

**CITY OF BELMONT
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

**CITY OF BELMONT
NORTH CAROLINA**

FOR THE YEAR ENDED JUNE 30, 2015

CITY COUNCIL

Mayor

Charlie Martin

Commissioners

Ron Foulk

Charlie Flowers

Ryan Schrift

Martha Stowe

Richard Turner

OFFICIALS

Barry Webb, City Manager

Michelle Wood, Finance Director

CITY OF BELMONT, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Belmont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefit's Schedules of Funding Progress and Employer Contributions and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the City of Belmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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
November 16, 2015

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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, 2015. 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

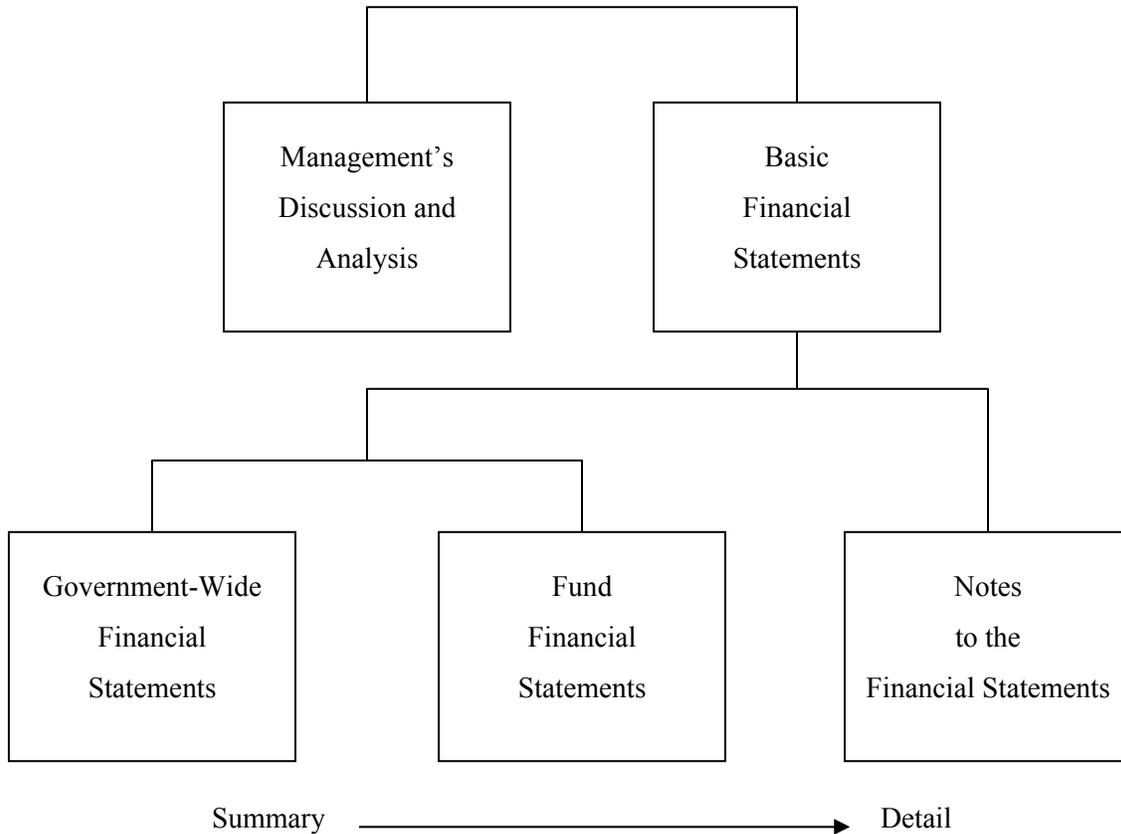
- The assets of the City of Belmont exceeded its liabilities at the close of the fiscal year by \$28,805,051 (net position).
- The government's total net position increased by \$2,313,214 due to increases in both governmental and business-type activities net position.
- As of the close of the current fiscal year, the City of Belmont's governmental funds reported combined ending fund balances of \$5,726,662, with a net increase of \$347,627. Approximately 9.03% of this total amount, or \$517,457, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,089,761, or 32.8%, of total General Fund expenditures for the fiscal year.
- The City of Belmont's total long-term debt outstanding decreased by \$803,330 (10.6%), 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 26-59 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Belmont's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

Government-Wide Financial Analysis

City of Belmont's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 6,529,709	\$ 6,043,584	\$ 7,297,475	\$ 6,190,130	\$ 13,827,184	\$ 12,233,714
Capital assets	10,770,248	10,840,983	14,042,952	14,025,596	24,813,200	24,866,579
Total assets	17,299,957	16,884,567	21,340,427	20,215,726	38,640,384	37,100,293
Total deferred outflows	340,561	-	139,103	-	479,664	-
Liabilities:						
Long-term liabilities	5,046,862	5,289,847	3,296,362	3,643,994	8,343,224	8,933,841
Other liabilities	306,109	545,689	247,530	294,463	553,639	840,152
Total liabilities	5,352,971	5,835,536	3,543,892	3,938,457	8,896,863	9,773,993
Total deferred inflows	1,006,875	-	411,259	-	1,418,134	-
Net Position:						
Net investment in capital assets	6,930,624	6,853,035	11,113,772	10,674,984	18,044,396	17,528,019
Restricted	477,603	615,538	-	-	477,603	615,538
Unrestricted	3,872,445	3,580,458	6,410,607	5,602,285	10,283,052	9,182,743
Total net position	\$ 11,280,672	\$ 11,049,031	\$ 17,524,379	\$ 16,277,269	\$ 28,805,051	\$ 27,326,300

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 \$28,805,051 as of June 30, 2015. The City's net position increased by \$1,478,751 for the fiscal year ended June 30, 2015. However, the largest portion (62.6%) 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, \$477,603, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,283,052 is unrestricted. Also, the City of Belmont implemented GASB 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$834,463. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Belmont's management.

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

- General Fund revenues were approximately \$505,487, or 5.63%, higher than the previous fiscal year and totaled 101.24% of budget. The majority of this increase was generated by higher Ad Valorem Taxes and Local Option Sales Tax revenues.
- General Fund expenditures were approximately \$53,716, or 0.57%, higher than the previous fiscal year. Much of this overall increase reflected higher capital-related expenditures, with \$144,622 of the increase coming from higher transportation and \$142,213 from higher general government expenditures. When looked at in combination with overall General Fund revenues and the issuance of additional long term debt associated with the capital outlay increase, the final position reflected a fund balance increase of \$369,967. The effect of increased capital outlay and long-term debt on the City's net position is reflected in the increased depreciation and interest expense.
- Water and sewer operating revenues were approximately \$525,403, or 8.67%, higher than the previous fiscal year and totaled 99.50% of budget. This increase was totally attributable to one revenue source, System Development Fees, which are based on charges for development activity.
- Water and sewer expenditures were approximately \$814,721, or 16.89%, higher than the previous fiscal year and totaled 99.69% of budget.

City of Belmont's Changes in Net Position

Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2015</u>	<u>Business-Type</u> <u>Activities</u> <u>2015</u>	<u>Total</u> <u>2015</u>	<u>Governmental</u> <u>Activities</u> <u>2014</u>	<u>Business-Type</u> <u>Activities</u> <u>2014</u>	<u>Total</u> <u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 689,903	\$ 6,564,487	\$ 7,254,390	\$ 659,377	\$ 6,046,318	\$ 6,705,695
Operating grants and contributions	377,274	-	377,274	352,191	-	352,191
General revenues:						
Property taxes	5,712,264	-	5,712,264	5,627,775	-	5,627,775
Other taxes	2,883,467	-	2,883,467	2,621,427	-	2,621,427
Other	237,796	25,359	263,155	122,111	18,852	140,963
Total revenues	<u>9,900,704</u>	<u>6,589,846</u>	<u>16,490,550</u>	<u>9,382,881</u>	<u>6,065,170</u>	<u>15,448,051</u>
Expenses:						
General government	1,484,836	-	1,484,836	1,462,905	-	1,462,905
Public safety	4,400,064	-	4,400,064	3,672,946	-	3,672,946
Transportation	1,539,328	-	1,539,328	1,430,083	-	1,430,083
Environmental protection	884,782	-	884,782	1,085,622	-	1,085,622
Cutlural and recreation	579,875	-	579,875	1,220,317	-	1,220,317
Economic and physical development	85,065	-	85,065	76,393	-	76,393
Water and sewer	-	5,100,742	5,100,742	-	4,814,784	4,814,784
Interest	102,644	-	102,644	177,070	-	177,070
Total expenses	<u>9,076,594</u>	<u>5,100,742</u>	<u>14,177,336</u>	<u>9,125,336</u>	<u>4,814,784</u>	<u>13,940,120</u>
Increase (decrease) in net position	<u>824,110</u>	<u>1,489,104</u>	<u>2,313,214</u>	<u>257,545</u>	<u>1,250,386</u>	<u>1,507,931</u>
Net Position:						
Beginning of year, as previously stated - July 1	11,049,031	16,277,269	27,326,300	10,791,486	15,026,883	25,818,369
Restatement	<u>(592,469)</u>	<u>(241,994)</u>	<u>(834,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of year, as restated	<u>10,456,562</u>	<u>16,035,275</u>	<u>26,491,837</u>	<u>10,791,486</u>	<u>15,026,883</u>	<u>25,818,369</u>
End of year - June 30	<u>\$ 11,280,672</u>	<u>\$ 17,524,379</u>	<u>\$ 28,805,051</u>	<u>\$ 11,049,031</u>	<u>\$ 16,277,269</u>	<u>\$ 27,326,300</u>

Governmental Activities. Governmental activities increased the City's net position by \$824,110, thereby accounting for 35.63% of the increase in net position of the City of Belmont. Key elements of this increase are as follows:

- Overall, both revenues and functional expenses increased over those for the prior fiscal year, but revenues, which increased by \$517,823, still exceeded functional expenses by \$824,110.

Business-Type Activities. Business-type activities increased the City of Belmont's net position by \$1,489,104, accounting for 64.37% of the change in the government's net position. Key elements of this increase are as follows:

- Total charges for service increased by \$518,169.

Financial Analysis of the City's Funds

As noted earlier, the City of Belmont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Belmont's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Belmont's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Belmont. At the end of the current fiscal year, fund balance available in the General Fund was \$3,209,131, while total fund balance reached \$3,691,255. The City currently has an available fund balance of 32.79% of General Fund expenditures, while total fund balance represents 39.17% of the same amount.

At June 30, 2015, the governmental funds of the City of Belmont reported a combined fund balance of \$5,726,662 with a net increase of \$347,627.

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 \$6,410,607. The total changes in net position for the Water and Sewer Fund were \$1,489,104. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Belmont's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Belmont's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totals \$24,813,200 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

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

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

Figure 4

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
Land	\$ 2,968,078	\$ 75,890	\$ 3,043,968	\$ 2,957,411	\$ 75,890	\$ 3,033,301
Buildings	4,277,494	4,097,762	8,375,256	4,384,865	3,639,245	8,024,110
Other improvements	613,203	1,555,029	2,168,232	618,999	1,565,925	2,184,924
Machinery and equipment	557,207	1,105,235	1,662,442	495,116	1,148,837	1,643,953
Vehicles and motorized equipment	1,031,404	-	1,031,404	1,115,379	-	1,115,379
Distribution systems	-	7,050,703	7,050,703	-	6,920,947	6,920,947
Other non-depreciable items	5,687	31,911	37,598	5,687	31,911	37,598
Natural gas fill station	-	126,422	126,422	-	131,938	131,938
Construction in progress	1,317,175	-	1,317,175	1,263,526	510,903	1,774,429
Total	<u>\$ 10,770,248</u>	<u>\$ 14,042,952</u>	<u>\$ 24,813,200</u>	<u>\$ 10,840,983</u>	<u>\$ 14,025,596</u>	<u>\$ 24,866,579</u>

Long-Term Debt. As of June 30, 2015, the City of Belmont had total debt outstanding of \$6,808,658. Of this amount, \$2,929,180 is secured by the assets of the Water and Sewer System. However, in the event water and sewer revenues are insufficient to repay the debt, the total amount outstanding is backed by the full faith and credit of the City.

City of Belmont's Outstanding Debt Long-Term Obligations

Figure 5

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
Capitalized leases	\$ 645,443	\$ -	\$ 645,443	\$ 479,700	\$ -	\$ 479,700
Notes payable	3,234,035	2,929,180	6,163,215	3,781,676	3,350,612	7,132,288
Total	<u>\$ 3,879,478</u>	<u>\$ 2,929,180</u>	<u>\$ 6,808,658</u>	<u>\$ 4,261,376</u>	<u>\$ 3,350,612</u>	<u>\$ 7,611,988</u>

The City of Belmont's total debt decreased by \$803,330, or 10.6%, during the past fiscal year. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Belmont is \$91,981,693.

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

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- In the past year, Belmont has continued to experience additional improvement in its overall economic indicators. In regards to housing, the number of permits issued in 2014 for new house/townhouse construction reached 140, one-third more than the total of 105 issued in 2013. An even higher pace has been experienced during the first six months of 2015, with an additional 106 permits issued during this period. On the commercial side, a number of new businesses either began active operations or construction in Belmont during 2015. In addition to a number of new office operations in the downtown area, activity on the development of major projects such as a new apartment complex and retail center got underway on the major commercial highway running through Belmont.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Based on the actual results from this fiscal year, additional 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 4.34% over the adopted FY 2014-2015 budget total. An important component of this overall revenue growth is the increase projected again this coming year for the two largest General Fund revenues – Current Year Ad Valorem Taxes (+3.7%) and Local Option Sales Taxes (+9%) – which, together, account for 80% of total General Fund revenues.

In line with revenues, budgeted expenditures in the General Fund for the coming fiscal year are also projected to increase by 4.34% from the prior fiscal year. A 3% adjustment for salaries has been included within the FY 2015-2016 budget. A large part of the overall increase in expenditures is driven by the inclusion of an additional \$282,791 in the approved budget to allow the City to cover debt service payments for both current and planned capital projects. Primarily, this consists of increases for the development of a new riverfront park, which is currently underway, and renovation of the building utilized by the Public Works Department, which should begin in the spring of 2016.

Business-Type Activities: Water and sewer rates will increase for FY 2015-2016, with overall water charges increasing 6.5% and wastewater charges increasing 9%. These increases are in conformance with the recommendations from the City's approved rate plan, which was first adopted by City Council as part of the FY 2011-2012 budget and amended for the FY 2014-2015 budget. The major focus of the rate plan is to utilize additional revenues generated by these increases strictly to address the Capital Improvement Program (CIP) for the Water & Sewer Fund. The overall budget for the Water & Sewer Fund will increase by 4.68%. As with the General Fund, a 3% adjustment for salaries has been included. Continued emphasis will be given to moving ahead with the highest priority capital projects from the CIP.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or requests for additional information should be directed to the Director of Finance, City of Belmont, 115 North Main Street, Belmont, North Carolina 28012.

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITON
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 5,352,960	\$ 6,200,820	\$ 11,553,780	\$ 63,646
Taxes receivables, net	87,483	-	87,483	-
Accounts receivable, net	23,649	669,665	693,314	-
Prepaid items	32,955	-	32,955	-
Due from other governments	379,289	-	379,289	-
Inventories	74,681	164,040	238,721	-
Total current assets	<u>5,951,017</u>	<u>7,034,525</u>	<u>12,985,542</u>	<u>63,646</u>
Restricted assets:				
Cash and cash equivalents	<u>159,224</u>	<u>100,218</u>	<u>259,442</u>	<u>-</u>
Non-current assets:				
Net pension asset	398,412	162,732	561,144	-
Long-term note receivable	<u>21,056</u>	<u>-</u>	<u>21,056</u>	<u>-</u>
Capital assets:				
Non-depreciable	4,290,940	107,801	4,398,741	-
Depreciable, net of accumulated depreciation	<u>6,479,308</u>	<u>13,935,151</u>	<u>20,414,459</u>	<u>-</u>
Total capital assets	<u>10,770,248</u>	<u>14,042,952</u>	<u>24,813,200</u>	<u>-</u>
Total non-current assets	<u>11,189,716</u>	<u>14,205,684</u>	<u>25,395,400</u>	<u>-</u>
Total assets	<u>17,299,957</u>	<u>21,340,427</u>	<u>38,640,384</u>	<u>63,646</u>
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	<u>340,561</u>	<u>139,103</u>	<u>479,664</u>	<u>-</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	293,503	142,219	435,722	-
Accrued interest	12,606	5,093	17,699	-
Long-term liabilities, due within one year	867,521	331,274	1,198,795	-
Payable from restricted assets:				
Customer deposits	-	100,218	100,218	-
Total current liabilities	1,173,630	578,804	1,752,434	-
Long-term liabilities, due in more than one year	4,179,341	2,965,088	7,144,429	-
Total liabilities	5,352,971	3,543,892	8,896,863	-
Deferred Inflows of Resources:				
Pension deferrals	1,006,875	411,259	1,418,134	-
Net Position:				
Net investment in capital assets	6,930,624	11,113,772	18,044,396	-
Restricted for:				
Stabilization by State statute	358,233	-	358,233	-
Streets	119,370	-	119,370	-
Tourism	-	-	-	63,646
Unrestricted	3,872,445	6,410,607	10,283,052	-
Total net position	\$ 11,280,672	\$ 17,524,379	\$ 28,805,051	\$ 63,646

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, 2015

	<u>Program Revenues</u>		
Function/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 1,463,780	\$ 102,651	\$ 56,600
Public safety	4,400,064	12,891	14,479
Transportation	1,539,328	-	302,519
Environmental protection	884,782	392,580	-
Cultural and recreational	579,875	181,781	3,676
Economic and physical development	85,065	-	-
Interest on long-term debt	102,644	-	-
Total governmental activities	<u>9,055,538</u>	<u>689,903</u>	<u>377,274</u>
Business-Type Activities:			
Water and sewer	<u>4,474,356</u>	<u>5,938,101</u>	<u>-</u>
Total business-type activities	<u>4,474,356</u>	<u>5,938,101</u>	<u>-</u>
Total primary government	<u>\$ 13,529,894</u>	<u>\$ 6,628,004</u>	<u>\$ 377,274</u>
Component Unit:			
Belmont Tourism Development Authority	<u>\$ 86,383</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF BELMONT, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Function/Programs:	Net Revenue (Expense) and Changes in Net Position			Component Unit
	Governmental Activities	Business-Type Activities	Total	Belmont Tourism Development Authority
Governmental Activities:				
General government	\$ (1,304,529)	\$ -	\$ (1,304,529)	\$ -
Public safety	(4,372,694)	-	(4,372,694)	-
Transportation	(1,236,809)	-	(1,236,809)	-
Environmental protection	(492,202)	-	(492,202)	-
Cultural and recreational	(394,418)	-	(394,418)	-
Economic and physical development	(85,065)	-	(85,065)	-
Interest on long-term debt	(102,644)	-	(102,644)	-
Total governmental activities	<u>(7,988,361)</u>	<u>-</u>	<u>(7,988,361)</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	-	1,463,745	1,463,745	-
Total business-type activities	<u>-</u>	<u>1,463,745</u>	<u>1,463,745</u>	<u>-</u>
Total primary government	<u>(7,988,361)</u>	<u>1,463,745</u>	<u>(6,524,616)</u>	<u>-</u>
Component Unit:				
Belmont Tourism Development Authority				<u>(86,383)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	5,712,264	-	5,712,264	-
Other taxes	2,883,467	-	2,883,467	85,065
Unrestricted investment earnings	15,436	6,604	22,040	-
Insurance claim proceeds	-	18,755	18,755	-
Miscellaneous	201,304	-	201,304	-
Total general revenues	<u>8,812,471</u>	<u>25,359</u>	<u>8,837,830</u>	<u>85,065</u>
Change in net position	<u>824,110</u>	<u>1,489,104</u>	<u>2,313,214</u>	<u>(1,318)</u>
Net Position:				
Beginning of year - July 1	11,049,031	16,277,269	27,326,300	64,964
Restatement	<u>(592,469)</u>	<u>(241,994)</u>	<u>(834,463)</u>	<u>-</u>
Beginning of year, as restated	<u>10,456,562</u>	<u>16,035,275</u>	<u>26,491,837</u>	<u>64,964</u>
End of year - June 30	<u>\$ 11,280,672</u>	<u>\$ 17,524,379</u>	<u>\$ 28,805,051</u>	<u>\$ 63,646</u>

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

CITY OF BELMONT, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 3,354,495	\$ 1,998,465	\$ 5,352,960
Taxes receivable, net	87,483	-	87,483
Accounts receivable, net	221	23,428	23,649
Note receivable	21,056	-	21,056
Due from other governments	379,289	-	379,289
Prepaid items	32,955	-	32,955
Inventory	69,880	4,801	74,681
Cash, restricted	<u>119,370</u>	<u>39,854</u>	<u>159,224</u>
Total assets	<u>\$ 4,064,749</u>	<u>\$ 2,066,548</u>	<u>\$ 6,131,297</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 285,790</u>	<u>\$ 7,713</u>	<u>\$ 293,503</u>
Deferred Inflows of Resources:			
Property taxes receivable	87,483	-	87,483
Other receivables	<u>221</u>	<u>23,428</u>	<u>23,649</u>
Total deferred inflows of resources	<u>87,704</u>	<u>23,428</u>	<u>111,132</u>
Fund Balances:			
Non-spendable:			
Prepaid items	32,955	-	32,955
Inventories	69,880	4,801	74,681
Note receivable	21,056	-	21,056
Restricted:			
Stabilization by State statute	358,233	-	358,233
Streets	119,370	-	119,370
Cultural and recreation	-	39,854	39,854
Assigned	-	1,990,752	1,990,752
Unassigned	<u>3,089,761</u>	<u>-</u>	<u>3,089,761</u>
Total fund balances	<u>3,691,255</u>	<u>2,035,407</u>	<u>5,726,662</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,064,749</u>	<u>\$ 2,066,548</u>	<u>\$ 6,131,297</u>

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

CITY OF BELMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	Total
Reconciliation of the Balance Sheet to the Statement of Net Position:	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance - governmental funds	\$ 5,726,662
Net pension asset	398,412
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	340,561
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,770,248
Liabilities for earned revenues considered deferred inflows of resources in fund statements	111,132
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(12,606)
Compensated absences	(340,890)
Net pension obligation (LEO)	(221,248)
Pension related deferrals	(1,006,875)
Other post-employment benefits obligation	(605,246)
Note payable	(3,234,035)
Capital leases payable	(645,443)
Net position of governmental activities (Exhibit A)	\$ 11,280,672

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, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 5,712,264	\$ -	\$ 5,712,264
Other taxes and licenses	153,747	-	153,747
Unrestricted intergovernmental	2,729,720	-	2,729,720
Restricted intergovernmental	377,274	-	377,274
Permits and fees	89,001	-	89,001
Sales and services	208,322	392,580	600,902
Investment earnings	11,243	4,193	15,436
Other general revenues	<u>206,604</u>	<u>15,756</u>	<u>222,360</u>
Total revenues	<u>9,488,175</u>	<u>412,529</u>	<u>9,900,704</u>
Expenditures:			
Current:			
General government	1,493,974	-	1,493,974
Public safety	4,008,430	-	4,008,430
Transportation	1,480,085	-	1,480,085
Environmental protection	634,014	249,483	883,497
Cultural and recreational	410,123	149,683	559,806
Economic and physical development	85,065	-	85,065
Debt service:			
Principal	660,693	26,205	686,898
Interest and other charges	129,285	9,498	138,783
Capital outlay	<u>521,539</u>	<u>-</u>	<u>521,539</u>
Total expenditures	<u>9,423,208</u>	<u>434,869</u>	<u>9,858,077</u>
Revenues over (under) expenditures	64,967	(22,340)	42,627
Other Financing Sources (Uses):			
Long-term debt issued	<u>305,000</u>	<u>-</u>	<u>305,000</u>
Net change in fund balances	369,967	(22,340)	347,627
Fund Balances:			
Beginning of year - July 1	<u>3,321,288</u>	<u>2,057,747</u>	<u>5,379,035</u>
End of year - June 30	<u>\$ 3,691,255</u>	<u>\$ 2,035,407</u>	<u>\$ 5,726,662</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, 2015**

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 347,627
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.	(70,735)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(56,473)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	340,561
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	381,898
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	36,139
Compensated absences	57,885
Other post-employment benefits obligation	(168,242)
Pension expense	(15,994)
Net pension obligation	<u>(28,556)</u>
Total changes in net position of governmental activities (Exhibit B)	<u>\$ 824,110</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 BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over/Under</u>
Revenues:				
Ad valorem taxes	\$ 5,535,000	\$ 5,670,000	\$ 5,712,264	\$ 42,264
Other taxes and licenses	143,000	152,800	153,747	947
Unrestricted intergovernmental	2,399,000	2,683,504	2,729,720	46,216
Restricted intergovernmental	308,000	375,983	377,274	1,291
Permits and fees	55,000	88,700	89,001	301
Sales and services	178,250	206,214	208,322	2,108
Investment earnings	12,000	12,000	11,243	(757)
Miscellaneous	79,000	182,665	206,604	23,939
Total revenues	<u>8,709,250</u>	<u>9,371,866</u>	<u>9,488,175</u>	<u>116,309</u>
Expenditures:				
Current:				
General government	1,243,605	1,498,152	1,493,974	4,178
Environmental protection	633,250	634,015	634,014	1
Public safety	4,065,185	4,038,327	4,008,430	29,897
Transportation	1,383,142	1,480,365	1,480,085	280
Cultural and recreation	417,536	409,119	410,123	(1,004)
Economic and physical development	70,000	90,000	85,065	4,935
Debt service:				
Principal	700,000	661,000	660,693	307
Interest and other changes	105,144	134,000	129,285	4,715
Capital outlay	241,388	546,388	521,539	24,849
Total expenditures	<u>8,859,250</u>	<u>9,491,366</u>	<u>9,423,208</u>	<u>68,158</u>
Revenues over (under) expenditures	<u>(150,000)</u>	<u>(119,500)</u>	<u>64,967</u>	<u>184,467</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	305,000	305,000	-
Transfers to other funds	-	(185,500)	-	185,500
Transfers from other funds	150,000	-	-	-
Total other financing sources (uses)	<u>150,000</u>	<u>119,500</u>	<u>305,000</u>	<u>185,500</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>369,967</u>	<u>\$ 369,967</u>
Fund Balance:				
Beginning of year - July 1			<u>3,321,288</u>	
End of year - June 30			<u>\$ 3,691,255</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, 2015

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,200,820
Accounts receivable (net)	669,665
Inventories	<u>164,040</u>
Total current assets	<u>7,034,525</u>
Restricted assets:	
Cash and cash equivalents	<u>100,218</u>
Non-current assets:	
Net Pension Asset	<u>162,732</u>
Capital assets:	
Non-depreciable	107,801
Depreciable, net of accumulated depreciation	<u>13,935,151</u>
Total non-current assets	<u>14,042,952</u>
Total assets	<u>21,340,427</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	<u>139,103</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	142,219
Accrued interest	5,093
Current portion of compensated absences	50,000
Current portion of long-term debt	281,274
Payable from restricted assets:	
Customer deposits	<u>100,218</u>
Total current liabilities	<u>578,804</u>
Non-current liabilities:	
Compensated absences	71,047
Other post-employment benefits	246,135
Non-current portion of long-term debt	<u>2,647,906</u>
Total non-current liabilities	<u>2,965,088</u>
Total liabilities	<u>3,543,892</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>411,259</u>
Net Position:	
Net investment in capital assets	11,113,772
Unrestricted	<u>6,410,607</u>
Total net position	<u>\$ 17,524,379</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, 2015

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 5,401,236
Other operating revenues	<u>536,865</u>
Total operating revenues	<u>5,938,101</u>
Operating Expenses:	
Water administration and distribution	1,125,702
Water treatment plant	1,229,468
Waste collection and treatment	1,137,437
Depreciation	<u>917,827</u>
Total operating expenses	<u>4,410,434</u>
Operating income (loss)	<u>1,527,667</u>
Non-Operating Revenues (Expenses):	
Investment earnings	6,604
Insurance claims	18,755
Interest and other charges	<u>(63,922)</u>
Total non-operating revenues (expenses)	<u>(38,563)</u>
Change in net position	<u>1,489,104</u>
Net Position:	
Beginning of year - July 1	16,277,269
Restatement	<u>(241,994)</u>
Beginning of year, as restated	<u>16,035,275</u>
End of year - June 30	<u>\$ 17,524,379</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, 2015

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 6,018,078
Cash paid for goods and services	(1,550,734)
Cash paid to or on behalf of employees for services	(2,032,678)
Customer deposits, net	<u>4,473</u>
Net cash provided (used) by operating activities	<u>2,439,139</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from insurance claim	18,755
Acquisition and construction of capital assets	(935,183)
Principal paid on long-term debt	(421,432)
Interest paid on long-term debt	<u>(93,969)</u>
Net cash provided (used) in capital and related financing activities	<u>(1,431,829)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>6,604</u>
Net increase (decrease) in cash and cash equivalents	1,013,914
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>5,287,124</u>
End of year - June 30	<u>\$ 6,301,038</u>
Reconciliation of Operating Income (Loss) Net Cash Provided (Used) by Operating Activities :	
Operating income (loss)	<u>\$ 1,527,667</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	917,827
Pension expense (benefit)	6,533
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	79,977
(Increase) decrease in inventories	(10,676)
(Increase) decrease in deferred outflows of resources for pensions	(139,103)
Increase (decrease) in accounts payable and accrued liabilities	47,504
Increase (decrease) in compensated absences payable	4,937
Increase (decrease) in customer deposits	<u>4,473</u>
Total adjustments	<u>911,472</u>
Net cash provided (used) by operating activities	<u>\$ 2,439,139</u>

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

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CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the City and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

The City reports the following major governmental funds:

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

The City reports the following nonmajor governmental funds:

Capital Reserve Fund. The Capital Project Capital Reserve Fund is established to be used for future General Fund capital project expenditures.

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

Safe Routes to School Grant Fund. The Safe Routes to School Grants Fund were established to construct sidewalks on Lincoln Street and Todd Street and to install a bicycle lane on Central Avenue. The project will span over multiple fiscal years.

Brook Street Soccer Park Project Fund. The Brook Street Soccer Park Project Fund was established to develop the Brook Street Soccer Park, which consists of two full sized lighted soccer fields, playground, restroom facility, picnic shelter, walking track, and other associated site work and improvements. The project will span over multiple fiscal years.

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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. Interest on investments is recorded as earned since it is both measurable and available. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for interest on general long-term debt and non-current portion of accrued vacation payable which is recognized when due. Inventory decreases, capital expenditures, and payments of principal on long-term debt are considered to be expenditures.

On-behalf payments made by the State to the Firemen's and Rescue Squad Workers' Pension Plan for employees of the City are recognized as revenues and expenditures during the period in which the State makes the contributions to the Plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local board of trustees for various salary supplements and stipends for employees, have been recognized as revenues and expenditures during the period in which those payments were received.

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, several amendments to the original budget were necessary.

Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and Tourism Development Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered to be cash and cash equivalents.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. These taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014.

Allowance for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

Restricted Assets

Powell Bill funds are classified as restricted assets, because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Brook Street Soccer Park Money is classified as restricted because its use is restricted by revenue source for the development of the Brook Street Soccer Park. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Governmental Activities:

General Fund:

Restricted for streets - Powell Bill \$ 119,370

Other governmental funds:

Unexpended bond proceeds 39,854

Total governmental activities \$ 159,224

Business-Type Activities:

Water and Sewer Fund:

Customer deposits \$ 100,218

Total business-type activities \$ 100,218

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. General infrastructure assets, which were acquired after July 1, 2003, include roads, bridges, sidewalks, traffic signals, etc. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

The estimated useful lives are as follows:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City currently has one item matching this criteria – Contributions to Pension Plans. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period and so will not be recognized as revenues until then. The City has several items that meet this criteria – property taxes receivable, other receivables and pension deferrals that result from the implementation of GASB 68 Statement.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to 30 days of earned vacation leave to full-time employees based upon the number of years of service, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and salary related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws, regulations of other governments, or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

Long-term Note Receivable – portion of fund balance that is not an available resource because it represents the amount not expected to be converted to cash during the subsequent fiscal year.

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid items, which are not spendable resources.

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for the development of the Brook Street Soccer Park.

The difference between restricted fund balance on exhibit C and restricted net position on exhibit A is unexpended bond proceeds in the amount of \$39,854.

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.

Assigned Fund Balance

Assigned Fund Balance – portion of fund balance that the City of Belmont intends to use for specific purposes.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Assigned for Safe Routes to School Grant Fund – portion of fund balance that has been budgeted by the Board for use in the Safe Routes to School Grant Fund.

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

The following schedule provides management and citizens with information on assigned fund balance:

Stormwater Fund	\$ 627,789
Safe Routes to School Grant Fund	5,438
Capital Reserve Fund	<u>1,357,525</u>
Total assigned fund balance	<u>\$ 1,990,752</u>

Unassigned Fund Balance

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

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

The City of Belmont has adopted a formal fund balance policy for the available fund balance at the close of each fiscal year should be no less than 25% of the City's total annual operating budget, with a target policy equal to 30%.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 3,691,255
Less:	
Inventories	69,880
Prepaid items	32,955
Long Term Note Receivable	21,056
Restricted for stabilization by State statute	358,233
Restricted for streets	119,370
Working Capital/Fund Balance Policy	<u>2,342,967</u>
Remaining fund balance	<u>\$ 746,795</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period on which the contributions are due. The City of Belmont's employer contributions are recognized when due and the City of Belmont has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the City 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 agents in the City's name. 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, these deposits are considered to be held by the City's agents in its name. 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 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

At June 30, 2015, the City's deposits, had a carrying amount of \$11,759,713 and a bank balance of \$11,941,497. Of the bank balance, \$504,738 was covered by federal depository insurance, and \$11,436,759 was covered by collateral held under the Pooling Method. At June 30, 2015, the City's petty cash totaled \$800.

At June 30, 2015, the carrying amount of deposits for the TDA was \$63,646. This amount is included in the City's deposits because the TDA's cash and investments are co-mingled with the City's.

Investments

At June 30, 2015, the City had \$52,709 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

Receivables

Receivables at Exhibit A at June 30, 2015 were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Note Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 221	\$ 144,983	\$ 21,056	\$ 379,289	\$ 545,549
Other governmental	23,428	-	-	-	23,428
Total receivables	23,649	144,983	21,056	379,289	568,977
Allowance for doubtful accounts	-	(57,500)	-	-	(57,500)
Total governmental activities	<u>\$ 23,649</u>	<u>\$ 87,483</u>	<u>\$ 21,056</u>	<u>\$ 379,289</u>	<u>\$ 511,477</u>
Enterprise Fund:					
Water and Sewer	\$ 771,266	\$ -	\$ -	\$ -	\$ 771,266
Allowance for doubtful accounts	(101,601)	-	-	-	(101,601)
Total business-type activities	<u>\$ 669,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,665</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	Governmental Activities
Local option sales tax	\$ 304,852
North Carolina administrative reimbursement	74,437
	<u>\$ 379,289</u>

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,957,411	\$ 10,667	\$ -	\$ 2,968,078
Other	5,687	-	-	5,687
Construction in progress	<u>1,263,526</u>	<u>53,649</u>	-	<u>1,317,175</u>
Total non-depreciated capital assets	<u>4,226,624</u>	<u>64,316</u>	-	<u>4,290,940</u>
Depreciable Capital Assets:				
Buildings	5,482,580	20,920	-	5,503,500
Other improvements	1,425,842	-	-	1,425,842
Equipment	2,819,077	223,389	-	3,042,466
Vehicles and motorized equipment	<u>3,404,771</u>	<u>89,754</u>	<u>69,762</u>	<u>3,424,763</u>
Total depreciable capital assets	<u>13,132,270</u>	<u>334,063</u>	<u>69,762</u>	<u>13,396,571</u>
Less Accumulated Depreciation:				
Buildings	1,097,715	128,291	-	1,226,006
Other improvements	806,843	5,796	-	812,639
Equipment	2,323,961	161,298	-	2,485,259
Vehicles and motorized equipment	<u>2,289,392</u>	<u>173,729</u>	<u>69,762</u>	<u>2,393,359</u>
Total accumulated depreciation	<u>6,517,911</u>	<u>\$ 469,114</u>	<u>\$ 69,762</u>	<u>6,917,263</u>
Total depreciable capital assets, net	<u>6,614,359</u>			<u>6,479,308</u>
Governmental activities capital assets, net	<u>\$ 10,840,983</u>			<u>\$ 10,770,248</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

General government	\$ 17,163
Public safety	342,988
Transportation	77,890
Cultural and recreational	25,366
Environmental protection	<u>5,707</u>
Total	<u>\$ 469,114</u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2015.

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Business-Type Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 75,890	\$ -	\$ -	\$ 75,890
Other	31,911	-	-	31,911
Construction in progress	<u>510,903</u>	-	<u>510,903</u>	<u>-</u>
Total non-depreciable capital assets	<u>618,704</u>	<u>-</u>	<u>510,903</u>	<u>107,801</u>
 Depreciable Capital Assets:				
Buildings	10,381,379	618,659	-	11,000,038
Improvements other than buildings	1,633,405	-	-	1,633,405
Distribution systems	14,601,799	566,101	-	15,167,900
Machinery and equipment	6,619,225	261,326	-	6,880,551
Natural gas fill station	<u>226,818</u>	<u>-</u>	<u>-</u>	<u>226,818</u>
Total depreciable capital assets	<u>33,462,626</u>	<u>1,446,086</u>	<u>-</u>	<u>34,908,712</u>
 Less Accumulated Depreciation:				
Buildings	6,742,134	160,142	-	6,902,276
Improvements other than buildings	67,480	10,896	-	78,376
Distribution systems	7,680,852	436,345	-	8,117,197
Machinery and equipment	5,470,388	304,928	-	5,775,316
Natural gas fill station	<u>94,880</u>	<u>5,516</u>	<u>-</u>	<u>100,396</u>
Total accumulated depreciation	<u>20,055,734</u>	<u>\$ 917,827</u>	<u>\$ -</u>	<u>20,973,561</u>
 Total depreciable capital assets, net	 <u>13,406,892</u>			 <u>13,935,151</u>
 Business-type activities capital assets, net	 <u>\$ 14,025,596</u>			 <u>\$ 14,042,952</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,770,248	\$ 14,042,952
Long-term debt	(3,879,478)	(2,929,180)
Unspent debt proceeds	<u>39,854</u>	<u>-</u>
 Net investment in capital assets	 <u>\$ 6,930,624</u>	 <u>\$ 11,113,772</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 85,629	\$ 200,161	\$ 285,790
Other governmental	<u>4,697</u>	<u>3,016</u>	<u>7,713</u>
Total	<u>\$ 90,326</u>	<u>\$ 203,177</u>	<u>\$ 293,503</u>
 Business-Type Activities:			
Water and Sewer	<u>\$ 82,216</u>	<u>\$ 60,003</u>	<u>\$ 142,219</u>

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Belmont is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$479,664 for the year ended June 30, 2015.

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, 2015, the City reported an asset of \$561,144 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.09515%, which was a decrease of 0.00285% from its proportion measure as of June 30, 2013.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the City recognized pension expense of \$22,527. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 61,315
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,306,330
Changes in proportion and differences between City contributions and proportionate share of contributions	-	50,489
City contributions subsequent to the measurement date	479,664	-
Total	<u>\$ 479,664</u>	<u>\$ 1,418,134</u>

\$479,664 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2016	\$ (354,603)
2017	(354,603)
2018	(354,603)
2019	<u>(354,325)</u>
Total	<u>\$ (1,418,134)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period ending January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contribution from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$1,904,764	\$ (561,143)	\$(2,637,358)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers’ Special Separation Allowance

Plan Description. The City 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. 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.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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. All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the system's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1
Current employees	<u>29</u>
Total	<u><u>30</u></u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The remaining amortization period at December 31, 2013 was 17 years.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Annual Pension Cost and Net Pension Obligation. The City’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 64,322
Interest on net pension obligation	9,635
Adjustment to annual required contribution	<u>(16,278)</u>
Annual pension cost	57,679
Contributions made	<u>29,123</u>
Increase (decrease) in net pension obligation	28,556
Net Pension Obligation:	
Beginning of year - July 1	<u>192,692</u>
 End of year - June 30	 <u><u>\$ 221,248</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$ 52,250	42.70%	\$ 161,094
6/30/2014	51,142	38.22%	192,692
6/30/2015	57,679	50.49%	221,248

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$501,094. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,257,822, and the ratio of the UAAL to the covered payroll was 39.84%.

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to their plan. Contributions for the year ended June 30, 2015 were \$85,010, which consisted of \$61,440 from the City and \$23,570 from the law enforcement officers.

The City has elected to include all other City employees in the Plan and contribute an amount equal to 5.0% of each employee's salary. Also, the other City employees may make voluntary contributions to the Plan. Contributions for other City employees for the year ended June 30, 2015 were \$150,491, which consisted of \$98,452 from the City and \$52,039 from the City employees.

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the City administers a single-employer defined benefit Healthcare Benefits Plan. Under the terms of a City resolution, the City has elected to provide healthcare benefits to retirees of the City who retire before age 65 and have at least 25 years of service with the North Carolina Local Governmental Employees' Retirement System and at least ten years of service with the City with which they receive health insurance until they reach age 65. Such insurance is provided until the retiree becomes eligible for Medicare. The City pays 100% of the retiree premium costs. Retirees can purchase life insurance, dental, and vision coverage and coverage for their dependents at the City's group rates. The City purchases insurance from a private carrier for healthcare coverage. A separate report was not issued for the Plan. The City Council may amend the benefit provision.

<u>Retired Employees' Years of Creditable Service</u>	<u>City Paid Benefits</u>
Less than 25 years of service	Not eligible
25 years of services or more and under 10 prior years with the City	Not eligible
25 years of service or more and prior 10 years with the City	100% cost paid by the City until age 65

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	78	31
Total	81	31

Funding Policy. The City pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. The City's members pay the current active employee rate for dependent coverage if the retiree elects to purchase the coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 5.52% of annual covered payroll. For the current year, the City contributed \$36,649, or .87%, of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. There were contributions made by retirees based on years of service at retirement and dependent coverage in the amount of \$7,246. The City's obligation to contribute to the Plan is established and may be amended by the City's Council.

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

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

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 193,586	\$ 79,070	\$ 272,656
Interest on net OPEB obligation	17,480	7,091	24,571
Adjustments to annual required contribution	<u>(16,699)</u>	<u>(6,774)</u>	<u>(23,473)</u>
Annual OPEB cost (expense)	194,367	79,387	273,754
Contributions made	<u>(26,125)</u>	<u>(10,524)</u>	<u>(36,649)</u>
Increase (decrease) in net OPEB obligation	168,242	68,863	237,105
Net OPEB Obligation:			
Beginning of year - July 1	<u>437,004</u>	<u>177,272</u>	<u>614,276</u>
End of year - June 30	<u>\$ 605,246</u>	<u>\$ 246,135</u>	<u>\$ 851,381</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 273,754	13.4%	\$ 851,381
2014	234,386	15.6%	614,276
2013	129,745	15.4%	416,538

Fund Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL), was \$2,405,007. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,229,189, and the ratio of the UAAL to the covered payroll was 56.9%. Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual medical cost trend increase of 7.75% to 5.0% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

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.

For the fiscal year ended June 30, 2015, the City made no contributions to the State for death benefits. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

A temporary relief period, based on the number of years the employer has contributed as of December 31, 2010, was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>Contributions Resume</u>
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

Deferred Outflows/Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plans in current fiscal year	\$ 479,664

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

<u>Source</u>	<u>Amount</u>
Taxes receivable, net	\$ 87,483
Pension deferrals	1,418,134
Stormwater receivables	23,428
Lighting assessment receivable	221
Total deferred inflows	\$ 1,529,266

Risk Management

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

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

auto liability, and property in excess of \$500,000 and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

The City carries employee health insurance through Coventry with unlimited lifetime maximum coverage.

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

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

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

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

Claims and Judgments

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

Long-Term Obligations

Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

An agreement was executed on August 7, 2005 to lease a building and requires a one-time payment of \$131,089 by July 15, 2008 and sixteen annual payments of \$56,085 through July 15, 2024 after that. Title passes to the City at the end of the lease term.

The following is an analysis of the assets recorded under capital leases by the City at June 30, 2015:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings, vehicles, and motorized equipment	\$ 600,000	\$ 60,000	\$ 540,000

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016	\$ 168,961
2017	133,106
2018	97,628
2019	97,629
2020	56,085
2021-2025	<u>280,425</u>
Total minimum lease payments	833,834
Less: amount representing interest	<u>(188,391)</u>
Present value of minimum lease payments	<u>\$ 645,443</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Notes Payable

Serviced by General Fund:

2003 Note payable to bank for construction of a new police station, to be repaid in 30 semi-annual installments of \$95,000 through November 30, 2018; including interest at 3.59%	\$ 665,000
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in 30 semi-annual installments of \$53,457 through July 30, 2024; including interest at 4.09%	1,019,362
2013 Note payable to bank for the purchase of public safety equipment, to be repaid in five annual installments of \$64,377 through March 4, 2025; including interest at 1.57%	125,758
2012 Note payable to bank for the Brook Street Soccer Park Capital Project, to be repaid in 25 semi-annual installments of \$53,125 through December 3, 2016; including interest at 2.36%	1,062,500
2014 Note payable to bank for the vehicles and equipment, to be repaid in 11 semi-annual installments of \$46,831 through December 8, 2018; including interest at 1.62%	<u>361,415</u>
Total	<u>\$ 3,234,035</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Serviced by Water and Sewer Fund:

Notes payable at June 30, 2015 used to finance the construction of facilities utilized in the operations of the Water and Sewer System and to finance the purchase of a water treatment plant are comprised of the following:

2008 Note payable to bank for construction of South Outfall Project, to be repaid in 14 semi-annual installments of \$45,030, with a final payment of \$63,350 on January 17, 2023; plus interest at 3.58%	\$ 898,192
2009 Note payable to bank for the purchase of land for the public works facility, to be repaid in 30 semi-annual installments of \$77,420 through July 30, 2024; including interest at 4.09%	731,803
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%	760,945
2013 Note payable to bank for the purchase of Water and Sewer equipment, to be repaid in five annual installments of \$32,601 through March 4, 2025; including interest at 1.57%	63,685
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	<u>474,555</u>
Total	<u>\$ 2,929,180</u>

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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
2016	\$ 550,025	\$ 93,161	\$ 281,274	\$ 79,865
2017	552,447	77,188	285,345	71,484
2018	490,532	61,178	256,951	62,965
2019	397,076	46,082	260,783	54,822
2020	209,477	36,583	264,754	46,540
2021-2025	1,034,478	81,977	1,041,982	109,337
2026-2030	-	-	348,705	24,843
2031-2035	-	-	189,386	2,981
Total	\$ 3,234,035	\$ 396,169	\$ 2,929,180	\$ 452,837

At June 30, 2015, the City of Belmont had a legal debt margin of \$91,981,693.

CITY OF BELMONT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Changes in Long-Term Liabilities:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Maturities</u>
Governmental Activities:					
Notes payable	\$ 3,781,676	\$ -	\$ 547,641	\$ 3,234,035	\$ 550,025
Capitalized leases	479,700	305,000	139,257	645,443	137,496
Net pension obligation (LEO)	192,692	57,679	29,123	221,248	-
Net pension liability (LGERS)	838,706	-	838,706	-	-
Other post-employment benefits	437,004	194,367	26,125	605,246	-
Compensated absences	<u>398,775</u>	<u>124,353</u>	<u>182,238</u>	<u>340,890</u>	<u>180,000</u>
Governmental activities long-term liabilities	<u>6,128,553</u>	<u>681,399</u>	<u>1,763,090</u>	<u>5,046,862</u>	<u>867,521</u>
Business-Type Activities:					
Notes payable	3,350,612	-	421,432	2,929,180	281,274
Net pension liability (LGERS)	342,570	-	342,570	-	-
Other post-employment benefits	177,272	79,387	10,524	246,135	-
Compensated absences	<u>116,110</u>	<u>61,667</u>	<u>56,730</u>	<u>121,047</u>	<u>50,000</u>
Business-type activities long-term liabilities	<u>3,986,564</u>	<u>141,054</u>	<u>831,256</u>	<u>3,296,362</u>	<u>331,274</u>
Total	<u>\$ 10,115,117</u>	<u>\$ 822,453</u>	<u>\$ 2,594,346</u>	<u>\$ 8,343,224</u>	<u>\$ 1,198,795</u>

Compensated absences, pension liabilities, and OPEB liabilities for governmental activities have typically been liquidated in the General Fund. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

C. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as revenue and an expenditure on-behalf payments for fringe benefits of \$9,694 for the stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2015. Under State law, the local Board of Trustees for the Fund receives an amount each year which the Board may use at its own discretion for eligible firemen or their dependents.

CITY OF BELMONT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2015, the City reported revenues and expenditures for the payments of 9,694 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2015. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

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. Significant Effects of Subsequent Events

As of September 10, 2015, the City of Belmont finalized a USDA loan in the amount of \$2,941,000 for upgrades and remodeling on the public works facility.

6. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$592,469 and \$241,994, respectively.

CITY OF BELMONT, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll (B-A)/C)</u>
12/31/2009	\$ -	\$ 384,547	\$ 384,547	0.00%	\$ 1,251,712	30.72%
12/31/2010	-	398,686	398,686	0.00%	1,249,688	31.90%
12/31/2011	-	456,731	456,731	0.00%	1,266,891	36.05%
12/31/2012	-	469,883	469,883	0.00%	1,260,674	37.27%
12/31/2013	-	466,294	466,294	0.00%	1,237,578	37.68%
12/31/2014	-	501,094	501,094	0.00%	1,257,822	39.84%

NOTE: The City decided not to have an actuarial valuation done for the years ended December 31, 1999-2001.

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 42,569	43.60%
2011	49,596	41.69%
2012	51,924	52.98%
2013	53,854	41.42%
2014	56,212	34.77%
2015	64,322	45.28%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at 3.0%	
Cost of living adjustments	None

CITY OF BELMONT, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll (b)-(a)/(c)
12/31/2008	\$ -	\$ 1,016,415	\$ 1,016,415	0.00%	\$ 4,327,151	23.50%
12/31/2011	-	1,886,697	1,886,697	0.00%	4,718,623	40.00%
12/31/2013	-	2,405,007	2,405,007	0.00%	4,229,189	56.90%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 118,971	18.58%
2011	127,836	17.30%
2012	128,061	19.54%
2013	128,061	15.58%
2014	233,641	15.69%
2015	272,656	13.44%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	7.75-5.00%
Year of Ultimate trend rate	2019

* Includes inflation at 3.00%

CITY OF BELMONT, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System	
	<u>2015</u>	<u>2014</u>
City of Belmont's proportion of the net pension liability (asset) (%)	0.09515%	0.09800%
City of Belmont's proportion of the net pension liability (asset) (\$)	\$ (561,144)	\$ 1,181,276
City of Belmont's covered-employee payroll	\$ 4,867,058	\$ 4,608,158
City of Belmont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.53%)	25.63%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

CITY OF BELMONT, NORTH CAROLINA

CITY OF BELMONT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARSLocal Governmental Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 479,664	\$ 346,813
Contributions in relation to the contractually required contribution	<u>479,664</u>	<u>346,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Belmont's covered-employee payroll	\$ 4,917,601	\$ 4,867,058
Contributions as a percentage of covered-employee payroll	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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 5,535,000	\$ 5,577,390	\$ 42,390	\$ 5,379,944
Prior years	115,000	115,395	395	215,754
Penalties and interest	20,000	19,479	(521)	32,077
Total ad valorem taxes	<u>5,670,000</u>	<u>5,712,264</u>	<u>42,264</u>	<u>5,627,775</u>
Other Taxes and Licenses:				
Privilege licenses	1,800	1,864	64	16,224
Lease vehicle tax	20,000	21,330	1,330	23,771
Occupancy tax	90,000	85,065	(4,935)	76,344
Vehicle license tax	41,000	45,488	4,488	49,913
Total other taxes and licenses	<u>152,800</u>	<u>153,747</u>	<u>947</u>	<u>166,252</u>
Unrestricted Intergovernmental:				
Local option sales tax	1,777,000	1,824,798	47,798	1,683,313
Utility franchise tax	850,500	850,492	(8)	720,070
Solid waste disposal tax	5,287	3,712	(1,575)	5,897
Beer and wine tax	50,717	50,718	1	45,895
Total unrestricted intergovernmental	<u>2,683,504</u>	<u>2,729,720</u>	<u>46,216</u>	<u>2,455,175</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	302,500	302,519	19	295,796
Wellness funds	3,675	3,676	1	-
Unauthorized substance tax	3,208	4,785	1,577	11,399
On-behalf payments, fire	10,000	9,694	(306)	19,412
State grants	56,600	-	(56,600)	24,500
Other grants	-	56,600	56,600	-
Total restricted intergovernmental revenues	<u>375,983</u>	<u>377,274</u>	<u>1,291</u>	<u>351,107</u>
Permits and Fees:				
Zoning permits	<u>88,700</u>	<u>89,001</u>	<u>301</u>	<u>62,206</u>
Total permits and fees	<u>88,700</u>	<u>89,001</u>	<u>301</u>	<u>62,206</u>

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Recreation department fees	181,800	181,781	(19)	158,044
Sale of cemetery lots	12,775	6,625	(6,150)	15,262
Cemetery interment fees	-	7,025	7,025	6,125
Fire protection services	707	707	-	728
Sale of surplus property	10,292	11,494	1,202	20,812
Facility usage fees	-	50	50	1,270
Alarm registration fee	640	640	-	880
Total sales and services	206,214	208,322	2,108	203,121
Investment Earnings	12,000	11,243	(757)	12,507
Other General Revenues:				
Miscellaneous	132,590	154,663	22,073	72,047
SRO contribution	50,075	50,075	-	30,138
Special police funds	-	1,866	1,866	2,360
Total other general revenues	182,665	206,604	23,939	104,545
Total revenues	9,371,866	9,488,175	116,309	8,982,688
Expenditures:				
General Government:				
Mayor and Council:				
Fees	28,466	28,464	2	27,635
Group insurance	24,750	24,768	(18)	19,869
Travel and training	6,000	5,991	9	4,248
Supplies	550	510	40	1,044
Dues and memberships	14,726	14,726	-	13,299
Miscellaneous	2,222	2,213	9	2,121
Total	76,714	76,672	42	68,216

CITY OF BELMONT, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Administration and Finance:				
Salaries	284,500	285,375	(875)	337,125
Employee benefits	89,004	86,638	2,366	89,135
Professional services	283,000	275,276	7,724	133,828
Telephone	9,500	10,546	(1,046)	9,590
Heating	1,400	1,313	87	1,569
Travel and training	6,500	5,910	590	6,068
Equipment maintenance	2,850	2,832	18	2,343
Equipment rental	727	726	1	708
Building repairs	1,400	1,309	91	887
Advertisement	800	883	(83)	280
Postage	900	869	31	961
Office supplies	3,000	2,621	379	2,221
Supplies	9,774	6,911	2,863	3,770
Car allowance	4,800	5,200	(400)	4,800
Subscriptions	1,700	1,690	10	1,439
Insurance and bonds	21,012	20,802	210	8,715
Building cleaning service	824	824	-	588
Miscellaneous expense	35,000	36,376	(1,376)	17,447
Community promotion	21,805	20,262	1,543	115,149
Bank charges	15,100	36,865	(21,765)	25,987
Water and sewer fees	1,112	980	132	755
Stormwater fees	288	279	9	288
Electricity	8,000	7,559	441	11,184
Total	802,996	812,046	(9,050)	774,837
City Attorney:				
Fees	9,000	9,000	-	9,000
Special compensation	90,000	90,285	(285)	97,180
Travel and training	1,000	631	369	619
Total	100,000	99,916	84	106,799

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Planning and Zoning:				
Salaries	272,254	270,752	1,502	250,806
Employee benefits	80,949	79,097	1,852	75,963
Professional services	102,700	103,362	(662)	34,495
Travel and training	4,800	4,767	33	4,095
Telephone	8,000	7,774	226	8,379
Advertisement	1,625	1,611	14	1,319
Miscellaneous	22,495	12,848	9,647	226
Supplies	3,000	2,617	383	3,738
Vehicle maintenance	500	477	23	149
Office supplies	3,550	3,224	326	2,937
Gas and lubricants	1,765	1,762	3	1,528
Water and sewer fees	360	364	(4)	323
Storm water fees	216	216	-	216
Code enforcement	1,283	1,283	-	330
Subscriptions and dues	1,553	1,553	-	2,060
Insurance	10,292	10,283	9	12,920
Equipment maintenance	-	24	(24)	-
Equipment rentals	3,100	3,326	(226)	2,425
Total	<u>518,442</u>	<u>505,340</u>	<u>13,102</u>	<u>401,909</u>
Total general government	<u>1,498,152</u>	<u>1,493,974</u>	<u>4,178</u>	<u>1,351,761</u>
Public Safety:				
Police:				
Salaries	1,691,550	1,680,194	11,356	1,596,278
Employee benefits	404,000	398,385	5,615	492,323
Professional services	54,000	55,015	(1,015)	50,516
Retirement	128,000	123,009	4,991	123,133
Separation allowance	29,123	29,123	-	19,544
Mandated	81,000	77,505	3,495	80,180
Special compensation	8,370	8,370	-	9,970
Telephone	50,000	51,497	(1,497)	51,996
Heating	3,000	2,287	713	2,209
Travel and training	20,000	19,840	160	8,536

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Building repairs	3,000	3,531	(531)	1,816
Equipment maintenance	25,000	20,737	4,263	27,157
Vehicle maintenance	36,000	36,537	(537)	40,427
Equipment rental	20,000	19,134	866	26,938
Gas and lubricants	76,700	76,675	25	81,815
Water and sewer fees	1,700	1,730	(30)	943
Stormwater fees	828	828	-	828
Electricity	25,000	26,163	(1,163)	24,709
Miscellaneous	13,775	9,066	4,709	15,615
Advertisement	60	56	4	-
Postage	1,000	977	23	1,148
Unemployment	3,678	3,678	-	6,246
Office supplies	4,500	4,358	142	2,546
Supplies	5,000	5,070	(70)	4,891
State fees	50	36	14	3,287
Uniforms	22,000	14,482	7,518	18,166
Subscriptions and dues	220	220	-	45
Insurance	125,751	125,751	-	122,774
K-9 supplies	1,350	1,562	(212)	1,826
Undercover operations	3,000	3,000	-	3,160
Total	2,837,655	2,798,816	38,839	2,819,022
Fire:				
Salaries	718,406	713,972	4,434	660,519
Employee benefits	240,022	236,652	3,370	267,007
Special compensation	30,150	40,303	(10,153)	31,827
Professional services	3,000	2,953	47	2,513
Telephone	3,500	3,551	(51)	2,919
Postage	350	332	18	407
Heating	2,400	2,376	24	2,648
Travel and training	4,000	3,763	237	2,771
Building maintenance	14,000	15,476	(1,476)	10,018
Equipment maintenance	17,000	16,324	676	10,919
Vehicle maintenance	46,000	55,813	(9,813)	65,684
Gas and lubricants	22,000	21,149	851	18,261

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Water and sewer fees	2,400	2,374	26	1,885
Stormwater fees	252	252	-	252
Electricity	5,000	4,702	298	5,943
Office supplies	1,500	1,348	152	1,670
Supplies	10,000	9,088	912	10,408
Uniforms	5,000	4,129	871	6,431
Insurance and bonds	41,352	41,332	20	40,055
Subscriptions	2,643	2,266	377	4,484
State fees	-	188	(188)	-
Capital outlay	500	477	23	1,068
Gaston County Radio Agreement	1,000	904	96	419
South Point VFD contract	20,197	20,196	1	12,351
On-behalf payments - employee benefits	10,000	9,694	306	19,412
Total	<u>1,200,672</u>	<u>1,209,614</u>	<u>(8,942)</u>	<u>1,179,871</u>
Total public safety	<u>4,038,327</u>	<u>4,008,430</u>	<u>29,897</u>	<u>3,998,893</u>
Transportation:				
Streets:				
Salaries	414,550	412,218	2,332	454,541
Employee benefits	135,984	131,695	4,289	136,553
Professional services	5,000	4,487	513	7,114
Telephone	8,700	9,697	(997)	9,815
Heating	-	-	-	8
Travel and training	200	115	85	225
Building repair	4,600	4,553	47	505
Equipment maintenance	10,000	9,521	479	7,149
Vehicle maintenance	12,000	11,596	404	11,094
Gas and lubricants	17,500	17,489	11	20,035
Electricity street lights	199,000	200,904	(1,904)	205,238
Water and sewer fees	2,700	2,446	254	2,800
Office supplies	460	423	37	1,083
Advertisement	-	-	-	489
Materials and supplies	39,000	42,983	(3,983)	20,721
State fees	1,900	1,883	17	1,855

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Contracted street repairs	332,205	332,205	-	186,531
Routine street repairs	60,000	58,476	1,524	59,999
Insurance and bonds	27,728	27,725	3	33,473
Employee uniforms	4,600	4,589	11	4,635
Contracted services - cemetery	28,841	28,840	1	28,000
Contracted mowing	122,247	122,247	-	81,750
Beautification projects	15,000	14,890	110	20,043
Rail crossing guards	-	-	-	1,329
Improvements	38,150	41,103	(2,953)	40,478
Total transportation	<u>1,480,365</u>	<u>1,480,085</u>	<u>280</u>	<u>1,335,463</u>
Environmental Protection:				
Sanitation:				
Professional services	<u>634,015</u>	<u>634,014</u>	<u>1</u>	<u>606,483</u>
Cultural and Recreational:				
Parks and Recreation:				
Salaries	132,666	133,438	(772)	144,987
Employee benefits	37,843	36,888	955	39,636
Professional services	2,500	3,116	(616)	5,993
Special compensation	32,000	33,236	(1,236)	31,795
Telephone	7,500	7,469	31	8,403
Building repairs	4,226	4,226	-	718
Equipment maintenance	1,600	1,563	37	1,166
Vehicle maintenance	5,700	5,636	64	1,306
Heating	1,200	1,190	10	1,275
Travel and training	1,000	953	47	2,440
Uniforms	-	-	-	221
Miscellaneous	3,200	3,152	48	2,359
Water and sewer fees	23,816	24,029	(213)	9,814
Gas and lubricants	2,400	2,374	26	2,485
Land usage	6,600	6,600	-	6,600
Electricity	26,000	27,994	(1,994)	24,648
Facility usage	520	520	-	2,018
Advertisement	4,200	4,114	86	2,090

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Postage	750	514	236	742
Office supplies	705	818	(113)	868
Supplies	53,100	53,695	(595)	55,673
State fees	194	194	-	339
Subscriptions	750	725	25	725
Insurance and bonds	15,849	15,847	2	15,983
Community events	44,800	41,832	2,968	32,799
Total cultural and recreational	<u>409,119</u>	<u>410,123</u>	<u>(1,004)</u>	<u>395,083</u>
Economic and Physical Development:				
Tourism development	<u>90,000</u>	<u>85,065</u>	<u>4,935</u>	<u>76,344</u>
Capital Outlay:				
Capital purchases	<u>546,388</u>	<u>521,539</u>	<u>24,849</u>	<u>894,231</u>
Debt Service:				
Principal retirement	661,000	660,693	307	578,437
Interest and fees	134,000	129,285	4,715	132,797
Total debt service	<u>795,000</u>	<u>789,978</u>	<u>5,022</u>	<u>711,234</u>
Total expenditures	<u>9,491,366</u>	<u>9,423,208</u>	<u>68,158</u>	<u>9,369,492</u>
Revenues over (under) expenditures	<u>(119,500)</u>	<u>64,967</u>	<u>184,467</u>	<u>(386,804)</u>
Other Financing Sources (Uses):				
Transfers to other funds:				
Safe Routes to Schools Grant Fund	(185,500)	-	185,500	-
Long-term debt issued	305,000	305,000	-	600,600
Total other financing sources (uses)	<u>119,500</u>	<u>305,000</u>	<u>185,500</u>	<u>600,600</u>
Net change in fund balance	<u>\$ -</u>	<u>369,967</u>	<u>\$ 369,967</u>	<u>213,796</u>
Fund Balance:				
Beginning of year - July 1		<u>3,321,288</u>		<u>3,107,492</u>
End of year - June 30		<u>\$ 3,691,255</u>		<u>\$ 3,321,288</u>

CITY OF BELMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Special Revenue Funds		Capital Project Funds		Total
	Stormwater Fund	Safe Routes to School Grant Fund	Brook Street Soccer Park Project Fund	Capital Reserve Fund	
Assets:					
Cash and cash equivalents	\$ 635,502	\$ 5,438	\$ -	\$ 1,357,525	\$ 1,998,465
Accounts receivable, net	23,428	-	-	-	23,428
Inventories	4,801	-	-	-	4,801
Restricted cash and cash equivalents	-	-	39,854	-	39,854
Total assets	<u>\$ 663,731</u>	<u>\$ 5,438</u>	<u>\$ 39,854</u>	<u>\$ 1,357,525</u>	<u>\$ 2,066,548</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,713	\$ -	\$ -	\$ -	\$ 7,713
Deferred Inflows of Resources	<u>23,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,428</u>
Fund Balances:					
Non-spendable:					
Inventory	4,801	-	-	-	4,801
Restricted:					
Cultural and recreational	-	-	39,854	-	39,854
Assigned	627,789	5,438	-	1,357,525	1,990,752
Total fund balances	<u>632,590</u>	<u>5,438</u>	<u>39,854</u>	<u>1,357,525</u>	<u>2,035,407</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 663,731</u>	<u>\$ 5,438</u>	<u>\$ 39,854</u>	<u>\$ 1,357,525</u>	<u>\$ 2,066,548</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, 2015**

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Total</u>
	<u>Stormwater Fund</u>	<u>Safe Routes to School Grant Fund</u>	<u>Brook Street Soccer Park Project Fund</u>	<u>Capital Reserve Fund</u>	
Revenues:					
Sales and services	\$ 392,580	\$ -	\$ -	\$ -	\$ 392,580
Miscellaneous revenues	15,756	-	-	-	15,756
Investment earnings	-	-	10	4,183	4,193
Total revenues	<u>408,336</u>	<u>-</u>	<u>10</u>	<u>4,183</u>	<u>412,529</u>
Expenditures:					
Cultural and recreational	-	-	149,683	-	149,683
Environmental protection	249,483	-	-	-	249,483
Debt service:					
Principal	26,205	-	-	-	26,205
Interest and fees	9,498	-	-	-	9,498
Total expenditures	<u>285,186</u>	<u>-</u>	<u>149,683</u>	<u>-</u>	<u>434,869</u>
Net change in fund balances	123,150	-	(149,673)	4,183	(22,340)
Fund Balances:					
Beginning of year - July 1	<u>509,440</u>	<u>5,438</u>	<u>189,527</u>	<u>1,353,342</u>	<u>2,057,747</u>
End of year - June 30	<u>\$ 632,590</u>	<u>\$ 5,438</u>	<u>\$ 39,854</u>	<u>\$ 1,357,525</u>	<u>\$ 2,035,407</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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Charges for services	\$ 390,000	\$ 392,580	\$ 2,580	\$ 394,050
Miscellaneous revenues	16,293	15,756	(537)	-
Total Revenues	<u>406,293</u>	<u>408,336</u>	<u>2,043</u>	<u>394,050</u>
Expenditures:				
Environmental protection:				
Salaries	106,810	105,059	1,751	103,393
Employee benefits	35,828	33,620	2,208	35,056
Professional services	53,482	41,898	11,584	49,179
Telephone	1,000	943	57	1,454
Travel and training	1,000	60	940	-
Gas and lubricants	7,500	6,677	823	10,976
Office supplies	1,000	828	172	924
Supplies	41,400	35,485	5,915	23,320
Utilities	3,000	3,211	(211)	4,435
Subscriptions and dues	2,500	2,091	409	1,543
Capital outlay	16,293	19,611	(3,318)	238,225
Debt service:				
Principal	27,000	26,205	795	26,700
Interest and fees	23,996	9,498	14,498	10,448
Total expenditures	<u>320,809</u>	<u>285,186</u>	<u>35,623</u>	<u>505,653</u>
Revenues over (under) expenditures	<u>85,484</u>	<u>123,150</u>	<u>37,666</u>	<u>(111,603)</u>
Other Financing Sources (Uses):				
Transfer to Capital Reserve Fund	(85,484)	-	85,484	-
Total other financing sources (uses)	<u>(85,484)</u>	<u>-</u>	<u>85,484</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>123,150</u>	<u>\$ 123,150</u>	<u>(111,603)</u>
Fund Balance:				
Beginning of year - July 1		<u>509,440</u>		<u>621,043</u>
End of year - June 30		<u>\$ 632,590</u>		<u>\$ 509,440</u>

CITY OF BELMONT, NORTH CAROLINA

SAFE ROUTES TO SCHOOL GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/Under</u>
			<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Grant proceeds	\$ 298,700	\$ 22,150	\$ -	\$ 22,150	\$ (276,550)
Expenditures:					
Economic and physical development: Administration	298,700	22,312	-	22,312	276,388
Revenues over (under) expenditures	-	(162)	-	(162)	(162)
Other Financing Sources (Uses):					
Transfer from General Fund	-	5,600	-	5,600	5,600
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,438</u>	-	<u>\$ 5,438</u>	<u>\$ 5,438</u>
Fund Balance:					
Beginning of year, July 1			<u>5,438</u>		
End of year, June 30			<u>\$ 5,438</u>		

CITY OF BELMONT, NORTH CAROLINA

BROOK STREET SOCCER PARK PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2015

	Project Authorization	Actual		Total to Date	Variance Over/Under
	Prior Years	Current Year			
Revenues:					
Investment earnings	\$ -	\$ 447	\$ 10	\$ 457	\$ 457
Expenditures:					
Design	78,375	19,499	-	19,499	58,876
Construction and administration	1,127,775	1,059,274	149,683	1,208,957	(81,182)
Contingency	68,850	7,147	-	7,147	61,703
Total expenditures	<u>1,275,000</u>	<u>1,085,920</u>	<u>149,683</u>	<u>1,235,603</u>	<u>39,397</u>
Revenues over (under) expenditures	<u>(1,275,000)</u>	<u>(1,085,473)</u>	<u>(149,673)</u>	<u>(1,235,146)</u>	<u>39,854</u>
Other Financing Sources (Uses):					
Long-term debt issued	<u>1,275,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 189,527</u>	<u>(149,673)</u>	<u>\$ 39,854</u>	<u>\$ 39,854</u>
Fund Balance:					
Beginning of year, July 1			<u>189,527</u>		
End of year, June 30			<u>\$ 39,854</u>		

CITY OF BELMONT, NORTH CAROLINA

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Interest earned on investments	\$ -	\$ 4,183	\$ 4,183	\$ 4,648
Other Financing Sources (Uses):				
Transfer to General Fund	(150,000)	-	150,000	-
Appropriated fund balance	150,000	-	(150,000)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	4,183	\$ 4,183	4,648
Fund Balance:				
Beginning of year, July 1		1,353,342		1,348,694
End of year - June 30		\$ 1,357,525		\$ 1,353,342

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water sales	\$ 2,786,530	\$ 2,724,234	\$ (62,296)	\$ 2,730,860
Sewer charges	2,661,835	2,677,002	15,167	2,406,102
Water and sewer taps	56,305	56,305	-	42,634
Reconnections	30,650	27,226	(3,424)	24,979
Service connection fees	12,500	16,943	4,443	13,771
Penalties	52,000	52,155	155	47,800
Pretreatment fees	8,700	8,035	(665)	9,064
Impact fees	-	561,657	561,657	227,232
Inspection fees	89,933	90,629	696	28,666
System development fees	786,576	242,328	(544,248)	377,170
Maintenance fees	85,695	91,515	5,820	65,871
Miscellaneous revenues	45,533	35,213	(10,320)	83,690
Total operating revenues	<u>6,616,257</u>	<u>6,583,242</u>	<u>(33,015)</u>	<u>6,057,839</u>
Non-Operating Revenues:				
Interest income	-	220	220	245
Total revenues	<u>6,616,257</u>	<u>6,583,462</u>	<u>(32,795)</u>	<u>6,058,084</u>
Expenditures:				
Water Administration and Distribution:				
Salaries	589,000	593,191	(4,191)	575,708
Employee benefits	221,100	216,470	4,630	259,429
Professional services	8,000	7,697	303	33,001
Telephone	9,500	9,847	(347)	9,968
Travel and training	3,600	3,598	2	3,585
Equipment maintenance	22,000	21,371	629	65,174
Vehicle maintenance	19,000	19,331	(331)	14,293
Gas and lubricants	28,000	31,130	(3,130)	30,745
Equipment rental	-	-	-	231
Postage	25,000	23,621	1,379	19,771
Electricity	13,000	11,977	1,023	13,394
Advertisements	-	98	(98)	339
Office supplies	3,000	3,158	(158)	5,576
Supplies	96,800	93,171	3,629	53,595
Materials	63,000	65,347	(2,347)	58,633
Uniforms	9,000	8,999	1	8,163

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Expenditures (continued):				
Water Administration and Distribution (continued):				
Contracted repairs	2,400	2,298	102	82,796
Utility cuts and repairs	50,000	49,992	8	50,000
Subscriptions and dues	3,700	3,677	23	3,024
State/federal mandate	1,758	1,758	-	1,378
System development fees	626,386	626,386	-	-
Wastewater services	2,000	2,204	(204)	1,797
Insurance and bonds	31,527	31,311	216	37,408
Total water administration and distribution	1,827,771	1,826,632	1,139	1,328,008
Water Treatment Plant:				
Salaries	503,468	507,261	(3,793)	477,995
Employee benefits	175,073	170,549	4,524	177,421
Professional services	1,900	1,940	(40)	1,331
Telephone	8,000	8,115	(115)	7,996
Postage	500	257	243	570
Heating	6,500	6,066	434	6,814
Travel and training	2,700	2,601	99	749
Plant repairs	105,000	102,853	2,147	65,381
Equipment maintenance	20,000	19,328	672	67,307
Vehicle maintenance	2,200	2,192	8	1,774
Gas lubricants	4,500	4,455	45	3,387
State fees	5,800	5,760	40	5,680
Materials	5,500	5,573	(73)	5,304
Contract services	65,000	62,773	2,227	77,352
Sludge disposal	-	-	-	18,239
Electricity	110,000	108,949	1,051	127,211
Advertisements	588	588	-	815
Office supplies	1,500	1,486	14	1,555
Supplies	5,100	(5,573)	10,673	6,570
Water treatment	90,648	99,588	(8,940)	100,890
Lab supplies	14,500	14,848	(348)	13,798
Uniforms	4,700	4,695	5	2,931
Subscriptions and dues	5,100	5,100	-	5,110
Insurance and bonds	27,642	27,636	6	26,452
Total water treatment plant	1,165,919	1,157,040	8,879	1,202,632

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Waste Collection and Treatment:				
Salaries	353,917	350,005	3,912	344,705
Employee benefits	139,178	136,432	2,746	145,642
Professional services	7,000	6,515	485	58,050
Telephone	12,000	11,731	269	12,326
Postage	500	309	191	487
Travel and training	3,500	2,062	1,438	2,628
Sludge disposal	75,000	75,318	(318)	35,699
Mills pre-treatment testing	6,600	6,964	(364)	7,518
Lab testing	65,000	63,121	1,879	63,816
Plant repairs	35,000	35,310	(310)	44,147
Equipment maintenance	44,000	44,473	(473)	83,233
Vehicle maintenance	5,000	4,705	295	4,143
State fees	5,800	5,660	140	5,660
Gas and lubricants	12,000	11,931	69	9,552
Electricity	260,000	263,748	(3,748)	248,840
Wastewater services	100,756	101,483	(727)	77,639
Advertisements	750	607	143	570
Office supplies	2,000	2,004	(4)	1,283
Supplies	6,500	6,540	(40)	5,769
Uniforms	5,650	5,634	16	3,517
Subscriptions and dues	580	580	-	535
Lab supplies	74,400	73,966	434	71,353
Equipment rental	1,000	716	284	654
Insurance bonds	23,134	23,122	12	24,230
Total waste collection and treatment	<u>1,239,265</u>	<u>1,232,936</u>	<u>6,329</u>	<u>1,251,996</u>
Debt Service:				
Interest and fees	94,000	93,969	31	110,298
Principal retirement	<u>422,118</u>	<u>421,432</u>	<u>686</u>	<u>390,094</u>
Total debt service	<u>516,118</u>	<u>515,401</u>	<u>717</u>	<u>500,392</u>
Capital Outlay	<u>907,250</u>	<u>907,014</u>	<u>236</u>	<u>541,274</u>
Total expenditures	<u>5,656,323</u>	<u>5,639,023</u>	<u>17,300</u>	<u>4,824,302</u>
Revenues over (under) expenditures	<u>959,934</u>	<u>944,439</u>	<u>(15,495)</u>	<u>1,233,782</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfer to Capital Project Fund	-	-	-	(10,224)
Transfer to Capital Reserve Fund	(959,934)	-	959,934	-
Total other financing sources (uses)	(959,934)	-	959,934	(10,224)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 944,439	\$ 944,439	\$ 1,223,558

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 944,439	\$ 1,223,558
Reconciling items:		
Payment of debt principal	421,432	390,094
Assets capitalized from other than capital outlay	28,169	-
Capital Outlay	907,014	541,266
(Increase) decrease in accrued vacation pay	(4,937)	(6,114)
Change in other post-employment benefits	(68,863)	(57,608)
Capital Reserve Fund - interest	6,384	7,094
Interest expense accrual	30,047	(26,902)
Depreciation and amortization	(917,827)	(829,332)
Transfer to General Fund	-	10,224
Contributions made to the pension plan in the current year	139,103	-
Pension expense	(6,533)	-
Increase (decrease) in inventory	10,676	(1,894)
Total reconciling items	544,665	26,828
Change in net position (Exhibit H)	\$ 1,489,104	\$ 1,250,386

CITY OF BELMONT, NORTH CAROLINA

WEST OUTFALL ENTERPRISE CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2015

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

CITY OF BELMONT, NORTH CAROLINA

WATER MAIN REPLACEMENT ENTERPRISE CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR END JUNE 30, 2015

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

CITY OF BELMONT, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Interest earned on investments	\$ -	\$ 6,384	\$ 6,384	\$ 7,094

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 BALANCE SHEET
 JUNE 30, 2015**

Assets:

Cash and cash equivalents	\$ 63,646
Total assets	<u>\$ 63,646</u>

Fund Balance:

Restricted for tourism	\$ 63,646
Total fund balance	<u>63,646</u>

Total liabilities and fund balance	<u>\$ 63,646</u>
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Reconciliation of the Balance Sheet to the Statement of Net Position:

There are no reconciling items.

CITY OF BELMONT, NORTH CAROLINA

**BELMONT TOURISM DEVELOPMENT AUTHORITY
 COMPONENT UNIT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Occupancy tax	\$ 70,000	\$ 85,065	\$ 15,065	\$ 76,344
Expenditures:				
Economic and physical development: Tourism program	90,000	86,383	3,617	107,118
Revenues over (under) expenditures	(20,000)	(1,318)	18,682	(30,772)
Other Financing Sources (Uses):				
Appropriated fund balance	20,000	-	(20,000)	-
Net change in fund balance	<u>\$ -</u>	(1,318)	<u>\$ (1,318)</u>	(30,772)
Fund Balance:				
Beginning of year - July 1		64,964		95,736
End of year - June 30		<u>\$ 63,646</u>		<u>\$ 64,964</u>

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 5,691,757	\$ 5,657,253	\$ 34,504
2013-2014	56,202	-	32,972	23,230
2012-2013	26,223	-	7,294	18,929
2011-2012	23,412	-	5,211	18,201
2010-2011	17,692	-	5,408	12,284
2009-2010	13,640	-	1,719	11,921
2008-2009	11,449	-	1,779	9,670
2007-2008	9,372	-	1,002	8,370
2006-2007	4,353	-	130	4,223
2005-2006	3,655	-	4	3,651
2004-2005	3,973	-	3,973	-
Total	<u>\$ 169,971</u>	<u>\$ 5,691,757</u>	<u>\$ 5,716,745</u>	144,983
Less allowance for uncollectible ad valorem taxes receivable				<u>(57,500)</u>
Ad valorem taxes receivable, net				<u>\$ 87,483</u>
Reconciliation with Revenues:				
Taxes, ad valorem - General Fund (Exhibit D)			\$ 5,712,264	
Less penalties and interest collected			(19,479)	
Taxes written off and refunded			3,973	
Miscellaneous			19,987	
Total collections and credits			<u>\$ 5,716,745</u>	

CITY OF BELMONT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Total property taxed at current year's rate	\$ 1,175,729,895	\$ 0.475	\$ 5,584,717	\$ 5,142,052	\$ 442,665
Discoveries - Current Year Taxes	24,692,632	0.475	117,290	117,273	17
Abatements	(2,157,895)		(10,250)	(10,250)	-
Total property valuation	<u>\$ 1,198,264,632</u>				
Net Levy			5,691,757	5,249,075	442,682
Uncollected taxes at June 30, 2015			(34,504)	(34,395)	(109)
Current Year's Taxes Collected			<u>\$ 5,657,253</u>	<u>\$ 5,214,680</u>	<u>\$ 442,573</u>
Current Levy Collection Percentage			<u>99.39%</u>	<u>99.34%</u>	<u>99.98%</u>

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

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belmont, North Carolina, as of and for the year ended June 30, 2015, 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 November 16, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2015-001 and 2015-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Belmont's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 16, 2015

CITY OF BELMONT, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-001 - Significant Audit Adjustments:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting. This includes identifying all necessary adjustments to the City's general ledger to conform to accounting principles generally accepted in the United States of America and generally accepted governmental accounting standards.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the City's system of controls did not detect and prevent such errors. Management relies on its external auditor to identify and propose entries to convert the modified accrual records to a basis of accounting consistent with generally accepted accounting principles.

Effect: There is a risk that the financial statements of the City might be inaccurate, incomplete, or lack proper disclosure.

Cause: Due to the relatively small size of the City's Accounting Department, as well as the operational nature of the City, the main focus of management is to account, monitor, and report financial resources and activities on the modified accrual or budgetary basis. Thus, use of full accrual financial statements and related disclosures is not utilized in the normal course of business.

Context: Significant audit adjustments were made with regards to accrual adjustments required by GAAP.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the City's available financial and intellectual resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action/Management Response: Management concurs. Management is aware that year-end audit adjustments are typically required. The City will continue to enhance the capabilities of its internal staff by ensuring additional training and educational opportunities are made available and attended so as to allow staff, while still limited in number, to assume additional responsibilities for financial reporting. The City will examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the City's available financial resources.

CITY OF BELMONT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-002 - Controls Over Financial Reporting:

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

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the City's personnel with regards to drafting full accrual, full disclosure financial statements.

Effect: The City requires assistance from the external auditor in drafting the financial statements.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Context: City personnel cannot draft full disclosure GAAP financial statements.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the City should exercise due care in reviewing the financial statements drafted by the external auditor, as the City is responsible for the accuracy of the audited financial statements.

Name of Contact Person: Michelle Wood, Finance Director

Corrective Action/Management's Response: Management is aware of the weakness, but due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The City will exercise due care in reviewing the financial statements drafted by the external auditor. The City acknowledges and accepts responsibility for the accuracy of the audited financial statements.

CITY OF BELMONT, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2014-001: Repeated as 2015-001

Finding 2014-002: Repeated as 2015-002

Finding 2014-003: Corrected