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

financed through taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among the program revenues are reported instead as general revenues.

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 funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, transportation, environmental protection, culture and recreation, economic and physical development, and general government services.

American Recovery Plan Act Special Revenue Fund. This fund accounts for the federal America Recovery Plan Act grant funds that are restricted for use for a particular purpose and is used to track activities of that grant.

Recreation Center Capital Project Fund. This fund is used to account for the design and construction of the Belmont Recreation and Community Center.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Stormwater Fund. The Stormwater Special Revenue Fund is established to account for the stormwater fees and program expenditures.

Skate Park Capital Project Fund. The project was established to account for the design and construction of the Skateboard Park.

Rocky Branch Park Capital Project Fund. The project was established to account for the design and construction of the Rocky Branch Park Blue Zone.

Abbey Creek Park Capital Project Fund. The project was established to account for the design and construction of the Abbey Creek Greenway.

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

The City reports the following major Enterprise Fund:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the City's water and sewer operations. The water and sewer capital reserve fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the water and sewer capital reserve fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Gaston County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. Interest on investments is recorded as earned since

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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. A reconciliation is included for the following funds due to the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases* – General Fund and Water and Sewer Fund.

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)(8)] 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 measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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. All cash and investments for the TDA and DBDA are considered cash and cash equivalents.

Restricted Assets

Governmental Activities:

General Fund:

Restricted for streets - Powell Bill	\$ 529,184
USDA loan reserve requirement	91,776
USDA capital asset replacement reserve	5,000
Advance from grantors	1,127,150
Performance bond deposits	<u>1,267,938</u>
Total General Fund	<u>3,021,048</u>

American Recovery Plan Act

Special Revenue Fund -

Advance from grantors	<u>1,503,931</u>
Total governmental activities	<u>\$ 4,524,979</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	\$ 250,402
USDA loan reserve requirement	<u>72,110</u>
Total business-type activities	<u>\$ 322,512</u>

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. Advance from grantors are classified as restricted cash because they must be expended in accordance with the purpose for which the funds were issued.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 Fund consist of supplies and materials held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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.

The estimated useful lives are as follows:

Assets	Years
Buildings	50
Improvements	10-25
Vehicles	3-5
Furniture and equipment	5-15
Computer equipment	3
Infrastructure and distribution systems	25-40

Right to Use Assets

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

Reimbursements for Pandemic-Related Expenditures

In Fiscal Year 2021, the American Rescue Plan Act (ARPA) established the coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City of Belmont was awarded \$4,002,202 of fiscal recovery funds to be paid in two equal installments. The first installment was received in August 2021. The second installment was received subsequent to year end. City staff and the City Council elected to use \$499,951 for playground equipment and the purchase of land for a substation in fiscal year 2022. The \$499,951 used in fiscal year 2022 was transferred to the General Fund and the Water and Sewer Fund from the American Recovery Plan Act Special Revenue Fund in the amount of \$440,278 and \$29,673, respectively. City staff and the City Council elected to use \$499,951 for playground equipment and the purchase of land for a substation in fiscal year 2022. In fiscal year 2023, the City plans on using ARPA funds for Stowe Park bathroom renovations, stormwater drainage and culvert improvements to protect the City's infrastructure, and salaries.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 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	\$ 4,917,566	\$ 9,566	\$ 4,927,132
Streets	529,184	-	529,184
Capital asset replacement			
reserve - USDA	5,000	-	5,000
Debt service - USDA	91,776	-	91,776
Total restricted fund balance	<u>\$ 5,543,526</u>	<u>\$ 9,566</u>	<u>\$ 5,553,092</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

Committed for General Government – portion of fund balance that has been budgeted by the Board for the purpose of the grant.

	<u>Amount</u>
Cultural and recreational	\$ 83,511
General government	350,192
Total committed fund balance	<u>\$ 433,703</u>

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	<u>\$ 1,191,576</u>
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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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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	\$ 14,316,267
Less:	
Inventories	26,129
Restricted for stabilization by state statute	4,917,566
Restricted for streets	529,184
Restricted for USDA	96,776
Working capital/fund balance policy	<u>4,338,591</u>
Remaining fund balance	<u><u>\$ 4,408,021</u></u>

Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period 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, 2022

2. Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

A. Excess of Expenditures over Appropriations

Per G.S. 159-8 requires all funds be appropriated before incurring the obligation of funds and that amounts be pre-audited prior to disbursements being made. For the fiscal year ended June 30, 2022, the expenditures exceeded authorized appropriations by the governing board for the following departments and funds:

Fund	Amount
General Fund:	
Administration and finance	\$ (466,755)
City attorney	(1,552)
Planning and zoning	(120,233)
Police	(465,811)
Fire	(42,473)
Parks and recreation	(71,553)
Main street program	(33,895)
Economic and physical development	(109,111)
Transfer to other funds	(50,054)
Total General Fund:	<u>\$ (1,361,437)</u>
Nonmajor Governmental Funds:	
Capital Reserve Fund	<u>\$ (200,000)</u>
Water and Sewer Fund:	
Water Administration and Distribution	<u>\$ (987,395)</u>

Please refer to finding 2022-004 for further information.

B. Lack of Approved Budget

For the fiscal year ended June 30, 2022, the City's Water and Sewer Capital Reserve lacked an approved budget ordinance. Management and the Board will more closely review the budget reports to ensure compliance in future years. Please refer to finding 2022-004 for further information.

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 2022 audit was significantly delayed due to turnover in financial personnel. N.C. General Statute 159-33 requires the City to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25th and July 25th of each year. The City experienced turnover in key financial personnel, thus resulting in

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

delays in required reporting. Per N.C. General Statute 116B-53(c), subpart 12, property is presumed abandoned if it is unclaimed by the apparent owner after one year of the property becoming distributable. Per N.C. General Statute 116B-60, a holder of property presumed abandoned shall make a report to the Treasurer concerning the property. The City did not properly follow the required escheat process for fiscal year 2022. Please refer to findings 2022-003, 2022-005, and 2022-006, respectively, for further information.

D. Deficit Fund Balance of Individual Funds

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

<u>Fund</u>	<u>Amount</u>
Major Recreation Center Capital Project Fund	\$ (3,820,839)
Nonmajor Governmental Funds:	
Abbey Creek Park Capital Project Fund	(123,080)
Skate Park Capital Project Fund	(6,775)
Total Governmental Activities:	<u>\$ (3,950,694)</u>

The Major Recreation Center Capital Project Fund will be funded through long-term debt proceeds in subsequent years once LGC approval has been granted. The Abbey Creek Capital Project Fund will be funded through long-term debt proceeds once the loan has closed. The Skate Park Capital Project Fund will be funded through a transfer from the General Fund subsequent to year end.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the City's deposits, had a carrying amount of \$7,155,651 and a bank balance of \$8,372,435. Of the bank balance, \$505,382 was covered by federal depository insurance, and \$7,867,053 was covered by collateral held under the Pooling Method. At June 30, 2022, the City's petty cash totaled \$900.

The City of Belmont Tourism Development Authority's deposits had a carrying amount of \$204,559 and a bank balance of \$204,559. All of the bank balances for the TDA were covered by federal depository insurance.

The DBDA's deposits had a carrying amount of \$51,621 and a bank balance of \$51,621. All of the bank balances for the DBDA were covered by federal depository insurance.

Investments

At June 30, 2022, the City's investment balances were as follows:

Investments by Type	Valuation	Book Value at 6/30/2022	Maturity	Rating
	Measurement Method			
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 11,845,423	N/A	AAAm/AAA-mf

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, 2022.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Receivables

Receivables at Exhibit A at June 30, 2022 were as follows:

Funds	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 73,101	\$ 122,936	\$ 1,180,853	\$ 1,376,890
Other governmental	88,584	-	9,566	98,150
Total receivables	161,685	122,936	1,190,419	1,475,040
Allowance for doubtful accounts	(14,910)	(46,371)	-	(61,281)
Total governmental activities	<u>\$ 146,775</u>	<u>\$ 76,565</u>	<u>\$ 1,190,419</u>	<u>\$ 1,413,759</u>
Business-Type Activities:				
Water and sewer	\$ 1,541,001	\$ -	\$ 345,373	\$ 1,886,374
Allowance for doubtful accounts	(337,862)	-	-	(337,862)
Total business-type activities	<u>\$ 1,203,139</u>	<u>\$ -</u>	<u>\$ 345,373</u>	<u>\$ 1,548,512</u>

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

	Governmental Activities
Local option sales tax	\$ 821,769
Sales tax	200,711
NCDMV	103,924
Department of Justice	6,559
Occupancy tax revenue	57,456
Total	<u>\$ 1,190,419</u>
	Business-Type Activities
Sales tax	<u>\$ 345,373</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 3,164,369	\$ -	\$ -	\$ 3,164,369
Other	5,687	-	-	5,687
Construction in progress	802,091	5,516,775	-	6,318,866
Total non-depreciated capital assets	<u>3,972,147</u>	<u>5,516,775</u>	<u>-</u>	<u>9,488,922</u>
 Depreciable Capital Assets:				
Buildings	6,313,123	152,098	-	6,465,221
Other improvements	5,901,918	1,732,662	-	7,634,580
Equipment	4,869,712	76,281	-	4,945,993
Infrastructure	3,911,606	-	-	3,911,606
Vehicles and motorized equipment	5,746,970	190,642	-	5,937,612
Total depreciable capital assets	<u>26,743,329</u>	<u>2,151,683</u>	<u>-</u>	<u>28,895,012</u>
 Less Accumulated Depreciation:				
Buildings	2,149,614	153,446	-	2,303,060
Other improvements	2,228,695	457,279	-	2,685,974
Equipment	4,161,765	324,977	-	4,486,742
Infrastructure	828,358	163,946	-	992,304
Vehicles and motorized equipment	3,315,875	652,641	-	3,968,516
Total accumulated depreciation	<u>12,684,307</u>	<u>\$ 1,752,289</u>	<u>\$ -</u>	<u>14,436,596</u>
 Total depreciable capital assets, net	<u>14,059,022</u>			<u>14,458,416</u>
 Governmental activities capital assets, net	<u>\$ 18,031,169</u>			<u>\$ 23,947,338</u>

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

General government	\$ 77,808
Public safety	756,815
Transportation	63,962
Cultural and recreational	375,170
Stormwater	478,534
Total	<u>\$ 1,752,289</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2022.

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Business-Type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 75,890	\$ 29,673	\$ -	\$ 105,563
Right-of-ways	28,911	-	-	28,911
Construction in progress	215,718	240,449	-	456,167
Total non-depreciable capital assets	<u>320,519</u>	<u>270,122</u>	<u>-</u>	<u>590,641</u>
Depreciable Capital Assets:				
Buildings	19,311,872	-	-	19,311,872
Improvements other than buildings	629,351	68,211	-	697,562
Distribution systems	47,168,471	3,620,915	-	50,789,386
Machinery and equipment	14,008,779	1,023,548	-	15,032,327
Natural gas fill station	258,342	-	-	258,342
Total depreciable capital assets	<u>81,376,815</u>	<u>4,712,674</u>	<u>-</u>	<u>86,089,489</u>
Less Accumulated Depreciation:				
Buildings	8,373,377	419,474	-	8,792,851
Improvements other than buildings	226,524	49,574	-	276,098
Distribution systems	13,216,230	1,268,151	-	14,484,381
Machinery and equipment	10,341,277	1,167,705	-	11,508,982
Natural gas fill station	146,806	13,053	-	159,859
Total accumulated depreciation	<u>32,304,214</u>	<u>\$ 2,917,957</u>	<u>\$ -</u>	<u>35,222,171</u>
Total depreciable capital assets, net	<u>49,072,601</u>			<u>50,867,318</u>
Business-type activities capital assets, net	<u>\$ 49,393,120</u>			<u>\$ 51,457,959</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2022 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 23,947,338	\$ 51,457,959
Right to use leased assets, net of amortization	20,919	13,293
Long-term debt	(4,378,953)	(4,625,002)
Net investment in capital assets	<u>\$ 19,589,304</u>	<u>\$ 46,846,250</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Right-to-Use Leased Assets

The City has recorded several right-to-use leased assets. The assets are right-to-use assets for land, equipment, computer equipment, and land improvements. The related leases are discussed in the Leases subsection of the long-term obligations section of the footnotes. The right-to-use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right-to-use asset activity for the City for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Governmental Activities:				
Right-to-use assets:				
Land	\$ -	\$ 12,718	\$ -	\$ 12,718
Equipment	-	13,294	-	13,294
Computer equipment	-	22,463	-	22,463
Land improvements	-	10,162	-	10,162
Total right-to-use assets	-	58,637	-	58,637
Less Accumulated Amortization:				
Land	-	8,479	-	8,479
Equipment	-	6,883	-	6,883
Computer equipment	-	15,581	-	15,581
Land improvements	-	6,775	-	6,775
Total accumulated amortization	-	\$ 37,718	\$ -	37,718
Total governmental activities right-to-use assets, net	\$ -			\$ 20,919
	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Business-Type Activities:				
Right-to-use assets:				
Equipment	\$ -	\$ 13,294	\$ -	\$ 13,294
Computer equipment	-	22,463	-	22,463
Total non-depreciable capital assets	-	35,757	-	35,757
Less Accumulated Amortization:				
Equipment	-	6,883	-	6,883
Computer equipment	-	15,581	-	15,581
Total accumulated amortization	-	\$ 22,464	\$ -	22,464
Business-type activities right-to-use assets, net	\$ -			\$ 13,293

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2022 were as follows:

	<u>Vendors</u>	<u>Due to Component Unit</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 344,846	\$ 57,456	\$ 1,695,930	\$ 2,098,232
Other governmental	17,756	-	242,050	259,806
Total	<u>\$ 362,602</u>	<u>\$ 57,456</u>	<u>\$ 1,937,980</u>	<u>\$ 2,358,038</u>
Business-Type Activities:				
Water and sewer	<u>\$ 805,841</u>	<u>\$ -</u>	<u>\$ 151,887</u>	<u>\$ 957,728</u>

Construction Commitments

The government has active construction projects as of June 30, 2022. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Recreation Center	\$ 5,320,839	\$ 7,911,066
Rail Trail project	122,598	30,402
Total	<u>\$ 5,443,437</u>	<u>\$ 7,941,468</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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$994,939 for the year ended June 30, 2022.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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

At June 30, 2022, the City reported a liability of \$1,772,530 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022 (measured as of June 30, 2021), the City's proportion was 0.11558%, which was an increase of 0.00111% from its proportion measured as of June 30, 2021 (measured as of June 30, 2020). For the year ended June 30, 2022, the City recognized pension expense of \$803,355. At June 30, 2022, 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	\$ 563,906	\$ -
Changes of assumptions	1,113,602	-
Net difference between projected and actual earnings on pension plan investments	-	2,532,413
Changes in proportion and differences between City contributions and proportionate share of contributions	55,010	18,324
City contributions subsequent to the measurement date	994,939	-
Total	<u>\$ 2,727,457</u>	<u>\$ 2,550,737</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

\$994,939 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 ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2023	\$ 188,025
2024	(34,230)
2025	(197,081)
2026	(774,933)
2027	-
Thereafter	-
Total	<u>\$ (818,219)</u>

Actuarial Assumptions. The total pension liability in the December 31, 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 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables based on the RP2014 Total Data Set for Healthy Annuitants mortality table 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2021 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%
Opportunistic fixed income	7.0%	6.0%
Inflation sensitive	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 3.05%. Return projections do not include any excess expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	<u>\$ 6,880,815</u>	<u>\$ 1,772,530</u>	<u>\$ (2,431,291)</u>

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.

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

At June 30, 2022, the Separation Allowance's membership consisted of:

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2021 valuation. The total pension liability in the June 30, 2021 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	2.06 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, 2022.

The actuarial assumptions used in the June 30, 2021 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.

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 \$32,616 as benefits came due for the reporting period.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

At June 30, 2022, the City reported a total pension liability of \$1,203,631. The total pension liability was measured as of December 31, 2021 based on a June 30, 2020 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$150,120.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 114,104	\$ 21,060
Changes of assumptions	137,582	9,266
City benefit payments made subsequent to the measurement date	16,307	-
Total	<u>\$ 267,993</u>	<u>\$ 30,326</u>

\$16,307 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 ending June 30, 2023. 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
2023	\$ 71,782
2024	79,181
2025	60,535
2026	9,742
2027	120
Thereafter	-
Total	<u>\$ 221,360</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 2.06 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 (1.06 percent) or 1-percentage-point higher (3.06 percent) than the current rate:

	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Total pension liability	<u>\$ 1,318,409</u>	<u>\$ 1,203,631</u>	<u>\$ 1,099,043</u>

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

	2022
Beginning balance	\$ 1,142,774
Service cost	66,587
Interest on the total pension liability	23,846
Differences between expected and actual experience in the measurement of the total pension liability	(3,284)
Changes of assumptions or other inputs	6,324
Benefit payments	<u>(32,616)</u>
Ending balance of the total pension liability	<u>\$ 1,203,631</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.12% at December 31, 2020 to 2.06% at December 31, 2021.

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, 2022

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	\$ 803,355	\$ 150,120	\$ 953,475
Pension liability	1,772,530	1,203,631	2,976,161
Proportionate share of the net pension liability	0.11558%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 563,906	\$ 114,104	\$ 678,010
Changes of assumptions	1,113,602	137,582	1,251,184
Changes in proportion and differences between contributions and proportionate share of contributions	55,010	-	55,010
Benefit payments and administrative costs paid subsequent to the measurement date	994,939	16,307	1,011,246
	<u>\$ 2,727,457</u>	<u>\$ 267,993</u>	<u>\$ 2,995,450</u>

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 21,060	\$ 21,060
Changes of assumptions	-	9,266	9,266
Net difference between projected and actual earnings on plan investments	2,532,413	-	2,532,413
Changes in proportion and differences between contributions and proportionate share of contributions	18,324	-	18,324
	<u>\$ 2,550,737</u>	<u>\$ 30,326</u>	<u>\$ 2,581,063</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, 2022

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 \$121,680 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 \$3,014,975 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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	2.21 percent
Measurement date	2.16 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 >= 2028

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	<u>\$ 2,848,202</u>
Changes for the year:	
Service cost	128,897
Interest	62,506
Differences between expect and actual experience	(10,484)
Changes in assumptions or other inputs	15,137
Benefit payments	<u>(29,283)</u>
Net changes	<u>166,773</u>
Balance at June 30, 2022	<u><u>\$ 3,014,975</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, 2022

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.

Demographic Assumptions – Law Enforcement Officers:

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 Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by the Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	<u>\$ 3,348,850</u>	<u>\$ 3,014,975</u>	<u>\$ 2,715,675</u>

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

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 2,637,413</u>	<u>\$ 3,014,975</u>	<u>\$ 3,462,699</u>

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$147,423. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,714	\$ 686,118
Changes of assumptions	551,159	100,750
Benefit payments and administrative costs made subsequent to the measurement date	23,408	-
Total	<u>\$ 578,281</u>	<u>\$ 786,868</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

\$23,408 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 ending June 30, 2023. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2023	\$ (48,980)
2024	(48,980)
2025	(48,980)
2026	(48,980)
2027	(33,076)
Thereafter	<u>(2,999)</u>
Total	<u><u>\$ (231,995)</u></u>

Other Employment Benefits

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Deferred Outflows/Inflows of Resources

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

Source	Amount
Differences between expected and actual experience - OPEB	\$ 3,714
Differences between expected and actual experience - (LGERS & LEOSSA)	678,010
Changes of assumptions (LGERS & LEOSSA)	1,251,184
Changes of assumptions - OPEB	551,159
Changes in proportion and differences between City contributions and proportionate share of contributions (LGERS & LEOSSA)	55,010
Benefit payments paid subsequent to the measurement date (LEOSSA & LGERS)	1,011,246
Benefit payments and administrative costs made subsequent to the measurement date (OPEB)	23,408
Total	<u>\$ 3,573,731</u>

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

Source	Amount
Differences between expected and actual experience - OPEB	\$ 686,118
Differences between expected and actual experience (LEOSSA & LGERS)	21,060
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	18,324
Changes of assumptions (OPEB)	100,750
Net difference between projected and actual earnings on pension plan investments (LGERS & LEOSSA)	2,532,413
Changes of assumptions (LEOSSA)	9,266
Taxes receivable, net	76,565
Stormwater receivables	73,674
Unavailable revenue	36,432
Solid waste receivable	65,651
Total deferred inflows	<u>\$ 3,620,253</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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

The City carries employee health insurance through Blue Cross Blue Shield with unlimited lifetime maximum coverage.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The City carries flood insurance through the IRFFNC insurance pool administered by the North Carolina League of Municipalities. This coverage provides flood insurance for properties located in flood zones B, C, and X up to \$5,000,000, with a \$50,000 deductible. There is no flood coverage for properties in any other flood zone through IRFFNC.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000 for employee dishonesty and forgery or alteration and \$5,000 for theft of money and securities.

Belmont Tourism Development Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions. In accordance with G.S. 159-29, the TDA employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond shared with the City. The Director of Finance for the TDA is bonded for \$50,000, separately from the City's bond. The remaining employees that have access to funds are bonded under the City's blanket bond. All bonded amounts are set by the Council.

Claims and Judgments

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

Long-Term Obligations

Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On July 1, 2021, the City entered into a 18-month lease as lessee for the use of Toshiba Copier – 115 N. Main St. An initial lease liability was recorded in the amount of \$19,091. As of June 30, 2022, the value of the lease liability is \$7,054. The City is required to make monthly fixed

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

payments of \$1,009. The lease has an interest rate of 0.5900%. The value of the right to use asset as of June 30, 2022 of \$19,091 with an accumulated amortization of \$12,143 is included with equipment on the Lease Class activities table found below.

On July 1, 2021, the City entered into a 18-month lease as lessee for the use of Parking Lot - 125913. An initial lease liability was recorded in the amount of \$12,718. As of June 30, 2022, the value of the lease liability is \$4,246. The City is required to make monthly fixed payments of \$708. The lease has an interest rate of 0.3560%. The value of the right to use asset as of June 30, 2022 of \$12,718 with an accumulated amortization of \$8,479 is included with land on the Lease Class activities table found below.

On July 1, 2021, the City entered into a 55-month lease as lessee for the use of Postage Meter – 1401 East Catawba St. An initial lease liability was recorded in the amount of \$7,497. As of June 30, 2022, the value of the lease liability is \$5,891. The City is required to make monthly fixed payments of \$140. The lease has an interest rate of 1.1770%. The value of the right to use asset as of June 30, 2022 of \$7,497 with an accumulated amortization of \$1,624 is included with equipment on the Lease Class activities table found below.

On July 1, 2021, the City entered into a 18-month lease as lessee for the use of Parking Lot - 215798. An initial lease liability was recorded in the amount of \$10,163. As of June 30, 2022, the value of the lease liability is \$3,393. The City is required to make monthly fixed payments of \$1,700. The lease has an interest rate of 0.5930%. The value of the right to use asset as of June 30, 2022 of \$10,163 with an accumulated amortization of \$6,774 is included with land on the Lease Class activities table found below.

On July 1, 2021, the City entered into a 17-month lease as lessee for the use of Dell Computer Equipment. An initial lease liability was recorded in the amount of \$44,925. As of June 30, 2022, the value of the lease liability is \$13,241. The City is required to make monthly fixed payments of \$2,651. The lease has an interest rate of 0.4660%. The value of the right to use asset as of June 30, 2022 of \$44,925 with an accumulated amortization of \$31,162 is included with equipment on the Lease Class activities table found below.

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 18,595	\$ 56	\$ 10,958	\$ 44
2024	819	21	819	21
2025	829	11	829	11
2026	488	2	488	2
Total	<u>\$ 20,731</u>	<u>\$ 90</u>	<u>\$ 13,094</u>	<u>\$ 78</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Notes Payable

Serviced by General Fund:

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. \$ 137,989

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% 318,750

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% 850,000

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% 50,974

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% 137,108

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% 49,261

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% 397,877

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% 2,416,263

Total \$ 4,358,222

The City has outstanding notes from direct placements related to governmental activities totaling \$137,989, which are secured by the mortgaged property.

The City has outstanding notes from direct placements related to governmental activities totaling \$318,750, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$318,750 contain provisions that an event of default would result in (1) declare the unpaid principal components of the installment payments immediately due and payable; (2) proceed by appropriate court action to enforce the City's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (3) pay over any balance remaining in the project fund; (4) avail itself of all available remedies under the financing agreement, including execution and foreclosure of the mortgaged property, and recovery of attorneys' fees and other expenses.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The City has outstanding notes from direct placements related to governmental activities totaling \$850,000, which are secured by the mortgaged property. The City's outstanding notes from direct placements related to governmental activities of \$850,000 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 \$50,974, which are secured by vehicles and equipment. The City's outstanding notes from direct placements related to governmental activities of \$50,974 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 \$137,108, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$137,108 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 \$49,261, which are secured by equipment. The City's outstanding notes from direct placements related to governmental activities of \$49,261 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 \$397,877, which are secured by police vehicles, a fire truck, and equipment. The City's outstanding notes from direct placements related to governmental activities of \$397,877 contain provisions that an event of default would result in (1) declare the unpaid principal components of the installment payments and other amounts immediately due payable and such amounts will bear interest at the rate of 12% per annum or the minimum rate permitted by applicable law, whichever is less; (2) accelerate the principal component of all outstanding installment payments; (3) enter the premises where the property is located and retake possession of the property or require the City to promptly return any or all of the property; (4) instruct the escrow agent to release all proceeds and any earnings to the seller, such sums to be credited to the payment obligations of the City.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The City has outstanding notes from direct placements related to governmental activities totaling \$2,416,263, 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 \$2,416,263 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, 2022 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%	\$ 126,701
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%	447,614
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	299,719
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%	939,382
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%	900,000
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>1,898,492</u>
Total	<u>\$ 4,611,908</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The City's outstanding notes from direct placements related to business-type activities of \$126,701, 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 \$447,614 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 \$299,719 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 \$939,382 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 \$900,000, which are secured by the equipment. The City's outstanding notes from direct placements related to business-type activities of \$900,000 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 \$1,898,492, 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 \$1,898,492 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, 2022

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
2023	\$ 667,326	\$ 109,154	\$ 495,305	\$ 90,857
2024	470,034	93,265	369,170	80,507
2025	378,347	80,585	369,966	73,409
2026	143,060	71,364	370,670	66,369
2027	143,975	60,082	271,389	59,313
2028-2032	584,039	244,981	868,072	242,900
2033-2037	260,135	198,695	522,739	170,946
2038-2042	288,985	169,843	227,060	133,448
2043-2047	321,035	137,791	252,242	108,264
2048-2052	356,593	102,216	280,180	80,313
2053-2057	396,213	62,617	311,310	49,199
2058-2061	348,480	18,604	273,805	14,618
Total	<u>\$ 4,358,222</u>	<u>\$ 1,349,197</u>	<u>\$ 4,611,908</u>	<u>\$ 1,170,143</u>

At June 30, 2022, the City of Belmont had a legal debt margin of \$155,898,359.

Changes in Long-Term Liabilities:

	July 1, 2021	Increases	Decreases	June 30, 2022	Current Maturities
Governmental Activities:					
Notes from direct placements	\$ 5,309,327	\$ -	\$ 951,105	\$ 4,358,222	\$ 667,326
Lease liabilities issued	-	58,637	37,906	20,731	18,595
Total pension liability (LEOSSA)	1,142,774	60,857	-	1,203,631	-
Net pension liability (LGERS)	2,904,256	-	1,645,759	1,258,497	-
Total OPEB liability	2,022,223	118,409	-	2,140,632	-
Compensated absences	476,264	297,326	254,881	518,709	207,484
Governmental activities long-term liabilities	<u>11,854,844</u>	<u>535,229</u>	<u>2,889,651</u>	<u>9,500,422</u>	<u>893,405</u>
Business-Type Activities:					
Notes from direct borrowings and direct placements	5,102,134	-	490,226	4,611,908	495,305
Lease liabilities issued	-	35,757	22,663	13,094	10,958
Net pension liability (LGERS)	1,186,245	-	672,212	514,033	-
Total OPEB liability	825,979	48,364	-	874,343	-
Compensated absences	148,551	72,993	77,171	144,373	57,749
Business-type activities long-term liabilities	<u>7,262,909</u>	<u>157,114</u>	<u>1,262,272</u>	<u>6,157,751</u>	<u>564,012</u>
Total	<u>\$ 19,117,753</u>	<u>\$ 692,343</u>	<u>\$ 4,151,923</u>	<u>\$ 15,658,173</u>	<u>\$ 1,457,417</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, 2022

4. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

5. Interfund Activity

Due To/From Other Funds

Balances due to/from other funds at June 30, 2022 consist of the following:

From	To	Amount
Water and Sewer Fund	General Fund	\$ 822,428
Recreation Center Capital Project Fund	General Fund	3,698,175
Skate Park Capital Project Fund	General Fund	6,775
Abbey Creek Park Capital Project Fund	General Fund	60,745
Total		<u>\$ 4,588,123</u>

Interfund loan – on June 30, 2022, the General Fund borrowed from the Water and Sewer Fund to fund a paving project. The terms of the arrangement require the General Fund to repay the Water and Sewer Fund annual payments of \$169,453 over five years with an interest rate of 1%.

The transfers to/from other funds during the year ended June 30, 2022 were for the purpose of funding capital projects and consist of the following:

From	To	Purpose	Amount
Capital Reserve Fund	Skate Park Capital Project Fund	To fund project expenses	\$ 200,000
Capital Reserve Fund	Rocky Branch Capital Project Fund	To fund project expenses	131,882
General Fund	Skate Park Capital Project Fund	To fund project expenses	50,054
American Recovery Plan Act Special Revenue Fund	General Fund	For capital related expenses	470,278
American Recovery Plan Act Special Revenue Fund	Water and Sewer Fund	For capital related expenses	29,673
Total			<u>\$ 881,887</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

6. Related Party Transactions

During the year ended June 30, 2022, the City remitted \$242,520, which is the collection fee of gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp or similar place within the City.

7. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use least asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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CITY OF BELMONT, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance		
	2022	2021	2020
Beginning balance	\$ 1,142,774	\$ 866,491	\$ 733,997
Service cost	66,587	52,192	48,722
Interest on the total pension liability	23,846	27,570	25,861
Differences between expected and actual experience in the measurement of the total pension liability	(3,284)	51,634	75,832
Changes of assumptions or other inputs	6,324	186,469	29,135
Benefit payments	(32,616)	(41,582)	(47,056)
Ending balance of the total pension liability	<u>\$ 1,203,631</u>	<u>\$ 1,142,774</u>	<u>\$ 866,491</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 CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance		
	2019	2018	2017
Beginning balance	\$ 588,626	\$ 714,819	\$ 712,996
Service cost	47,253	34,339	37,788
Interest on the total pension liability	17,857	26,707	24,681
Differences between expected and actual experience in the measurement of the total pension liability	157,030	(177,108)	-
Changes of assumptions or other inputs	(29,713)	35,716	(17,341)
Benefit payments	(47,056)	(45,847)	(43,305)
Ending balance of the total pension liability	<u>\$ 733,997</u>	<u>\$ 588,626</u>	<u>\$ 714,819</u>

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
 PERCENTAGE OF COVERED EMPLOYEE PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2022	2021	2020
Total pension liability	\$ 1,203,631	\$ 1,142,774	\$ 866,491
Covered employee payroll	1,771,097	1,771,097	1,869,473
Total pension liability as a percentage of covered employee payroll	67.96%	64.52%	46.35%

Notes to the Schedules:

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

This schedule is intended to show information for ten years.

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

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
 PERCENTAGE OF COVERED EMPLOYEE PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 LAST SIX FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance		
	2019	2018	2017
Total pension liability	\$ 733,997	\$ 588,626	\$ 714,819
Covered employee payroll	1,649,950	1,543,775	1,484,384
Total pension liability as a percentage of covered employee payroll	44.49%	38.13%	48.16%

CITY OF BELMONT, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST FIVE FISCAL YEARS

	Other Post-Employment Benefits				
	2022	2021	2020	2019	2018
Service cost	\$ 128,897	\$ 209,911	\$ 195,954	\$ 184,638	\$ 200,505
Interest	62,506	102,740	98,424	105,867	87,672
Changes of benefit terms	-	(624,860)	-	-	-
Differences between expected and actual experience	(10,484)	(357,283)	5,111	(693,954)	377
Changes of assumptions or other inputs	15,137	596,552	133,302	(15,248)	(199,413)
Benefit payments	(29,283)	(28,565)	(26,268)	(23,612)	(32,420)
Net change in total OPEB liability	166,773	(101,505)	406,523	(442,309)	56,721
Total OPEB liability - beginning	2,848,202	2,949,707	2,543,184	2,985,493	2,928,772
Total OPEB liability - ending	<u>\$ 3,014,975</u>	<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	\$ 3,266,591	\$ 5,636,067	\$ 5,636,067	\$ 4,525,106
Total OPEB liability as a percentage of covered employee payroll	92.30%	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%
2022	2.16%

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

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CITY OF BELMONT, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2022	2021	2020	2019	2018
Belmont's proportion of the net pension liability (asset) (%)	0.11558%	0.11447%	0.10563%	0.10273%	0.09572%
Belmont's proportion of the net pension liability (asset) (\$)	\$ 1,772,530	\$ 4,090,501	\$ 2,884,673	\$ 2,437,107	\$ 1,462,336
Belmont's covered payroll	\$ 7,881,270	\$ 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 (asset) as a percentage of its covered payroll	22.49%	56.16%	43.99%	40.73%	26.26%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	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 NINE 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 (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%

CITY OF BELMONT, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2022	2021	2020	2019	2018
Contractually required contribution	\$ 994,939	\$ 815,083	\$ 666,338	\$ 521,593	\$ 460,668
Contributions in relation to the contractually required contribution	<u>994,939</u>	<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>	<u>\$ -</u>
Belmont's covered payroll	\$ 8,617,878	\$ 7,881,270	\$ 7,283,575	\$ 6,557,305	\$ 5,983,685
Contributions as a percentage of covered payroll	11.55%	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 NINE FISCAL YEARS**

Local Governmental Employees' Retirement System				
	2017	2016	2015	2014
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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 10,168,794	\$ 10,416,512	\$ 247,718	\$ -
Prior years	361,358	210,341	(151,017)	9,847,104
Penalties and interest	9,000	8,421	(579)	6,079
Total ad valorem taxes	10,539,152	10,635,274	96,122	9,853,183
Other Taxes and Licenses:				
Lease vehicle tax	25,000	39,297	14,297	43,252
Occupancy tax	75,000	242,520	167,520	61,951
Vehicle license tax	150,000	175,185	25,185	166,230
Total other taxes and licenses	250,000	457,002	207,002	271,433
Unrestricted Intergovernmental:				
Local option sales tax	3,150,000	4,475,287	1,325,287	3,704,366
Utility franchise tax	900,000	986,852	86,852	936,797
Solid waste disposal tax	7,000	10,972	3,972	9,030
Beer and wine tax	48,000	59,738	11,738	50,632
Total unrestricted intergovernmental	4,105,000	5,532,849	1,427,849	4,700,825
Restricted Intergovernmental Revenues:				
Powell Bill allocation	300,000	426,387	126,387	307,197
Wellness funds	-	2,500	2,500	7,950
Unauthorized substance tax	5,000	139,922	134,922	52,900
State grants	46,025	382,199	336,174	-
Other grants	-	190,132	190,132	228,913
Total restricted intergovernmental revenues	351,025	1,141,140	790,115	596,960
Permits and Fees:				
Zoning permits	78,000	162,774	84,774	152,161
Sales and Services:				
Recreation department fees	80,000	167,971	87,971	40,295
Sale of cemetery lots	-	-	-	916
Cemetery interment fees	2,000	90	(1,910)	3,057
Technology fees	-	12,789	12,789	9,198
Engineering review fees	15,000	55,636	40,636	127,892
Solid waste fees	504,000	693,809	189,809	611,121
Fire protection services	-	-	-	1,158
Sale of surplus property	10,000	8,000	(2,000)	149,264
Alarm registration fee	750	-	(750)	-
Total sales and services	611,750	938,295	326,545	942,901

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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	30,000	14,247	(15,753)	5,284
Other General Revenues:				
Miscellaneous	235,625	553,344	317,719	251,376
Payments in lieu of tax	-	61,309	61,309	-
SRO contribution	35,500	129,600	94,100	108,000
Special police funds	-	4,219	4,219	2,156
Total other general revenues	271,125	748,472	477,347	361,532
Total revenues	16,236,052	19,630,053	3,394,001	16,884,279
Expenditures:				
General Government:				
Mayor and Council:				
Fees	32,367	37,027	(4,660)	31,732
Group insurance	39,866	20,741	19,125	25,480
Travel and training	5,000	6,897	(1,897)	256
Supplies	6,000	4,120	1,880	6,545
Dues and memberships	22,310	19,775	2,535	20,213
Miscellaneous	6,525	5,728	797	14,389
Total	112,068	94,288	17,780	98,615
Administration and Finance:				
Salaries	296,473	368,783	(72,310)	273,279
Employee benefits	92,924	128,204	(35,280)	95,753
Professional services	180,253	179,162	1,091	248,707
Telephone	6,000	8,438	(2,438)	7,039
Heating	1,000	1,394	(394)	1,385
Travel and training	15,000	10,027	4,973	7,176
Equipment maintenance	500	-	500	-
Equipment rental	781	442	339	-
Building repairs	500	42	458	1,716
Advertisement	500	-	500	-
Postage	500	602	(102)	1,044
Office supplies	4,500	3,460	1,040	2,284
Supplies	16,000	18,698	(2,698)	16,151
Car allowance	4,800	5,008	(208)	5,040
Subscriptions	1,744	2,676	(932)	2,643
Insurance and bonds	21,500	22,070	(570)	22,088
Building cleaning service	30,000	7,893	22,107	697

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous expense	106,679	87,571	19,108	69,259
Community promotion	17,718	401,570	(383,852)	7,642
Bank charges	10,500	33,380	(22,880)	29,429
Water and sewer fees	1,200	383	817	3,793
Stormwater fees	320	360	(40)	410
Solid waste fee	-	84	(84)	84
Electricity	8,000	3,900	4,100	7,173
Total	817,392	1,284,147	(466,755)	802,792
City Attorney:				
Fees	9,000	20,610	(11,610)	6,750
Special compensation	90,000	80,235	9,765	102,015
Travel and training	1,000	708	292	340
Telephone	457	456	1	456
Total	100,457	102,009	(1,552)	109,561
Planning and Zoning:				
Salaries	442,873	384,553	58,320	342,424
Employee benefits	138,877	129,440	9,437	116,710
Professional services	40,000	243,570	(203,570)	153,903
Travel and training	6,000	6,407	(407)	5,079
Telephone	4,800	7,322	(2,522)	6,762
Advertisement	2,000	612	1,388	4,375
Miscellaneous	61,100	46,975	14,125	24,445
Supplies	2,650	1,028	1,622	4,809
Vehicle maintenance	500	-	500	487
Office supplies	4,000	2,922	1,078	4,973
Gas and lubricants	500	710	(210)	353
Water and sewer fees	450	-	450	320
Storm water fees	216	-	216	300
Subscriptions and dues	1,500	1,209	291	6,650
Insurance	8,000	9,974	(1,974)	10,865
Equipment maintenance	500	-	500	-
Equipment rentals	700	177	523	-
Solid waste fee	-	-	-	70
Building repairs	-	-	-	5,900
Total	714,666	834,899	(120,233)	688,425
Total general government	1,744,583	2,315,343	(570,760)	1,699,393

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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Public Safety:				
Police:				
Salaries	2,685,244	2,868,286	(183,042)	2,539,727
Employee benefits	510,064	559,266	(49,202)	526,099
Professional services	114,000	124,659	(10,659)	118,596
Retirement	275,734	324,694	(48,960)	269,323
Separation allowance	39,914	29,918	9,996	37,619
Mandated	113,075	135,787	(22,712)	124,752
Special compensation	10,000	-	10,000	-
Telephone	42,000	85,252	(43,252)	62,976
Heating	1,750	2,923	(1,173)	3,836
Travel and training	15,000	18,787	(3,787)	16,828
Building repairs	12,000	12,138	(138)	40,692
Radio equipment maintenance	4,000	2,486	1,514	4,596
Equipment maintenance	22,500	20,386	2,114	23,542
Vehicle maintenance	32,000	59,918	(27,918)	53,551
Equipment rental	-	130	(130)	33
Gas and lubricants	67,500	120,986	(53,486)	70,233
Water and sewer fees	1,250	2,184	(934)	3,947
Stormwater fees	1,000	1,620	(620)	1,420
Electricity	23,000	12,521	10,479	23,613
Miscellaneous	23,000	19,623	3,377	31,796
Advertisement	300	-	300	-
Postage	1,600	1,032	568	1,660
Unemployment	-	374	(374)	616
Office supplies	5,000	6,522	(1,522)	6,860
Supplies	28,000	53,672	(25,672)	35,863
Uniforms	21,000	43,528	(22,528)	40,806
Subscriptions and dues	-	1,248	(1,248)	745
Insurance	122,609	110,479	12,130	102,568
K-9 supplies	2,100	10,362	(8,262)	3,716
Undercover operations	4,000	14,166	(10,166)	5,617
Solid waste fee	-	84	(84)	84
Capital outlay	1,000	1,420	(420)	483
Total	4,178,640	4,644,451	(465,811)	4,152,197
Fire:				
Salaries	1,321,502	1,328,237	(6,735)	1,170,983
Employee benefits	463,243	477,796	(14,553)	413,097
Special compensation	35,262	36,057	(795)	-
Professional services	3,780	17,769	(13,989)	5,214

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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Telephone	2,500	10,725	(8,225)	5,906
Postage	355	-	355	230
Heating	2,600	2,621	(21)	2,250
Travel and training	10,830	3,475	7,355	3,513
Building maintenance	12,500	11,578	922	18,170
Equipment maintenance	18,607	21,657	(3,050)	26,775
Vehicle maintenance	72,672	64,225	8,447	79,150
Gas and lubricants	12,000	20,335	(8,335)	10,119
Water and sewer fees	3,000	7,339	(4,339)	4,339
Stormwater fees	252	480	(228)	440
Electricity	7,000	3,620	3,380	6,575
Office supplies	2,000	2	1,998	88
Supplies	16,827	29,476	(12,649)	17,704
Uniforms	40,300	34,279	6,021	28,896
Insurance and bonds	53,712	54,649	(937)	62,143
Subscriptions	3,680	7,186	(3,506)	5,469
Gaston County radio agreement	1,500	-	1,500	2,460
Solid waste fee	-	84	(84)	84
South Point VFD contract	40,758	13,825	26,933	27,805
Capital outlay	-	21,938	(21,938)	-
Total	2,124,880	2,167,353	(42,473)	1,891,410
Total public safety	6,303,520	6,811,804	(508,284)	6,043,607
Transportation:				
Streets:				
Salaries	704,074	630,566	73,508	573,995
Employee benefits	250,390	243,089	7,301	203,082
Professional services	60,750	65,559	(4,809)	66,294
Telephone	5,200	24,204	(19,004)	21,851
Travel and training	4,000	2,834	1,166	817
Building repair	-	-	-	915
Equipment maintenance	15,000	14,279	721	8,287
Vehicle maintenance	18,000	18,660	(660)	17,731
Gas and lubricants	18,000	31,018	(13,018)	14,250
Equipment rental	3,945	623	3,322	7,914
Electricity street lights	256,000	190,020	65,980	227,595
Water and sewer fees	1,860	2,692	(832)	7,893
Office supplies	1,650	835	815	6,949
Advertisement	100	-	100	11
Materials and supplies	50,000	46,153	3,847	78,073

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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
State fees	1,500	13,528	(12,028)	4,525
Landfill fees	45,000	18,869	26,131	9,547
Contracted street repairs	118,000	-	118,000	853
Routine street repairs	72,600	60,500	12,100	72,122
Insurance and bonds	61,067	61,699	(632)	73,313
Employee uniforms	10,000	9,457	543	16,700
Contracted services - cemetery	34,000	-	34,000	31,684
Contracted mowing	163,412	235,092	(71,680)	178,519
Beautification projects	65,000	39,111	25,889	46,680
Improvements	130,000	131,450	(1,450)	137,259
Total transportation	2,089,548	1,840,238	249,310	1,806,859

Environmental Protection:

Sanitation:

Professional services	1,383,823	1,100,458	283,365	1,003,688
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Cultural and Recreational:

Parks and Recreation:

Salaries	261,480	274,388	(12,908)	210,201
Employee benefits	77,619	89,971	(12,352)	73,930
Professional services	14,500	29,880	(15,380)	23,373
Special compensation	27,300	26,029	1,271	9,882
Telephone	3,500	5,766	(2,266)	4,715
Building repairs	500	61	439	875
Equipment maintenance	2,500	4,432	(1,932)	1,252
Vehicle maintenance	1,200	1,573	(373)	1,360
Heating	500	1,041	(541)	939
Travel and training	3,600	3,631	(31)	1,607
Uniforms	300	236	64	375
Miscellaneous	500	1,302	(802)	578
Water and sewer fees	34,516	34,455	61	13,662
Gas and lubricants	800	1,970	(1,170)	418
Equipment rental	750	52	698	-
Land usage	17,100	9,200	7,900	11,400
Electricity	30,240	38,689	(8,449)	46,986
Facility usage	600	-	600	-
Advertisement	-	426	(426)	2,469
Postage	500	-	500	291
Office supplies	800	439	361	495
Supplies	43,000	63,418	(20,418)	38,051

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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Subscriptions	650	3,574	(2,924)	2,019
Insurance and bonds	16,689	20,751	(4,062)	23,247
Solid waste fee	1,500	84	1,416	84
Community events	3,000	3,829	(829)	1,266
Total parks and recreation	543,644	615,197	(71,553)	469,475
Main Street Program:				
Salaries	175,243	191,873	(16,630)	96,785
Employee benefits	60,501	62,787	(2,286)	37,816
Professional services	-	390	(390)	-
Telephone	1,200	778	422	994
Travel and training	5,000	2,671	2,329	1,186
Equipment rental	2,250	-	2,250	401
Postage	300	12	288	60
Water and sewer fees	650	384	266	64
Stormwater fees	260	900	(640)	150
Electricity	1,000	-	1,000	136
Solid waste fee	84	84	-	14
Advertisement	21,550	31,517	(9,967)	19,576
Supplies	3,500	5,038	(1,538)	2,763
Subscriptions	1,000	3,933	(2,933)	1,144
Insurance and bonds	2,500	3,900	(1,400)	834
Grant match	10,000	2,567	7,433	7,500
Main street program	14,700	26,440	(11,740)	22,587
Event expenses	39,700	40,809	(1,109)	50,933
Heating	250	-	250	-
Gas and lubricants	500	-	500	-
Total main street program	340,188	374,083	(33,895)	242,943
Total cultural and recreational	883,832	989,280	(105,448)	712,418
Economic and Physical Development:				
Tourism development	75,000	242,520	(167,520)	97,671
Economic development	228,835	170,426	58,409	147,446
Total economic and physical development	303,835	412,946	(109,111)	245,117
Capital Outlay:				
Capital purchases	3,207,092	1,617,801	1,589,291	2,631,383

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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	1,190,890	917,014	273,876	1,741,232
Interest and fees	247,241	84,240	163,001	112,123
Total debt service	<u>1,438,131</u>	<u>1,001,254</u>	<u>436,877</u>	<u>1,853,355</u>
 Total expenditures	 <u>17,354,364</u>	 <u>16,089,124</u>	 <u>1,265,240</u>	 <u>15,995,820</u>
 Revenues over (under) expenditures	 <u>(1,118,312)</u>	 <u>3,540,929</u>	 <u>4,659,241</u>	 <u>888,459</u>
 Other Financing Sources (Uses):				
Transfers to other funds:				
Transfer to Skate Park	-	(50,054)	(50,054)	-
Transfers from other funds:				
American Recovery Plan Act				
Special Revenue Fund	470,278	470,278	-	-
Water and sewer	648,034	-	(648,034)	361,289
Long-term debt issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,455,852</u>
Total other financing sources (uses)	<u>1,118,312</u>	<u>420,224</u>	<u>(698,088)</u>	<u>2,817,141</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>3,961,153</u>	 <u>\$ 3,961,153</u>	 <u>3,705,600</u>
 Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of lease standard:				
Lease liability issues		58,637		-
Capital outlay		(58,637)		-
 Fund Balance:				
Beginning of year - July 1		<u>10,355,114</u>		<u>6,649,514</u>
 End of year - June 30		<u>\$ 14,316,267</u>		<u>\$ 10,355,114</u>

CITY OF BELMONT, NORTH CAROLINA

AMERICAN RECOVERY PLAN ACT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2022

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Grant revenue	\$ 1,835,000	\$ -	\$ 499,951	\$ 499,951	\$ (1,335,049)
Investment Earnings	-	-	2,781	2,781	2,781
Total revenues	1,835,000	-	502,732	502,732	(1,332,268)
Expenditures:					
Grant projects	1,335,049	-	-	-	1,335,049
Revenues over (under) expenditures	499,951	-	502,732	502,732	2,781
Other Financing Sources (Uses):					
Transfer to General Fund	(470,278)	-	(470,278)	(470,278)	-
Transfer to Water and Sewer Fund	(29,673)	-	(29,673)	(29,673)	-
Total other financing sources (uses)	(499,951)	-	(499,951)	(499,951)	-
Net change in fund balance	\$ -	\$ -	2,781	\$ 2,781	\$ 2,781
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ 2,781		

CITY OF BELMONT, NORTH CAROLINA

RECREATION CENTER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2022

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Grant revenue	\$ 2,000,000	\$ -	1,500,000	\$ 1,500,000	\$ (500,000)
Expenditures:					
Professional services	410,930	-	233,173	233,173	177,757
Design construction and administration	<u>13,231,905</u>	<u>-</u>	<u>5,087,666</u>	<u>5,087,666</u>	<u>8,144,239</u>
Total expenditures	<u>13,642,835</u>	<u>-</u>	<u>5,320,839</u>	<u>5,320,839</u>	<u>8,321,996</u>
Revenues over (under) expenditures	(11,642,835)	-	(3,820,839)	(3,820,839)	7,821,996
Other Financing Sources (Uses):					
Long-term debt issued	<u>11,642,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,642,835)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,820,839)</u>	<u>\$ (3,820,839)</u>	<u>\$ (3,820,839)</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ (3,820,839)</u>		

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2022

	Special Revenue Fund	Capital Project Funds	
	Stormwater Fund	Skate Park Capital Project Fund	Rocky Branch Park Capital Project Fund
Assets:			
Cash and cash equivalents	\$ 1,254,615	\$ -	\$ -
Accounts receivable, net	73,674	-	-
Due from other governments	9,566	-	-
Inventories	4,436	-	-
Total assets	<u>\$ 1,342,291</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 63,039	\$ -	\$ -
Due to other funds	-	6,775	-
Total liabilities	<u>63,039</u>	<u>6,775</u>	<u>-</u>
Deferred Inflows of Resources	<u>73,674</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Non-spendable:			
Inventory	4,436	-	-
Restricted:			
Stabilization by state statute	9,566	-	-
Committed for capital projects	-	-	-
Assigned	1,191,576	-	-
Unassigned	-	(6,775)	-
Total fund balances	<u>1,205,578</u>	<u>(6,775)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,342,291</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	Capital Project Funds			
	Abbey Creek Park Capital Project Fund	Rail Trail Project Fund	Capital Reserve Fund	Total
Assets:				
Cash and cash equivalents	\$ -	\$ 95,279	\$ 347,411	\$ 1,697,305
Accounts receivable, net	-	-	-	73,674
Due from other governments	-	-	-	9,566
Inventories	-	-	-	4,436
Total assets	<u>\$ -</u>	<u>\$ 95,279</u>	<u>\$ 347,411</u>	<u>\$ 1,784,981</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 62,335	\$ 11,768	\$ -	\$ 137,142
Due to other funds	<u>60,745</u>	<u>-</u>	<u>-</u>	<u>67,520</u>
Total liabilities	<u>123,080</u>	<u>11,768</u>	<u>-</u>	<u>204,662</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,674</u>
Fund Balances:				
Non-spendable:				
Inventory	-	-	-	4,436
Restricted:				
Stabilization by state statute	-	-	-	9,566
Committed for capital projects	-	83,511	347,411	430,922
Assigned	-	-	-	1,191,576
Unassigned	<u>(123,080)</u>	<u>-</u>	<u>-</u>	<u>(129,855)</u>
Total fund balances	<u>(123,080)</u>	<u>83,511</u>	<u>347,411</u>	<u>1,506,645</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 95,279</u>	<u>\$ 347,411</u>	<u>\$ 1,784,981</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, 2022

	Special Revenue Fund	Capital Project Funds	
	Stormwater Fund	Skate Park Capital Project Fund	Rocky Branch Capital Project Fund
Revenues:			
Sales and services	\$ 785,955	\$ -	\$ -
Grant proceeds	-	150,000	-
Contributions	-	-	-
Investment earnings	1	-	-
Total revenues	785,956	150,000	-
Expenditures:			
Cultural and recreational	-	406,829	131,882
Environmental protection	335,310	-	-
Debt service:			
Principal	71,997	-	-
Interest and fees	1,536	-	-
Total expenditures	408,843	406,829	131,882
Revenues over (under) expenditures	377,113	(256,829)	(131,882)
Other Financing Sources (Uses):			
Transfer from General Fund	-	50,054	-
Transfer from Capital Reserve Fund	-	200,000	131,882
Transfer to Skate Park	-	-	-
Transfer to Rocky Branch Park Capital Project Fund	-	-	-
Total other financing sources (uses)	-	250,054	131,882
Net change in fund balances	377,113	(6,775)	-
Fund Balances:			
Beginning of year - July 1	828,465	-	-
End of year - June 30	\$ 1,205,578	\$ (6,775)	\$ -

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	Capital Project Funds			
	Abbey Creek Capital Project Fund	Belmont Rail Trail Capital Project Fund	Capital Reserve Fund	Total
Revenues:				
Sales and services	\$ -	\$ -	\$ -	\$ 785,955
Grant proceeds	-	-	-	150,000
Contributions	10,000	-	-	10,000
Investment earnings	-	-	1,487	1,488
Total revenues	<u>10,000</u>	<u>-</u>	<u>1,487</u>	<u>947,443</u>
Expenditures:				
Cultural and recreational	133,080	13,129	-	684,920
Environmental protection	-	-	-	335,310
Debt service:				
Principal	-	-	-	71,997
Interest and fees	-	-	-	1,536
Total expenditures	<u>133,080</u>	<u>13,129</u>	<u>-</u>	<u>1,093,763</u>
Revenues over (under) expenditures	<u>(123,080)</u>	<u>(13,129)</u>	<u>1,487</u>	<u>(146,320)</u>
Other Financing Sources (Uses):				
Transfer from General Fund	-	-	-	50,054
Transfer from Capital Reserve Fund	-	-	-	331,882
Transfer to Skate Park	-	-	(200,000)	(200,000)
Transfer to Rocky Branch Park				
Capital Project Fund	<u>-</u>	<u>-</u>	<u>(131,882)</u>	<u>(131,882)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(331,882)</u>	<u>50,054</u>
Net change in fund balances	(123,080)	(13,129)	(330,395)	(96,266)
Fund Balances:				
Beginning of year - July 1	<u>-</u>	<u>96,640</u>	<u>677,806</u>	<u>1,602,911</u>
End of year - June 30	<u>\$ (123,080)</u>	<u>\$ 83,511</u>	<u>\$ 347,411</u>	<u>\$ 1,506,645</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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 842,518	\$ 785,955	\$ (56,563)	\$ 754,514
Interest earned	-	1	1	-
Total revenues	<u>842,518</u>	<u>785,956</u>	<u>(56,562)</u>	<u>754,514</u>
Expenditures:				
Environmental protection:				
Salaries	115,524	116,977	(1,453)	108,651
Employee benefits	40,381	43,004	(2,623)	35,060
Professional services	78,522	71,526	6,996	23,165
Telephone	1,000	1,833	(833)	1,361
Travel and training	1,200	889	311	989
Gas and lubricants	7,900	15,595	(7,695)	2,975
Office supplies	1,500	688	812	928
Supplies	26,438	31,481	(5,043)	313,891
Utilities	3,250	1,657	1,593	2,088
Subscriptions and dues	3,000	2,500	500	3,875
Capital outlay	422,197	49,160	373,037	-
Debt service:				
Principal	139,467	71,997	67,470	165,101
Interest and fees	2,139	1,536	603	7,227
Total expenditures	<u>842,518</u>	<u>408,843</u>	<u>433,675</u>	<u>665,311</u>
Net change in fund balance	\$ <u>-</u>	377,113	\$ <u>377,113</u>	89,203
Fund Balance:				
Beginning of year - July 1		<u>828,465</u>		<u>739,262</u>
End of year - June 30		<u>\$ 1,205,578</u>		<u>\$ 828,465</u>

CITY OF BELMONT, NORTH CAROLINA

SKATE PARK CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2022

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Grant revenue	\$ 150,000	\$ -	\$ 150,000	\$ 150,000	\$ -
Expenditures:					
Design construction and administration	415,000	-	406,829	406,829	8,171
Revenues over (under) expenditures	(265,000)	-	(256,829)	(256,829)	8,171
Other Financing Sources (Uses):					
Transfer from General Fund	65,000	-	50,054	50,054	(14,946)
Transfer from Capital Reserve Fund	200,000	-	200,000	200,000	-
Total other financing sources (uses)	265,000	-	250,054	250,054	(14,946)
Net change in fund balance	\$ -	\$ -	(6,775)	\$ (6,775)	\$ (6,775)
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ (6,775)		

CITY OF BELMONT, NORTH CAROLINA

ROCKY BRANCH PARK CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2022

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Expenditures:					
Construction and administration	\$ 155,000	\$ -	\$ 131,882	\$ 131,882	\$ 23,118
Revenues over (under) expenditures	(155,000)	-	(131,882)	(131,882)	23,118
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	155,000	-	131,882	131,882	(23,118)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

CITY OF BELMONT, NORTH CAROLINA

ABBAY CREEK PARK CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2022

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Grant revenue	\$ 505,000	\$ -	\$ -	\$ -	\$ (505,000)
Contributions	-	-	10,000	10,000	10,000
Total revenues	<u>505,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>(495,000)</u>
Expenditures:					
Design and engineering	370,175	-	67,010	67,010	303,165
Right of way administration	200,000	-	-	-	200,000
Public art	60,000	-	-	-	60,000
Construction and administration	1,461,860	-	66,070	66,070	1,395,790
Contingency	<u>73,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,281</u>
Total expenditures	<u>2,165,316</u>	<u>-</u>	<u>133,080</u>	<u>133,080</u>	<u>2,032,236</u>
Revenues over (under) expenditures	(1,660,316)	-	(123,080)	(123,080)	1,537,236
Other Financing Sources (Uses):					
Long-term debt issued	<u>1,660,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,660,316)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(123,080)	<u>\$ (123,080)</u>	<u>\$ (123,080)</u>
Fund Balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ (123,080)</u>		

CITY OF BELMONT, NORTH CAROLINA

BELMONT RAIL TRAIL CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2022

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Contributions	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Expenditures:					
Design	153,000	109,469	13,129	122,598	30,402
Revenues over (under) expenditures	(153,000)	(84,469)	(13,129)	(97,598)	55,402
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	153,000	181,109	-	181,109	28,109
Net change in fund balance	\$ -	\$ 96,640	(13,129)	\$ 83,511	\$ 83,511
Fund Balance:					
Beginning of year, July 1			96,640		
End of year, June 30			\$ 83,511		

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, 2022

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

	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 1,487	\$ 1,487	\$ 934
Other Financing Sources (Uses):				
Transfer to Skate Park	-	(200,000)	(200,000)	-
Transfer to Rocky Branch Park	(155,000)	(131,882)	23,118	-
Fund balance appropriated	<u>155,000</u>	<u>-</u>	<u>(155,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(331,882)</u>	<u>(331,882)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(330,395)</u>	<u>\$ (330,395)</u>	934
Fund Balance:				
Beginning of year, July 1		<u>677,806</u>		<u>676,872</u>
End of year - June 30		<u>\$ 347,411</u>		<u>\$ 677,806</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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 4,158,534	\$ 3,658,594	\$ (499,940)	\$ 3,824,549
Sewer charges	3,556,075	3,575,367	19,292	3,284,368
Water and sewer taps	55,000	-	(55,000)	-
Reconnections	40,000	176,980	136,980	163,500
Service connection fees	30,000	16,728	(13,272)	16,063
Penalties	60,000	133,660	73,660	92,910
Pretreatment fees	11,580	15,775	4,195	16,917
Impact fees	-	588,487	588,487	664,890
Inspection fees	50,000	107,260	57,260	84,547
System development fees	-	847,961	847,961	364,401
Maintenance fees	135,000	291,988	156,988	394,663
Miscellaneous revenues	65,536	29,534	(36,002)	930
Total operating revenues	8,161,725	9,442,334	1,280,609	8,907,738
Non-Operating Revenues:				
Interest income	1,000	320	(680)	105
Insurance claim payments	-	-	-	17,463
Total non-operating revenues	1,000	320	(680)	17,568
Total revenues	8,162,725	9,442,654	1,279,929	8,925,306
Expenditures:				
Water and Sewer Administration and Distribution:				
Salaries	1,470,526	1,522,593	(52,067)	1,360,368
Employee benefits	516,691	472,899	43,792	473,797
Professional services	251,253	365,421	(114,168)	333,971
Telephone	10,000	32,759	(22,759)	31,135
Travel and training	21,500	7,501	13,999	6,341
Equipment maintenance	25,250	15,293	9,957	17,416
Vehicle maintenance	22,000	20,261	1,739	25,295
Gas and lubricants	22,000	43,557	(21,557)	32,317
Equipment rental	350	3,248	(2,898)	12,370
Postage	20,000	29,387	(9,387)	25,764
Electricity	19,500	12,737	6,763	18,223
Heating	-	8,257	(8,257)	4,127
Advertisements	2,000	-	2,000	-
Office supplies	3,900	1,624	2,276	3,147
Supplies	166,945	351,424	(184,479)	251,953
Materials	85,000	83,711	1,289	101,337
Uniforms	14,850	12,659	2,191	19,763
Building cleaning fees	30,000	54,930	(24,930)	20,013

CITY OF BELMONT, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Expenditures (continued):				
Water Administration and Distribution (continued):				
Contracted repairs	40,000	-	40,000	34,418
Utility cuts and repairs	75,000	79,446	(4,446)	72,219
Subscriptions and dues	28,000	15,325	12,675	22,651
State/federal mandate	2,500	2,164	336	553
Wastewater services	43,160	39,398	3,762	44,544
Insurance and bonds	33,819	59,180	(25,361)	51,831
Software	39,400	-	39,400	-
Intern for utility funds	25,000	-	25,000	-
Impact fees	-	722,265	(722,265)	-
Total water administration and distribution	<u>2,968,644</u>	<u>3,956,039</u>	<u>(987,395)</u>	<u>2,963,553</u>
Water Treatment Plant:				
Salaries	663,380	706,477	(43,097)	726,295
Employee benefits	242,008	259,934	(17,926)	271,079
Professional services	12,000	15,565	(3,565)	17,236
Telephone	5,000	5,702	(702)	4,810
Postage	3,900	3,464	436	2,389
Heating	5,000	5,363	(363)	3,279
Travel and training	14,988	7,287	7,701	6,763
Plant repairs	80,000	71,238	8,762	64,347
Equipment rental	-	-	-	26,641
Equipment maintenance	40,000	29,756	10,244	31,527
Vehicle maintenance	2,500	1,610	890	1,451
Gas lubricants	3,000	3,539	(539)	2,824
State fees	6,300	5,433	867	5,671
Materials	7,000	4,778	2,222	7,424
Contract services	76,000	72,543	3,457	73,857
Sludge disposal	30,000	-	30,000	54,885
Electricity	110,000	95,497	14,503	138,927
Advertisements	500	-	500	-
Office supplies	2,000	921	1,079	1,981
Supplies	7,000	549	6,451	5,575
Water treatment	133,648	116,999	16,649	122,446
Lab supplies	21,200	16,792	4,408	20,075
Uniforms	12,200	12,542	(342)	11,482
Subscriptions and dues	6,800	6,058	742	6,037
Insurance and bonds	40,404	29,423	10,981	37,717
Total water treatment plant	<u>1,524,828</u>	<u>1,471,470</u>	<u>53,358</u>	<u>1,644,718</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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Waste Collection and Treatment:				
Salaries	656,626	709,203	(52,577)	607,070
Employee benefits	245,471	263,904	(18,433)	251,346
Professional services	28,000	22,057	5,943	21,855
Telephone	14,106	13,577	529	12,576
Postage	500	14	486	363
Travel and training	13,700	12,072	1,628	14,027
Sludge disposal	130,000	100,770	29,230	130,000
Mills pre-treatment testing	9,500	8,863	637	7,184
Lab testing	80,000	78,627	1,373	65,972
Plant repairs	50,000	19,007	30,993	106,571
Equipment maintenance	69,213	55,581	13,632	100,215
Vehicle maintenance	6,000	10,347	(4,347)	4,486
State fees	5,800	8,609	(2,809)	6,160
Gas and lubricants	12,000	17,499	(5,499)	12,323
Electricity	324,000	256,693	67,307	320,796
Wastewater services	140,400	87,757	52,643	109,622
Advertisements	1,000	-	1,000	-
Office supplies	4,500	6,513	(2,013)	2,610
Supplies	7,250	16,638	(9,388)	8,013
Uniforms	11,650	14,068	(2,418)	12,476
Subscriptions and dues	1,000	13	987	-
Lab supplies	156,410	145,469	10,941	132,100
Equipment rental	1,000	3,807	(2,807)	-
Insurance bonds	22,264	38,543	(16,279)	43,687
Total waste collection and treatment	<u>1,990,390</u>	<u>1,889,631</u>	<u>100,759</u>	<u>1,969,452</u>
Debt Service:				
Interest and fees	63,517	94,793	(31,276)	473,901
Principal retirement	<u>551,784</u>	<u>512,889</u>	<u>38,895</u>	<u>5,710,180</u>
Total debt service	<u>615,301</u>	<u>607,682</u>	<u>7,619</u>	<u>6,184,081</u>
Capital Outlay	<u>2,063,562</u>	<u>1,637,556</u>	<u>426,006</u>	<u>2,142,151</u>
Total capital outlay	<u>2,063,562</u>	<u>1,637,556</u>	<u>426,006</u>	<u>2,142,151</u>
Total expenditures	<u>9,162,725</u>	<u>9,562,378</u>	<u>(399,653)</u>	<u>14,903,955</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(119,724)</u>	<u>880,276</u>	<u>(5,978,649)</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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,118,312	-	(1,118,312)	-
Revolving loan proceeds	-	-	-	1,929,598
Transfer from Special Revenue Fund	29,673	29,673	-	-
Transfer to Enterprise Fund Capital Project Fund	-	-	-	(571,136)
Transfer from Water and Sewer Capital Reserve Fund	1,000,000	-	(1,000,000)	-
Transfer from Enterprise Fund Capital Project Fund	-	-	-	4,840
Transfer to General Fund	(1,147,985)	-	1,147,985	(361,289)
Total other financing sources (uses)	<u>1,000,000</u>	<u>29,673</u>	<u>(970,327)</u>	<u>1,002,013</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (90,051)</u>	<u>\$ (90,051)</u>	<u>\$ (4,976,636)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ (90,051)</u>		<u>\$ (4,976,636)</u>
Reconciling items:				
Payment of debt principal		512,889		5,710,180
Amount included in capital outlay not capitalized		(275,675)		-
Capital outlay		1,637,556		2,142,151
Lease capital outlay		35,757		-
Change in accrued vacation pay		4,178		12,968
Change in OPEB liability		(48,364)		29,436
Capital contributions - donated water lines		3,620,915		3,634,626
Public Works Renovation Project - interest		-		102
Capital Reserve Fund - interest		3,176		1,634
Interest expense accrual		21,171		(19,026)
Depreciation and amortization		(2,940,421)		(2,862,290)
Change in deferred outflows of resources - pensions		121,605		165,896
Change in net pension liability		672,212		(349,690)
Change in deferred inflows of resources - pensions		(738,257)		5,266
Change in deferred outflows of resources - OPEB		(22,008)		145,795
Change in deferred inflows of resources - OPEB		37,734		(63,222)
Transfer to Enterprise Fund Capital Project Fund		-		571,136
Transfer from Enterprise Fund Capital Project Fund		-		(4,840)
Loan proceeds		-		(1,929,598)
Lease liabilities issued		(35,757)		-
Change in inventory		<u>22,619</u>		<u>602</u>
Total reconciling items		<u>2,629,330</u>		<u>7,191,126</u>
Change in net position (Exhibit H)		<u>\$ 2,539,279</u>		<u>\$ 2,214,490</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, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 3,176	\$ 3,176	\$ 1,634
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,176	\$ 3,176	\$ 1,634

CITY OF BELMONT, NORTH CAROLINA
BELMONT TOURISM DEVELOPMENT AUTHORITY
COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2022
Assets:

Cash and cash equivalents	\$ 204,559
Accounts receivable, net	<u>58,332</u>
Total assets	<u>\$ 262,891</u>

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

Accounts payable and accrued liabilities	<u>\$ 5,970</u>
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Deferred Inflows of Resources:

Unavailable revenues	<u>16,068</u>
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Fund Balance:

Restricted for tourism	<u>240,853</u>
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Total liabilities and fund balance	<u>\$ 262,891</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	\$ 240,853
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Liabilities for earned revenues considered deferred inflows of resources in fund statements.	<u>16,068</u>
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Net position of the Belmont Tourism Development Authority (Exhibit A)	<u>\$ 256,921</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, 2022

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

	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Occupancy tax	<u>\$ 75,000</u>	<u>\$ 242,520</u>	<u>\$ 167,520</u>	<u>\$ 61,951</u>
Expenditures:				
Economic and physical development:				
Tourism program	<u>75,000</u>	<u>70,280</u>	<u>4,720</u>	<u>52,096</u>
Net change in fund balance	<u>\$ -</u>	<u>172,240</u>	<u>\$ 172,240</u>	<u>9,855</u>
Fund Balance:				
Beginning of year - July 1		<u>68,613</u>		<u>58,758</u>
End of year - June 30		<u>\$ 240,853</u>		<u>\$ 68,613</u>

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 10,613,409	\$ 10,568,268	\$ 45,141
2020-2021	47,698	-	27,757	19,941
2019-2020	26,476	-	15,596	10,880
2018-2019	8,416	-	649	7,767
2017-2018	10,555	-	3,111	7,444
2016-2017	7,347	-	601	6,746
2015-2016	6,736	-	556	6,180
2014-2015	9,788	-	1,120	8,668
2013-2014	5,914	-	536	5,378
2012-2013	5,424	-	633	4,791
2011-2012	3,000	-	3,000	-
Total	<u>\$ 131,354</u>	<u>\$ 10,613,409</u>	<u>\$ 10,621,827</u>	122,936
Less allowance for uncollectible ad valorem taxes receivable				<u>(46,371)</u>
Ad valorem taxes receivable, net				<u>\$ 76,565</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)			\$ 10,635,274	
Less penalties and interest collected			(8,421)	
Taxes written off and refunded			3,000	
Miscellaneous			<u>(8,026)</u>	
Total collections and credits			<u>\$ 10,621,827</u>	

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2022

	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	\$ 2,063,089,515	\$ 0.515	\$ 10,624,911	\$ 9,529,332	\$ 1,095,579
Discoveries - Current Year Taxes	1,668,932	0.515	8,595	8,595	-
Abatements	(3,902,330)	0.515	(20,097)	(20,097)	-
Total property valuation	<u>\$ 2,060,856,117</u>				
Net Levy			10,613,409	9,517,830	1,095,579
Uncollected taxes at June 30, 2022			(45,141)	(45,141)	-
Current Year's Taxes Collected			<u>\$ 10,568,268</u>	<u>\$ 9,472,689</u>	<u>\$ 1,095,579</u>
Current Levy Collection Percentage			<u>99.57%</u>	<u>99.53%</u>	<u>100.00%</u>

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

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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, 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 (*Government Auditing Standards*), 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, 2022, 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 March 27, 2023.

Report on 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2022-001, 2022-002, 2022-003, 2022-004, and 2022-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-006 to be a significant deficiency.

Report on 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 2022-003, 2022-004, 2022-005, and 2022-006.

City of Belmont's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
March 27, 2023

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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

Opinion on Each Major Federal Program

We have audited the City of Belmont, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Belmont and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Belmont's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions or contracts or grant agreements applicable to the City of Belmont's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Belmont's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Belmont's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Belmont's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Belmont's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Belmont's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
March 27, 2023

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Report on Compliance for Each State 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 State Program

Opinion on Each Major State Program

We have audited the City of Belmont, North Carolina's compliance with the types of compliance requirements identified as subject to audit 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 state programs for the year ended June 30, 2022. The City of Belmont's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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 state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of State Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Belmont and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Belmont's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Belmont's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Belmont's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Belmont's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Belmont's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Belmont's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Belmont's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-007. Our opinion on each major state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the non-compliance finding identified in our audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's response was not subjected to the other auditing procedure applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-007 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
March 27, 2023

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CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

Non-compliance material to financial
statements noted? Yes

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>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, 2022

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

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

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

Any audit findings disclosed that are
required to be reported in accordance with
State Single Audit Implementation Act? Yes

Identification of major state programs:

Program Name

State Capital and Infrastructure Funds

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

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

Material Weakness

Finding 2022-001

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. Subsidiary ledgers and cash reconciliations were not prepared and balanced to the general ledger in a timely manner during the year. Internal controls over subsidiary ledger and bank reconciliations are 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 modified, repeat finding from the immediate previous audit, 2021-001.

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 subsidiary ledgers and 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, 2022

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

Material Weakness

Finding 2022-002

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 journal entries. Controls over the budgeting process were not properly implemented throughout the year. We noted one occurrence of an employee's 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 and budgeting.

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

Identification of a Repeat Finding: This is a modified, repeat finding from the immediate previous audit, 2021-002.

Recommendation: Management should strengthen internal controls over the payroll, journal entries, and budgeting 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, 2022

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

Material Weakness
Non-Compliance

Finding 2022-003

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, 2021-003.

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, 2022

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

Material Weakness

Non-Compliance

Finding 2022-004

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.

Condition: During the fiscal year ended June 30, 2022, 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, and the Capital Reserve 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 Water and Sewer Capital Reserve Fund.

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

Cause: Lack of budget monitoring by management. The City expended more than what had been appropriated because budget amendments were not made for those items. Additionally, the City did not adopt a balanced budget for one fund.

Identification of a Repeat Finding: This is a modified, repeat finding from the immediate previous audit, 2021-005.

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

Name of Contact Person: Jared Pyles, Finance Director

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

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

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

Material Weakness

Non-Compliance

Finding 2022-005

Criteria: N.C. General Statute 159-33 requires all units of local governments in North Carolina to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25th and July 25th of each year.

Condition: The LGC-203 for the City and the TDA were filed after the required due date.

Effect: The City and TDA were in violation of North Carolina State Statutes.

Cause: The City experienced turnover in key financial personnel, thus resulting in delays in required reporting.

Recommendation: Implement more stringent controls to prevent LGC-203 from being reported after required due date.

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, 2022

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

Significant Deficiency

Non-Compliance

Finding 2022-006

Criteria: Per N.C. General Statute 116B-53(c), subpart 12, property is presumed abandoned if it is unclaimed by the apparent owner after one year of the property becoming distributable. Per N.C. General Statute 116B-60, a holder of property presumed abandoned shall make a report to the Treasurer concerning the property.

Condition: In the current year, there was a violation of the N.C. General Statute with regards to the escheating process for property held more than a year.

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

Cause: Lack of internal controls over escheating process for unclaimed property.

Recommendation: Management should put a process in place to perform the escheat process in accordance with state law.

Name of Contact Person: Jared Pyles, Finance Director

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

3. Federal Award Findings and Questioned Costs

None reported.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

4. State Award Findings and Questioned Costs

North Carolina Office of State Budget and Management

Program Name: State Capital and Infrastructure Funds

Finding: 2022-007

Significant Deficiency, Nonmaterial Non-Compliance Reporting

Criteria: In accordance with the State Single Audit Act and guidelines for the State Capital and Infrastructure Funds, management should have an adequate system of internal control procedures in place to ensure that any required reporting under the program is completed timely.

Condition: Quarterly reports completed and submitted during the fiscal year were submitted after the required due date.

Context: Of the 4 reports that were required to be submitted during the fiscal year, we reviewed 2 and determined reporting completed during the year was not submitted by the required due dates.

Effect: Reports submitted to the grantor were not submitted timely.

Cause: Lack of controls and review over reporting.

Questioned Costs: Reporting has been submitted by the City resulting in no questioned costs.

Recommendation: Implement stronger controls over the reporting process to ensure reporting is submitted by required due dates.

Name of Contact Person: Jared Pyles, Finance Director

Viewed of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan submitted with this report.

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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022

Material Weakness

Finding 2022-001:

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.

Proposed Completion Date: Immediately.

Material Weakness

Finding 2022-002:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The Finance Department has designed and implemented new controls over journal entries beginning in Fiscal Year 2023. The City's Accountant and/or Deputy Finance Director prepare journal entries, which are subsequently reviewed by the Finance Director or Deputy Finance Director, contingent upon who prepared the entry. Each journal entry requires a cover sheet to be completed and signed off on for both the preparer and reviewer. Local Government Retirement System reporting is reconciled monthly against payroll journals and liability accounts to ensure accurate reporting.

Proposed Completion Date: Immediately.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Material Weakness

Non-Compliance

Finding 2022-003:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: Due to the City's turnover of multiple Finance Director's and key Finance positions, the annual audit was delayed spanning multiple fiscal years. Since the hiring of the City's new Finance Director, Finance Staff has begun cross-training with the Deputy Finance Director and Accountant so that future vacancies in key positions do not create back-logs on day-to-day operations and annual reporting requirements.

Proposed Completion Date: Immediately.

Material Weakness

Non-Compliance

Finding 2022-004:

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 that appropriate budget amendments and/or budget transfers are prepared and posted to avoid expenditures exceeding appropriations. The City also plans to meet with Department Heads quarterly to identify and correct budget issues throughout the fiscal year.

Proposed Completion Date: Immediately.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Material Weakness

Non-Compliance

Finding 2022-005:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The City mistakenly reported the TDA Cash with the City's Cash on the semi-annual Cash and Investment Reports (LGC-203). The City since submitted amended reports for each the City and TDA to correct this issue. Cross-training and implementation of a Finance Duty Calendar in the Finance Department will prevent the LGC-203 from being reported after the required due date in the future.

Proposed Completion Date: Immediately.

Significant Deficiency

Non-Compliance

Finding 2022-006:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The City is aware of G.S. 116B-53(c), subpart 12. The Finance Department has implemented a control to review unclaimed property/outstanding checks semi-annually to ensure property presumed abandoned is reported to the Treasurer timely.

Proposed Completion Date: Immediately.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

Significant Deficiency

Finding 2022-007:

Name of Contact Person: Jared Pyles, Finance Director

Corrective Action: The City was late on its quarterly performance reporting on the North Carolina Office of State Budget and Management State Capital and Infrastructure Funding. Finance Staff has implemented calendar reminders for applicable reporting due dates to ensure reporting is submitted by the required due dates.

Proposed Completion Date: Immediately.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2022

Finding: 2021-001
Status: Modified and repeated as Finding 2022-001.

Finding: 2021-002
Status: Modified and repeated as Finding 2022-002.

Finding: 2021-003
Status: Repeated as Finding 2022-003.

Finding: 2021-004
Status: Corrected.

Finding: 2021-005
Status: Modified and repeated as Finding 2022-004.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipients
<u>Federal Assistance</u>					
<u>U.S. Department of Agriculture</u>					
Rural Housing Service					
Community Facilities Loans and Grants Cluster:					
Direct Program:					
Community Facilities Loans and Grants	10.766		\$ 4,314,755	\$ -	\$ -
Total Community Facilities Loans and Grants Cluster			<u>4,314,755</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		7,446	-	-
Passed-through the N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistant Grant Program	16.738	15PBJA-21-GG-00278-JAGX	<u>23,328</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Justice			<u>30,774</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Treasury</u>					
Direct Program:					
Equitable Sharing Program	21.016		43,171	-	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	2021-0032-01	<u>499,951</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Treasury			<u>543,122</u>	<u>-</u>	<u>-</u>
<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		<u>84,454</u>	<u>-</u>	<u>-</u>
Total Highway Safety Cluster:					
Total U.S. Department of Transportation					
Total Federal Assistance			<u>4,973,105</u>	<u>-</u>	<u>-</u>
<u>State Assistance</u>					
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4	<u>-</u>	<u>144,362</u>	<u>-</u>
<u>N.C. Department of Commerce</u>					
Rural Economic Development Division					
Techworks of Gaston County Grant		2022-065-1257-1913	<u>-</u>	<u>372,850</u>	<u>-</u>
<u>N.C. Office of State Budget and Management</u>					
State Capital and Infrastructure Funds - Recreation Center		10053	<u>-</u>	<u>1,500,000</u>	<u>-</u>
State Capital and Infrastructure Funds - Skateboard Park		10051	<u>-</u>	<u>150,000</u>	<u>-</u>
Total N.C. Office of State Budget and Management			<u>-</u>	<u>1,650,000</u>	<u>-</u>
Total State Assistance			<u>-</u>	<u>2,167,212</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 4,973,105</u>	<u>\$ 2,167,212</u>	<u>\$ -</u>

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022Notes to the Schedule of Expenditures of Federal and State Awards**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the City of Belmont under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Belmont, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Belmont.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Loans Outstanding:

The City of Belmont had the following loan balances outstanding at June 30, 2022 for loans that the grantor/pass-passthrough 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, 2022 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	\$ 4,314,755

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