

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

Mayor

Scott Neisler

City Council

Mike Butler

Rodney L. Gordon

Tommy Hawkins

Keith Miller

Curtis Pressley

Jay Rhodes

Howard Shipp

City Manager

Marilyn H. Sellers

Finance Officer

Chris Costner

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 did not audit the financial statements of the City of Kings Mountain ABC Board, which represents 77 percent, 70 percent, and 93 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Kings Mountain ABC Board, is based solely on the report of another auditor. 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 basic financial statements are free from material misstatement. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 5 to the financial statements, for fiscal year ended June 30, 2017, the City of Kings Mountain adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kings Mountain's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, other schedules, and supplemental ad valorem tax schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual fund financial statements, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of the City of Kings Mountain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kings Mountain's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kings Mountain's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 3, 2017

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Management's Discussion and Analysis

As management of the City of Kings Mountain, we offer readers of the City of Kings Mountain's financial statements this narrative overview and analysis of the financial activities of the City of Kings Mountain for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

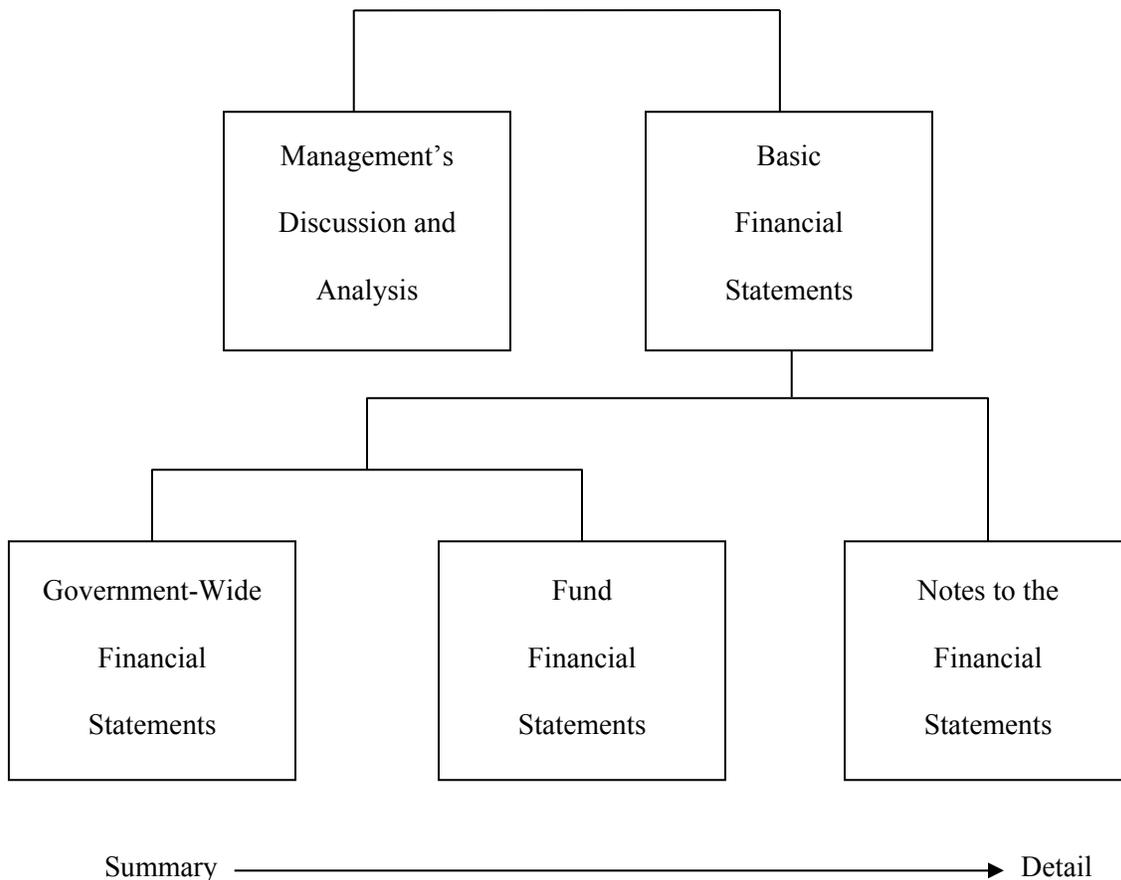
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$55,999,447 (*net position*).
- The government's total net position increased by \$5,838,885.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$6,133,514, an increase of \$1,188,661 in comparison with the prior year. Approximately 35.33% of this amount, or \$2,167,044, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,766,513 or 28.28 percent, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt decreased by \$466,819 during the current fiscal year. The key factor in this decrease was current year debt service payments offset by continued draws against DEQ loans in the Water and Sewer Fund for the Water Plant Upgrade and Line Rehab Projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kings Mountain'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 Kings Mountain.

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 J) 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 four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary 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 North Carolina 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 deferred outflows of resources 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 three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, transportation, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services, electric, and gas services offered by the City of Kings Mountain. The final category is the component units. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City. In addition, the Tourism Development Authority Board's governing board is appointed by the City.

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 Kings Mountain, 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 Kings Mountain can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 government 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 Kings Mountain 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 Council 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 Council; 2) the final budget as amended by the Council; 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.

Proprietary Funds. The City of Kings Mountain has two different kinds 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 Kings Mountain uses enterprise funds to account for its water and sewer activity, for its electric operations, and its gas operations. 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. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Kings Mountain. The City uses an internal service fund to account for two activities – its workers’ compensation insurance program and health insurance program. Because these programs benefit predominately governmental rather than business-type activities, the Internal Service Fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. City of Kings Mountain has one fiduciary fund, which is an agency fund.

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 follow Exhibit J 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 Kings Mountain’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes to the financial statements.

Interdependence with Other Entities. The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with the U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Kings Mountain's Net Position Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current assets	\$ 6,625,675	\$ 6,075,522	\$ 13,632,302	\$ 11,806,493	\$ 20,257,977	\$ 17,882,015
Other assets	703,685	251,272	333,939	604,236	1,037,624	855,508
Capital assets, net	<u>9,373,531</u>	<u>9,821,431</u>	<u>64,771,376</u>	<u>60,403,686</u>	<u>74,144,907</u>	<u>70,225,117</u>
Total assets	<u>16,702,891</u>	<u>16,148,225</u>	<u>78,737,617</u>	<u>72,814,415</u>	<u>95,440,508</u>	<u>88,962,640</u>
Deferred Outflows of Resources	<u>1,571,904</u>	<u>398,917</u>	<u>702,803</u>	<u>171,276</u>	<u>2,274,707</u>	<u>570,193</u>
Liabilities:						
Long-term liabilities	7,926,009	5,546,799	30,622,049	30,307,912	38,548,058	35,854,711
Other liabilities	<u>820,769</u>	<u>918,765</u>	<u>2,238,124</u>	<u>1,791,352</u>	<u>3,058,893</u>	<u>2,710,117</u>
Total liabilities	<u>8,746,778</u>	<u>6,465,564</u>	<u>32,860,173</u>	<u>32,099,264</u>	<u>41,606,951</u>	<u>38,564,828</u>
Deferred Inflows of Resources	<u>80,231</u>	<u>208,418</u>	<u>28,586</u>	<u>70,003</u>	<u>108,817</u>	<u>278,421</u>
Net Position:						
Net investment in capital assets	7,869,504	8,029,194	36,521,283	31,888,274	44,390,787	39,917,468
Restricted	1,652,091	1,917,852	-	-	1,652,091	1,917,852
Unrestricted	<u>(73,809)</u>	<u>(73,886)</u>	<u>10,030,378</u>	<u>8,928,150</u>	<u>9,956,569</u>	<u>8,854,264</u>
Total net position	<u>\$ 9,447,786</u>	<u>\$ 9,873,160</u>	<u>\$ 46,551,661</u>	<u>\$ 40,816,424</u>	<u>\$ 55,999,447</u>	<u>\$ 50,689,584</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Kings Mountain exceeded liabilities and deferred inflows by \$55,999,447 as of June 30, 2017. However, the largest portion (79%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Kings Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kings Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Kings Mountain's net position of \$1,652,091 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,956,569 is unrestricted.

City of Kings Mountain's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,915,525	\$ 1,455,416	\$ 24,454,561	\$ 23,681,473	\$ 26,370,086	\$ 25,136,889
Operating grants and contributions	929,143	1,079,018	-	837	929,143	1,079,855
Capital grants and contributions	-	96,107	5,041,142	-	5,041,142	96,107
General revenues:						
Property taxes	5,579,726	4,675,258	-	-	5,579,726	4,675,258
Other taxes	3,288,545	3,057,260	-	-	3,288,545	3,057,260
Other	20,933	9,045	(27,937)	35,753	(7,004)	44,798
Total revenues	<u>11,733,872</u>	<u>10,372,104</u>	<u>29,467,766</u>	<u>23,718,063</u>	<u>41,201,638</u>	<u>34,090,167</u>
Expenses:						
General government	2,907,146	2,403,680	-	-	2,907,146	2,403,680
Public safety	4,649,281	4,597,688	-	-	4,649,281	4,597,688
Transportation	1,647,237	1,631,733	-	-	1,647,237	1,631,733
Environmental protection	1,168,498	1,163,304	-	-	1,168,498	1,163,304
Economic development	2,012,203	812,052	-	-	2,012,203	812,052
Culture and recreation	1,582,178	1,861,877	-	-	1,582,178	1,861,877
Interest expense	42,681	35,892	-	-	42,681	35,892
Water and sewer	-	-	4,760,026	5,040,253	4,760,026	5,040,253
Electric	-	-	11,787,063	9,194,827	11,787,063	9,194,827
Gas	-	-	4,359,573	3,673,970	4,359,573	3,673,970
Stormwater	-	-	446,867	411,230	446,867	411,230
Total expenses	<u>14,009,224</u>	<u>12,506,226</u>	<u>21,353,529</u>	<u>18,320,280</u>	<u>35,362,753</u>	<u>30,826,506</u>
Change in net position before transfers	(2,275,352)	(2,134,122)	8,114,237	5,397,783	5,838,885	3,263,661
Transfers	<u>2,379,000</u>	<u>2,481,000</u>	<u>(2,379,000)</u>	<u>(2,481,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>103,648</u>	<u>346,878</u>	<u>5,735,237</u>	<u>2,916,783</u>	<u>5,838,885</u>	<u>3,263,661</u>
Net Position:						
Beginning of year - July 1	9,873,160	9,526,282	40,816,424	37,899,641	50,689,584	47,425,923
Restatement	<u>(529,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(529,022)</u>	<u>-</u>
Beginning of year, restated	<u>9,344,138</u>	<u>9,526,282</u>	<u>40,816,424</u>	<u>37,899,641</u>	<u>50,160,562</u>	<u>47,425,923</u>
End of year - June 30	<u>\$ 9,447,786</u>	<u>\$ 9,873,160</u>	<u>\$ 46,551,661</u>	<u>\$ 40,816,424</u>	<u>\$ 55,999,447</u>	<u>\$ 50,689,584</u>

Governmental Activities. Governmental activities increased the City's net position by \$103,648. The key elements of this increase are as follows:

- Increase in property taxes and other tax revenues such as local option sales taxes. The City had a property tax rate increase for the 16-17 fiscal year of .03 cents as well as a significant increase in total valuation.
- Increases in revenues were significantly offset by increases in economic development expenditures (payment of incentives).

Business-Type Activities. Business-type activities increased the City's net position by \$5,735,237. Key elements of this increase are as follows:

- Increase in customer sales revenue due to volume increases in both the Electric and Gas funds
- Receipt of several significant Water/Sewer grants from NCDEQ
- Slight decrease in transfers from the Electric and Gas Funds

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Kings Mountain'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 Kings Mountain's financing requirements.

The General Fund is the chief operating fund of the City of Kings Mountain. At the end of the current fiscal year, available fund balance of the General Fund was \$4,641,077, while total fund balance reached \$5,445,460. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 34.84 percent of total General Fund expenditures, while total fund balance represents 40.88 percent of that same amount.

At June 30, 2017, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$6,133,514 with a net increase of \$1,188,661. Included in this change in fund balance is an increase in fund balance in the General Fund.

General Fund Budgetary Highlights. During the 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.

The original budget was amended to account for additional revenues and expenditures that occurred during the fiscal year. Total net amendments to the General Fund's expenditures was \$953,006. With respect to actual versus final amended budget, revenues had a positive variance of \$915,397 due to an increase in property tax and other tax revenues. The expenditures recognized a positive variance of \$1,065,840. The major components of this positive variance are as follows:

- Capital outlay budgeted (\$500,000) was not expended related to the purchase of a fire truck
- Emphasis to curb expenditures by all responsible department heads and members of management across all General Fund departments

Proprietary Funds. The City of Kings Mountain’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 \$4,560,420. The amount of unrestricted net position for the Electric Fund was \$4,134,424, for the Gas Fund was \$1,254,397, and for the Stormwater Fund was \$81,137. The total changes in net position for the four funds were \$5,740,004, (\$486,463), \$521,336, and (\$39,640), respectively.

Capital Asset and Debt Administration

Capital Assets. The City of Kings Mountain’s investment in capital assets for its governmental and business-type activities as of June 30, 2017 totals \$74,144,907 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction in progress in the Water and Sewer Fund related to the water plant upgrade and waterline upgrades
- Additions of other water and gas infrastructure
- Purchases of vehicles and miscellaneous equipment

**City of Kings Mountain’s Capital Assets
(net of depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,777,198	\$ 2,777,198	\$ 7,244,945	\$ 7,244,945	\$ 10,022,143	\$ 10,022,143
Infrastructure	377,562	454,474	-	-	377,562	454,474
Buildings	1,688,402	2,050,010	3,328,637	3,682,805	5,017,039	5,732,815
Other improvements	1,849,753	730,708	18,575,919	6,088,227	20,425,672	6,818,935
Equipment	1,420,484	1,409,977	4,849,916	4,720,525	6,270,400	6,130,502
Vehicles	1,085,685	1,357,752	663,444	986,242	1,749,129	2,343,994
Lines	-	-	19,124,611	15,871,191	19,124,611	15,871,191
Construction in progress	174,447	1,113,312	10,983,904	22,135,539	11,158,351	23,248,851
Total	<u>\$ 9,373,531</u>	<u>\$ 9,893,431</u>	<u>\$ 64,771,376</u>	<u>\$ 60,729,474</u>	<u>\$ 74,144,907</u>	<u>\$ 70,622,905</u>

Additional information on the City’s capital assets can be found in Note 2 of the basic financial statements.

Long-Term Debt. As of June 30, 2017, the City of Kings Mountain had total installment purchase debt outstanding of \$30,238,618. The City’s debt represents obligations secured solely by certain equipment of the City.

City of Kings Mountain’s Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Installment purchases	<u>\$ 1,988,525</u>	<u>\$ 1,864,237</u>	<u>\$ 28,250,093</u>	<u>\$ 28,841,200</u>	<u>\$ 30,238,618</u>	<u>\$ 30,705,437</u>

The City of Kings Mountain's total debt decreased by \$466,819 during the current fiscal year. The key factor in this decrease was current year debt service payments offset by continued draws against DEQ loans in the Water and Sewer Fund for the Water Plant Upgrade and Line Rehab Projects.

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 Kings Mountain is approximately \$73,294,000.

Additional information regarding the City of Kings Mountain's long-term debt can be found in Note 2 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The City continues to experience growth in terms of property valuation. The City has experienced increased demand for all its utility services as a result of residential and industrial/commercial development.

The NTE Energy Company is currently constructing/making a \$400 plus million-dollar investment in an Electric Power Plant with an anticipated completion in 2018. NTE will produce and distribute electrical power utilizing a Combined Cycle Natural Gas Facility with its purchase of natural gas being delivered directly from Williams (Transco) with Kings Mountain providing domestic natural gas and electrical distribution needs. This will generate a significant increase in the City of Kings Mountain's tax base and the City will be providing all water and wastewater needs for this facility. This new plant will be the largest water customer regarding daily volume at this time. The City has secured a 20-year wholesale contract with NTE beginning on December 31, 2018, which will generate significant electrical wholesale power savings annually. We anticipate industrial growth in the recently annexed land area bordering the NTE Plant site.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities. The property tax rate remains unchanged at 43 cents per \$100 in assessed property value. The FY 17-18 General Fund budget increased roughly \$1.5 million dollars over prior year's originally adopted budget due to increased medical costs, new positions added in the Fire Department, and increases in budgeted capital outlay for new equipment and vehicles, primarily in sanitation and public works. The City looked at all rates and fees and there were no increases in City fees in the 17-18 General Fund budget.

Business-Type Activities. The City's utility base rates remained unchanged for the 17-18 budget year for all our utilities (electric, gas water, sewer, and storm water.) Any budgeted increases in revenues are based upon anticipated increases in volume of services provided. The City continues to invest heavily in upgrading water and sewer infrastructure, financed by NCDEQ grants and zero interest loans.

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 of the information found in this report, or requests for additional information, should be directed to:

City of Kings Mountain
Finance Director
PO Box 429
Kings Mountain, North Carolina 28086

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,784,523	\$ 10,213,841	\$ 15,998,364	\$ 392,705	\$ 187,962
Taxes receivable, net	63,381	-	63,381	-	-
Accounts receivable, net	237,049	2,270,001	2,507,050	24	-
Due from other governments	630,267	-	630,267	-	10,589
Internal balances	(120,000)	120,000	-	-	-
Inventories	26,938	1,028,460	1,055,398	147,722	-
Prepaid items	3,517	-	3,517	7,007	-
Total current assets	<u>6,625,675</u>	<u>13,632,302</u>	<u>20,257,977</u>	<u>547,458</u>	<u>198,551</u>
Restricted assets:					
Cash and cash equivalents	<u>703,685</u>	<u>333,939</u>	<u>1,037,624</u>	<u>-</u>	<u>-</u>
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,951,645	18,228,849	21,180,494	88,835	-
Other capital assets, net of depreciation	<u>6,421,886</u>	<u>46,542,527</u>	<u>52,964,413</u>	<u>16,610</u>	<u>-</u>
Total capital assets	<u>9,373,531</u>	<u>64,771,376</u>	<u>74,144,907</u>	<u>105,445</u>	<u>-</u>
Total assets	<u>16,702,891</u>	<u>78,737,617</u>	<u>95,440,508</u>	<u>652,903</u>	<u>198,551</u>
Deferred Outflows of Resources	<u>1,571,904</u>	<u>702,803</u>	<u>2,274,707</u>	<u>18,773</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	813,506	1,904,185	2,717,691	190,596	450
Unearned revenues	7,263	-	7,263	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	333,939	333,939	-	-
Long-term liabilities:					
Net pension liability - LGERS	1,789,364	803,917	2,593,281	16,130	-
Total pension liability - LEOSSA	837,142	-	837,142	-	-
Due within one year	645,964	3,104,650	3,750,614	-	-
Due in more than one year	<u>4,653,539</u>	<u>26,713,482</u>	<u>31,367,021</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,746,778</u>	<u>32,860,173</u>	<u>41,606,951</u>	<u>206,726</u>	<u>450</u>
Deferred Inflows of Resources:	<u>80,231</u>	<u>28,586</u>	<u>108,817</u>	<u>565</u>	<u>-</u>
Net Position:					
Net investment in capital assets	7,869,504	36,521,283	44,390,787	105,445	-
Restricted for:					
Perpetual maintenance	26,728	-	26,728	-	-
Stabilization by State statute	780,485	-	780,485	-	10,589
Streets - Powell Bill	21,133	-	21,133	-	-
Public safety	304,528	-	304,528	-	-
Cultural and recreational	519,217	-	519,217	-	-
Working capital	-	-	-	48,433	-
Capital improvements	-	-	-	102,815	-
Tourism promotion	-	-	-	-	187,512
Unrestricted	<u>(73,809)</u>	<u>10,030,378</u>	<u>9,956,569</u>	<u>207,692</u>	<u>-</u>
Total net position	<u>\$ 9,447,786</u>	<u>\$ 46,551,661</u>	<u>\$ 55,999,447</u>	<u>\$ 464,385</u>	<u>\$ 198,101</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,907,146	\$ 174,402	\$ -	\$ -
Public safety	4,649,281	18,068	288,717	-
Transportation	1,647,237	-	360,315	-
Economic and physical development	2,012,203	199,883	40,433	-
Environmental protection	1,168,498	1,111,687	-	-
Culture and recreation	1,582,178	411,485	239,678	-
Interest expense	42,681	-	-	-
Total governmental activities	<u>14,009,224</u>	<u>1,915,525</u>	<u>929,143</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	4,760,026	5,505,214	-	5,041,142
Electric	11,787,063	13,539,922	-	-
Gas	4,359,573	5,002,779	-	-
Stormwater	446,867	406,646	-	-
Total business-type activities	<u>21,353,529</u>	<u>24,454,561</u>	<u>-</u>	<u>5,041,142</u>
Total primary government	<u>\$ 35,362,753</u>	<u>\$ 26,370,086</u>	<u>\$ 929,143</u>	<u>\$ 5,041,142</u>
Component Units:				
ABC Board	\$ 1,572,965	\$ 1,632,606	\$ -	\$ -
Tourism Development Authority Board	<u>79,566</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 1,652,531</u>	<u>\$ 1,632,606</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Units</u>	
	<u>Primary Government</u>			<u>ABC Board</u>	<u>Tourism Development Authority Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>		
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (2,732,744)	\$ -	\$ (2,732,744)		
Public safety	(4,342,496)	-	(4,342,496)		
Transportation	(1,286,922)	-	(1,286,922)		
Economic and physical development	(1,771,887)	-	(1,771,887)		
Environmental protection	(56,811)	-	(56,811)		
Culture and recreation	(931,015)	-	(931,015)		
Interest expense	(42,681)	-	(42,681)		
Total governmental activities	<u>(11,164,556)</u>	<u>-</u>	<u>(11,164,556)</u>		
Business-Type Activities:					
Water and sewer	-	5,786,330	5,786,330		
Electric	-	1,752,859	1,752,859		
Gas	-	643,206	643,206		
Stormwater	-	(40,221)	(40,221)		
Total business-type activities	<u>-</u>	<u>8,142,174</u>	<u>8,142,174</u>		
Total primary government	<u>(11,164,556)</u>	<u>8,142,174</u>	<u>(3,022,382)</u>		
Component Units:					
ABC Board				\$ 59,641	\$ -
Tourism Development Authority Board				-	(79,566)
Total component units				<u>59,641</u>	<u>(79,566)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	5,579,726	-	5,579,726	-	-
Local option sales tax	1,502,684	-	1,502,684	-	-
Payment in lieu of taxes	152,417	-	152,417	-	-
Franchise taxes	974,282	-	974,282	-	-
Other taxes and licenses	659,162	-	659,162	-	126,207
Unrestricted investment earnings	20,933	33,634	54,567	354	313
Miscellaneous	-	(61,571)	(61,571)	-	1,120
Total general revenues before transfers	<u>8,889,204</u>	<u>(27,937)</u>	<u>8,861,267</u>	<u>354</u>	<u>127,640</u>
Transfers	<u>2,379,000</u>	<u>(2,379,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>11,268,204</u>	<u>(2,406,937)</u>	<u>8,861,267</u>	<u>354</u>	<u>127,640</u>
Change in net position	<u>103,648</u>	<u>5,735,237</u>	<u>5,838,885</u>	<u>59,995</u>	<u>48,074</u>
Net Position:					
Beginning of year - July 1	9,873,160	40,816,424	50,689,584	404,390	150,027
Restatement	(529,022)	-	(529,022)	-	-
Beginning of year, restated	<u>9,344,138</u>	<u>40,816,424</u>	<u>50,160,562</u>	<u>404,390</u>	<u>150,027</u>
End of year - June 30	<u>\$ 9,447,786</u>	<u>\$ 46,551,661</u>	<u>\$ 55,999,447</u>	<u>\$ 464,385</u>	<u>\$ 198,101</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 4,527,584	\$ 656,933	\$ 5,184,517
Cash and cash equivalents, restricted	674,607	29,078	703,685
Taxes receivable, net	63,381	-	63,381
Accounts receivable, net	150,218	-	150,218
Due from other governments	623,710	6,557	630,267
Inventories	26,938	-	26,938
Prepaid items	3,517	-	3,517
Total assets	<u>\$ 6,069,955</u>	<u>\$ 692,568</u>	<u>\$ 6,762,523</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 433,851	\$ 4,514	\$ 438,365
Due to other funds	120,000	-	120,000
Moss Lake unearned revenues	7,263	-	7,263
Total liabilities	<u>561,114</u>	<u>4,514</u>	<u>565,628</u>
Deferred Inflows of Resources:			
Property taxes receivable	<u>63,381</u>	<u>-</u>	<u>63,381</u>
Fund Balances:			
Non-spendable:			
Inventories	26,938	-	26,938
Prepaid items	3,517	-	3,517
Perpetual maintenance	-	26,728	26,728
Restricted:			
Stabilization by State statute	773,928	6,557	780,485
Streets	21,133	-	21,133
Public safety	570,411	218,615	789,026
Cultural and recreational	83,063	436,154	519,217
Assigned	199,957	-	199,957
Unassigned	<u>3,766,513</u>	<u>-</u>	<u>3,766,513</u>
Total fund balances	<u>5,445,460</u>	<u>688,054</u>	<u>6,133,514</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,069,955</u>	<u>\$ 692,568</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,373,531
The assets and liabilities of internal service funds are included in the Statement of Net Position.	340,696
Net pension liability - LGERS	(1,789,364)
Total pension liability - LEOSSA	(837,142)
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	395,010
Pension related deferrals	1,096,663
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	63,381
Some liabilities, including notes payable and accrued interest, are not due and payable in the current period and, therefore, not reported in the funds.	<u>(5,328,503)</u>
Net position of governmental activities	<u>\$ 9,447,786</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 5,575,491	\$ -	\$ 5,575,491
Other taxes and licenses	3,288,545	-	3,288,545
Restricted intergovernmental	770,523	78,681	849,204
Permits and fees	200,592	-	200,592
Sales and services	1,487,036	-	1,487,036
Donations	-	75,839	75,839
Investment earnings	20,069	864	20,933
Miscellaneous	231,997	-	231,997
Total revenues	<u>11,574,253</u>	<u>155,384</u>	<u>11,729,637</u>
Expenditures:			
Current:			
General government	2,641,264	-	2,641,264
Public safety	3,963,968	119,288	4,083,256
Transportation	1,747,594	-	1,747,594
Economic and physical development	1,901,596	92,315	1,993,911
Environmental protection	1,086,386	-	1,086,386
Culture and recreation	1,456,338	-	1,456,338
Debt service:			
Principal	487,622	-	487,622
Interest	35,515	-	35,515
Total expenditures	<u>13,320,283</u>	<u>211,603</u>	<u>13,531,886</u>
Revenues over (under) expenditures	<u>(1,746,030)</u>	<u>(56,219)</u>	<u>(1,802,249)</u>
Other Financing Sources (Uses):			
Transfers in	2,549,467	102,936	2,652,403
Transfers out	(102,936)	(170,467)	(273,403)
Issuance of debt	611,910	-	611,910
Total other financing sources (uses)	<u>3,058,441</u>	<u>(67,531)</u>	<u>2,990,910</u>
Net change in fund balances	1,312,411	(123,750)	1,188,661
Fund Balances:			
Beginning of year - July 1	<u>4,133,049</u>	<u>811,804</u>	<u>4,944,853</u>
End of year - June 30	<u>\$ 5,445,460</u>	<u>\$ 688,054</u>	<u>\$ 6,133,514</u>

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

CITY OF KINGS MOUNTAIN, 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, 2017**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net changes in fund balances - total governmental funds	\$ 1,188,661
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	\$ 723,843
Disposals, loss	(12,831)
Depreciation expense	<u>(1,230,912)</u>
	(519,900)
Change in deferred inflows for tax revenues	4,235
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	387,412
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	7,598
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>	
Issuance of debt	(611,910)
Repayment of debt principal	487,622
OPEB	(178,609)
Pension expense - LGERS	(496,977)
Pension expense - LEOSSA	(61,682)
Accrual of interest expense payable	(7,166)
Accrual of compensated absences	<u>(10,468)</u>
	(879,190)
Net revenue of internal service funds determined to be governmental-type	<u>(85,168)</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ 103,648</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,045,438	\$ 5,045,438	\$ 5,575,491	\$ 530,053
Other taxes	2,684,686	2,809,686	3,288,545	478,859
Restricted intergovernmental	728,784	729,901	770,523	40,622
Permits and fees	76,385	76,385	200,592	124,207
Investment earnings	8,000	8,000	20,069	12,069
Sales and services	1,830,000	1,830,000	1,487,036	(342,964)
Miscellaneous	151,346	159,446	231,997	72,551
Total revenues	<u>10,524,639</u>	<u>10,658,856</u>	<u>11,574,253</u>	<u>915,397</u>
Expenditures:				
Current:				
General government	2,499,857	2,832,806	2,641,264	191,542
Public safety	4,393,277	4,541,496	3,963,968	577,528
Transportation	1,674,617	1,808,920	1,747,594	61,326
Economic and physical development	1,816,155	1,940,568	1,901,596	38,972
Environmental protection	1,052,767	1,135,648	1,086,386	49,262
Culture and recreation	1,495,297	1,603,233	1,456,338	146,895
Debt service:				
Principal retirement	487,622	487,622	487,622	-
Interest and fees	13,525	35,830	35,515	315
Total expenditures	<u>13,433,117</u>	<u>14,386,123</u>	<u>13,320,283</u>	<u>1,065,840</u>
Revenues over (under) expenditures	<u>(2,908,478)</u>	<u>(3,727,267)</u>	<u>(1,746,030)</u>	<u>1,981,237</u>
Other Financing Sources (Uses):				
Transfers in	2,347,467	2,549,467	2,549,467	-
Transfers out	(238,000)	(167,000)	(102,936)	64,064
Issuance of debt	616,455	616,455	611,910	(4,545)
Total other financing sources (uses)	<u>2,725,922</u>	<u>2,998,922</u>	<u>3,058,441</u>	<u>59,519</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(182,556)</u>	<u>(728,345)</u>	<u>1,312,411</u>	<u>2,040,756</u>
Fund balance appropriated	<u>182,556</u>	<u>728,345</u>	<u>-</u>	<u>728,345</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,312,411</u>	<u>\$ 1,312,411</u>
Fund Balance:				
Beginning of year - July 1			<u>4,133,049</u>	
End of year - June 30			<u>\$ 5,445,460</u>	

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 5,204,142	\$ 3,683,757	\$ 1,160,411	\$ 165,531	\$ 10,213,841	\$ 600,006
Cash - restricted	83,630	162,691	87,618	-	333,939	-
Accounts receivable, net	568,067	1,285,643	392,347	23,944	2,270,001	86,831
Due from other funds	-	20,000	100,000	-	120,000	-
Inventories	385,396	526,287	116,777	-	1,028,460	-
Total current assets	<u>6,241,235</u>	<u>5,678,378</u>	<u>1,857,153</u>	<u>189,475</u>	<u>13,966,241</u>	<u>686,837</u>
Non-current assets:						
Capital assets:						
Land and other non-depreciable assets	18,157,959	39,890	31,000	-	18,228,849	-
Other capital assets, net of depreciation	36,397,052	5,921,663	3,993,655	230,157	46,542,527	-
Total capital assets	<u>54,555,011</u>	<u>5,961,553</u>	<u>4,024,655</u>	<u>230,157</u>	<u>64,771,376</u>	<u>-</u>
Total assets	<u>60,796,246</u>	<u>11,639,931</u>	<u>5,881,808</u>	<u>419,632</u>	<u>78,737,617</u>	<u>686,837</u>
Deferred Outflows of Resources	<u>317,398</u>	<u>204,039</u>	<u>113,355</u>	<u>68,011</u>	<u>702,803</u>	<u>-</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	814,271	852,886	228,784	8,244	1,904,185	346,141
Liabilities to be paid from restricted assets:						
Customer deposits	83,630	162,691	87,618	-	333,939	-
Current portion of compensated absences	29,366	29,153	12,394	6,751	77,664	-
Current portion of long-term liabilities	2,286,858	368,196	338,618	33,314	3,026,986	-
Total current liabilities	<u>3,214,125</u>	<u>1,412,926</u>	<u>667,414</u>	<u>48,309</u>	<u>5,342,774</u>	<u>346,141</u>
Non-current liabilities:						
Net pension liability - LGERS	363,063	233,394	129,664	77,796	803,917	-
Notes payable	23,722,774	189,487	1,258,509	52,337	25,223,107	-
OPEB liability	665,607	432,418	240,646	74,042	1,412,713	-
Compensated absences	29,366	29,152	12,394	6,750	77,662	-
Total non-current liabilities	<u>24,780,810</u>	<u>884,451</u>	<u>1,641,213</u>	<u>210,925</u>	<u>27,517,399</u>	<u>-</u>
Total liabilities	<u>27,994,935</u>	<u>2,297,377</u>	<u>2,308,627</u>	<u>259,234</u>	<u>32,860,173</u>	<u>346,141</u>
Deferred Inflows of Resources	<u>12,910</u>	<u>8,299</u>	<u>4,611</u>	<u>2,766</u>	<u>28,586</u>	<u>-</u>
Net Position:						
Net investment in capital assets	28,545,379	5,403,870	2,427,528	144,506	36,521,283	-
Unrestricted	<u>4,560,420</u>	<u>4,134,424</u>	<u>1,254,397</u>	<u>81,137</u>	<u>10,030,378</u>	<u>340,696</u>
Total net position	<u>\$ 33,105,799</u>	<u>\$ 9,538,294</u>	<u>\$ 3,681,925</u>	<u>\$ 225,643</u>	<u>\$ 46,551,661</u>	<u>\$ 340,696</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Service Funds
Operating Revenues:						
Charges for services	\$ 5,471,373	\$ 13,278,846	\$ 4,393,041	\$ 405,646	\$ 23,548,906	\$ 3,274,063
Miscellaneous revenues	33,841	261,076	609,738	1,000	905,655	-
Total operating revenues	<u>5,505,214</u>	<u>13,539,922</u>	<u>5,002,779</u>	<u>406,646</u>	<u>24,454,561</u>	<u>3,274,063</u>
Operating Expenses:						
Salaries and fringe benefits	1,564,373	1,775,640	701,375	353,104	4,394,492	-
Cost of merchandise sold	609,936	8,143,615	2,687,537	-	11,441,088	-
Other operating expenses	1,026,265	1,173,351	745,403	60,214	3,005,233	-
Depreciation	1,516,055	682,456	185,959	31,935	2,416,405	-
Excess policy fees	-	-	-	-	-	83,665
Administrative fees	-	-	-	-	-	201,950
Claims	-	-	-	-	-	3,074,677
Total operating expenses	<u>4,716,629</u>	<u>11,775,062</u>	<u>4,320,274</u>	<u>445,253</u>	<u>21,257,218</u>	<u>3,360,292</u>
Operating income (loss)	<u>788,585</u>	<u>1,764,860</u>	<u>682,505</u>	<u>(38,607)</u>	<u>3,197,343</u>	<u>(86,229)</u>
Non-Operating Revenues (Expenses):						
Interest income	15,245	14,678	3,130	581	33,634	1,061
Interest expense	(43,397)	(12,001)	(39,299)	(1,614)	(96,311)	-
Gain (loss) on disposal of capital assets	(61,571)	-	-	-	(61,571)	-
Total non-operating revenues (expenses)	<u>(89,723)</u>	<u>2,677</u>	<u>(36,169)</u>	<u>(1,033)</u>	<u>(124,248)</u>	<u>1,061</u>
Income (loss) before transfers and capital contributions	<u>698,862</u>	<u>1,767,537</u>	<u>646,336</u>	<u>(39,640)</u>	<u>3,073,095</u>	<u>(85,168)</u>
Transfers from other funds	-	-	-	-	-	125,000
Transfers to other funds	-	(2,254,000)	(125,000)	-	(2,379,000)	(125,000)
Capital contributions	<u>5,041,142</u>	-	-	-	<u>5,041,142</u>	-
Total transfers and capital contributions	<u>5,041,142</u>	<u>(2,254,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>2,662,142</u>	<u>-</u>
Change in net position	5,740,004	(486,463)	521,336	(39,640)	5,735,237	(85,168)
Net Position:						
Beginning of year - July 1	<u>27,365,795</u>	<u>10,024,757</u>	<u>3,160,589</u>	<u>265,283</u>	<u>40,816,424</u>	<u>425,864</u>
End of year - June 30	<u>\$ 33,105,799</u>	<u>\$ 9,538,294</u>	<u>\$ 3,681,925</u>	<u>\$ 225,643</u>	<u>\$ 46,551,661</u>	<u>\$ 340,696</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 5,753,904	\$15,378,161	\$ 4,361,135	\$ 404,764	\$ 25,897,964	\$ 3,458,779
Cash paid for goods and services	(1,365,321)	(9,604,121)	(3,364,168)	(61,690)	(14,395,300)	(3,273,663)
Cash paid to employees for services	(1,449,388)	(1,682,153)	(649,878)	(333,125)	(4,114,544)	-
Cash received (paid) for customer deposits	5,565	656	(3,082)	-	3,139	-
Other operating revenues	33,841	261,076	609,738	1,000	905,655	-
Net cash provided (used) by operating activities	<u>2,978,601</u>	<u>4,353,619</u>	<u>953,745</u>	<u>10,949</u>	<u>8,296,914</u>	<u>185,116</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(6,225,028)	(163,655)	(110,920)	(24,615)	(6,524,218)	-
Principal paid on bonds and equipment contracts	(2,520,999)	(402,474)	(356,309)	(32,758)	(3,312,540)	-
Proceeds from issuance of debt	2,721,433	-	-	-	2,721,433	-
Proceeds from sale of capital assets	4,340	-	-	-	4,340	-
Interest expense	(50,985)	(14,448)	(40,604)	(2,008)	(108,045)	-
Net cash provided (used) by capital and related financing activities	<u>(6,071,239)</u>	<u>(580,577)</u>	<u>(507,833)</u>	<u>(59,381)</u>	<u>(7,219,030)</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:						
Capital contributions	5,041,142	-	-	-	5,041,142	-
(Increase) decrease in due from other funds	-	10,000	50,000	-	60,000	-
Operating transfers	-	(2,254,000)	(125,000)	-	(2,379,000)	-
Net cash provided (used) by non-capital financing activities	<u>5,041,142</u>	<u>(2,244,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>2,722,142</u>	<u>-</u>
Cash Flows from Investing Activities:						
Interest income	15,245	14,678	3,130	581	33,634	1,061
Net increase (decrease) in cash and cash equivalents	1,963,749	1,543,720	374,042	(47,851)	3,833,660	186,177
Cash and Cash Equivalents:						
Beginning of year - July 1	3,324,023	2,302,728	873,987	213,382	6,714,120	413,829
End of year - June 30	<u>\$ 5,287,772</u>	<u>\$ 3,846,448</u>	<u>\$ 1,248,029</u>	<u>\$ 165,531</u>	<u>\$ 10,547,780</u>	<u>\$ 600,006</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 788,585	\$ 1,764,860	\$ 682,505	\$ (38,607)	\$ 3,197,343	\$ (86,229)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,516,055	682,456	185,959	31,935	2,416,405	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	282,531	2,099,315	(31,906)	(882)	2,349,058	184,716
Inventories	(123,668)	(14,593)	7,351	-	(130,910)	-
Deferred outflows of resources - pensions	(237,571)	(158,206)	(84,845)	(50,905)	(531,527)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	401,819	(260,494)	72,014	(5,661)	207,678	86,629
Accrued OPEB liability	83,287	54,894	32,179	18,929	189,289	-
Customer deposits	5,565	656	(3,082)	-	3,139	-
Deferred inflows of resources - pensions	(26,069)	(452)	(9,310)	(5,586)	(41,417)	-
Net pension liability - LGERS	288,067	185,183	102,880	61,726	637,856	-
Net cash provided (used) by operating activities	<u>\$ 2,978,601</u>	<u>\$ 4,353,619</u>	<u>\$ 953,745</u>	<u>\$ 10,949</u>	<u>\$ 8,296,914</u>	<u>\$ 185,116</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

	<u>Firefighter's Retirement Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>228,421</u>
Liabilities:	
Intergovernmental payable	\$ <u>228,421</u>

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

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

The accounting policies of the City of Kings Mountain (the "City") and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation that is governed by an elected mayor and a seven-member Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, the City of Kings Mountain ABC Board (the "ABC Board") and the Tourism Development Authority Board (the "TDA Board"), legally separate entities for which the City is financially accountable. The discretely presented component units presented below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City.

City of Kings Mountain ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute a portion of its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at: City of Kings Mountain ABC Board, P.O. Box 785, Kings Mountain, North Carolina 28086.

Tourism Development Authority Board

The Tourism Development Authority Board was created by session law SL 2001-439, Part II to market and promote tourism and cultural development in the City. The members of the Tourism Development Authority Board's governing board are appointed by the City. The City transfers a portion of the occupancy tax levied by the City to the Tourism Development Authority Board. The TDA Board, which has a June 30 year-end, is a discretely presented component unit. Separate financial statements have not been issued for the TDA Board.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component units. 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. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including the Fiduciary Fund. Separate statements for each fund category - *governmental proprietary, and fiduciary* - 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental fund:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues, other taxes and licenses, and operating transfers from proprietary funds. The primary expenditures are for public safety, economic and physical development, transportation, and general governmental services.

The City reports the following nonmajor governmental funds:

Special Revenue Fund

Emergency Telephone System Fund. This fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.

Capital Project Funds

Library Fund. This fund accounts for financial resources to be used for the acquisition and construction of library capital facilities.

Senior Center Capital Project Fund. This fund accounts for financial resources to be used for the expansion and improvements of the Senior Center.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Permanent Fund

Cemetery Care Fund. This fund is used to account for perpetual care of the municipal cemetery.

The City reports the following enterprise funds:

Enterprise Funds

Major

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. The Water and Sewer Capital Projects Funds have been consolidated with the Water and Sewer Fund for financial reporting purposes.

Electric Utility Fund. This fund is used to account for the City's electric operations.

Gas Fund. This fund is used to account for the City's gas operations.

Nonmajor

Stormwater Fund. This fund is used to account for the City's stormwater operations.

The City reports the following fund type:

Internal Service Funds

Internal service funds account for operations that provide services to other departments of the government, or to other governments, on a cost-reimbursement basis. The City has two internal service funds that provide workers' compensation insurance claims and health insurance claims.

Agency Fund

Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the following agency fund:

Firefighter's Retirement Fund. This fund is used to account for the City's Firefighter's Supplemental Retirement and Relief Plan.

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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The government-wide, proprietary, and fiduciary fund financial statements are reported using 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, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is 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 for 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 enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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 when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as a 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, 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 on these financial statements and are offset by deferred inflows of resources.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 both Gaston and Cleveland Counties and then remitted to and distributed by the State. Most intergovernmental revenues and sales and service revenues are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position 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.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System Fund, the enterprise funds, and the Cemetery Care Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Library Fund, the Senior Center Capital Project Fund, and the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's workers' compensation and health insurance funds, which are internal service funds, operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds.

All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The City Manager is authorized by the budget ordinance to transfer appropriations within a department up to the department's total budget; however, any revisions that alter the total expenditures of any fund or department must be approved by the governing board.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City, the ABC Board, and the TDA Board 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, the ABC Board, and the TDA Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board and the TDA Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

In accordance with State law {G.S. 136-41.1 through 136-41.4}, Powell Bill funds are classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets. Drug seizure funds are classified as restricted cash because they can be expended only for public safety purposes. Contributions to the fire museum are classified as restricted cash because they can be expended only for public safety purposes. The unexpended debt proceeds of the General Fund are classified as restricted assets because its use is completely restricted to the purpose for which the proceeds were originally issued. Senior Center funds are classified as restricted for cultural and recreational purposes because they are donations obtained for the purposes of expanding the senior center. A

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

portion of library funds are classified as restricted for cultural and recreational purposes because it was a donation set up through the Foundation for the Carolinas as an Endowment Fund. Cash in the Cemetery Care Fund is classified as restricted because the funds can only be used for cemetery perpetual maintenance. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Kings Mountain Restricted Cash

Governmental Activities:

General Fund:

Streets	\$	21,133
Public safety		85,913
Unspent debt proceeds		484,498
Cultural and recreation		83,063

Nonmajor Funds:

Perpetual maintenance		<u>29,078</u>
Total governmental activities		<u>703,685</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits		83,630
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Electric Fund:

Customer deposits		162,691
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Gas Fund:

Customer deposits		<u>87,618</u>
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Total business-type activities		<u>333,939</u>
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Total restricted cash	\$	<u><u>1,037,624</u></u>
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Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances 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 and current data.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Inventories

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds and those of the City of Kings Mountain ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when used rather than when purchased.

Prepaid Items

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

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. The City has a minimum capitalization cost of \$5,000, with the exception of land, which will be recorded without regard to its value. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The cost 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 on a straight-line basis over the following useful lives to the cost of the assets:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-50 years
Buildings	20-50 years
Other improvements	10-50 years
Lines	20-50 years
Vehicles	5-20 years
Equipment	5-50 years

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20 years
Equipment	10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, contributions made to the pension plan in the current fiscal year and pension related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – property taxes receivable and deferrals of pension expense.

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type 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 discounts. 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 thirty (30) days earned vacation leave with such leave being fully vested when earned. The ABC Board employees may accumulate up to 12 days earned vacation per year, and such leave is fully vested when earned. Any unused leave is lost at year-end unless special permission is granted to carryover the unused leave.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using 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. The ABC Board's policy provides for accumulation of up to thirty days 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 benefits purposes. Since the City and the ABC Board have 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

Net position in the government-wide and proprietary fund financial statements are 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, or laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

Perpetual Maintenance – portion of fund balance that is not an available resource because it represents the year-end balance of cemetery care, which are not spendable resources.

Restricted Fund Balance

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Restricted for Streets – 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 Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures. \$60,037 is restricted in the General Fund by police contributions and forfeiture funds. \$25,876 is restricted in the General Fund by fire museum contributions. \$484,498 is restricted in the General Fund for unspent debt proceeds. \$218,615 in the nonmajor funds is restricted by revenue source for certain emergency telephone system expenditures.

Restricted for Cultural and Recreational – portion of fund balance that is restricted for cultural and recreational expenditures. The General Fund has \$83,063 restricted for future culture and recreation expenditures while the nonmajor funds have \$436,154 restricted for the same.

Restricted net position amounts per Exhibit A differ from restricted fund balance amounts presented on Exhibit C due to unspent debt proceeds of \$484,498, included in the restricted for public safety category in Exhibit C.

Committed Fund Balance

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that 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 is the portion of fund balance that the City of Kings Mountain intends to use for specific purposes. The City's governing body has the authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the City Manager to modify the appropriations by resource or appropriation within funds up to the department's total budget.

Unassigned Fund Balance

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The City of Kings Mountain has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt 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, followed 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 or when required by grant or other contractual agreements.

The City of Kings Mountain has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

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	\$ 5,445,460
Less:	
Inventories	26,938
Prepaid items	3,517
Stabilization by State statute	<u>773,928</u>
Total available fund balance	<u>\$ 4,641,077</u>

Defined Benefit Cost Sharing Plans

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the City, the ABC Board, and the TDA Board 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, the ABC Board, and the TDA Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, the ABC Board, and the TDA Board, these deposits are considered to be held by the City, the ABC Board, and the TDA Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, and the TDA Board or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the City, the ABC Board, or the TDA Board under the Pooling Method, the potential exists for under-collateralization. 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, the ABC Board, and the TDA Board have no policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the City's deposits had a carrying amount of \$13,686,065 and a bank balance of \$14,255,809. Of the bank balance, \$762,372 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the TDA Board was \$187,962 and the bank balance was \$188,300. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$310,004 and the bank balance was \$300,072. The bank balance of the ABC Board was fully covered by federal depository insurance. The ABC Board had certificates of deposit totaling \$80,701 and petty cash funds of \$2,000.

At June 30, 2017, the City's petty cash funds totaled \$2,791.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Investments

At June 30, 2017, the City of Kings Mountain had \$3,575,553 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2017 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 398,755	\$ 126,749	\$ 623,710	\$ 1,149,214
Nonmajor - Emergency Telephone System	-	-	6,557	6,557
Nonmajor - internal service funds	86,831	-	-	86,831
Allowance for doubtful accounts	<u>(248,537)</u>	<u>(63,368)</u>	-	<u>(311,905)</u>
Total governmental activities	<u>\$ 237,049</u>	<u>\$ 63,381</u>	<u>\$ 630,267</u>	<u>\$ 930,697</u>
Business-Type Activities:				
Water and sewer	\$ 1,081,518	\$ -	\$ -	\$ 1,081,518
Electric	2,300,680	-	-	2,300,680
Gas	745,313	-	-	745,313
Stormwater	45,810	-	-	45,810
Allowance for doubtful accounts	<u>(1,903,320)</u>	-	-	<u>(1,903,320)</u>
Total business-type activities	<u>\$ 2,270,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,270,001</u>

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

Governmental Activities:	
Local option sales tax	\$ 340,500
Sales tax reimbursement	238,244
DMV MV taxes	44,966
911 funds	<u>6,557</u>
Total	<u>\$ 630,267</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,777,198	\$ -	\$ -	\$ -	\$ 2,777,198
Construction in progress	<u>1,113,312</u>	<u>174,447</u>	<u>-</u>	<u>(1,113,312)</u>	<u>174,447</u>
Total non-depreciable capital assets	<u>3,890,510</u>	<u>174,447</u>	<u>-</u>	<u>(1,113,312)</u>	<u>2,951,645</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,631,469	-	-	-	10,631,469
Other improvements	1,068,951	116,725	-	1,113,312	2,298,988
Equipment	3,755,842	305,216	(542,690)	(17,443)	3,500,925
Vehicles	<u>5,180,123</u>	<u>127,455</u>	<u>(209,757)</u>	<u>137,512</u>	<u>5,235,333</u>
Total depreciable capital assets	<u>23,705,165</u>	<u>549,396</u>	<u>(752,447)</u>	<u>1,233,381</u>	<u>24,735,495</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,614,306	76,912	-	-	2,691,218
Buildings	8,581,459	361,608	-	-	8,943,067
Other improvements	338,243	110,992	-	-	449,235
Equipment	2,345,865	281,878	(529,859)	(17,443)	2,080,441
Vehicles	<u>3,822,371</u>	<u>399,522</u>	<u>(209,757)</u>	<u>137,512</u>	<u>4,149,648</u>
Total accumulated depreciation	<u>17,702,244</u>	<u>\$ 1,230,912</u>	<u>\$ (739,616)</u>	<u>\$ 120,069</u>	<u>18,313,609</u>
Total depreciable capital assets, net	<u>6,002,921</u>				<u>6,421,886</u>
Governmental activities capital assets, net	<u>\$ 9,893,431</u>				<u>\$ 9,373,531</u>

Depreciation expenses was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 123,484
Public safety	427,699
Transportation	194,230
Economic and physical development	10,759
Environmental protection	103,437
Cultural and recreational	<u>371,303</u>
Total depreciation expense	<u>\$ 1,230,912</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	20,525,922	5,706,365	-	(15,248,383)	10,983,904
Total non-depreciable capital assets	<u>27,699,977</u>	<u>5,706,365</u>	<u>-</u>	<u>(15,248,383)</u>	<u>18,157,959</u>
Depreciable Capital Assets:					
Buildings	14,522,183	-	-	-	14,522,183
Other improvements	38,806,600	-	-	12,887,615	51,694,215
Lines	14,862,027	-	-	2,360,768	17,222,795
Equipment	6,854,431	518,663	(223,800)	17,443	7,166,737
Vehicles	1,040,501	-	(34,167)	-	1,006,334
Total depreciable capital assets	<u>76,085,742</u>	<u>518,663</u>	<u>(257,967)</u>	<u>15,265,826</u>	<u>91,612,264</u>
Less Accumulated Depreciation:					
Buildings	12,025,292	266,148	-	-	12,291,440
Other improvements	33,345,710	414,879	-	-	33,760,589
Lines	3,058,299	541,045	-	-	3,599,344
Equipment	4,572,945	213,833	(157,889)	17,443	4,646,332
Vehicles	871,524	80,150	(34,167)	-	917,507
Total accumulated depreciation	<u>53,873,770</u>	<u>\$ 1,516,055</u>	<u>\$ (192,056)</u>	<u>\$ 17,443</u>	<u>55,215,212</u>
Total depreciable capital assets, net	<u>22,211,972</u>				<u>36,397,052</u>
Water and Sewer Fund capital assets, net	<u>49,911,949</u>				<u>54,555,011</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	\$ -	\$ -	\$ -	39,890
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	1,125,603	77,248	-	-	1,202,851
Lines	5,864,309	20,424	-	-	5,884,733
Equipment	1,948,293	65,983	-	-	2,014,276
Vehicles	1,634,069	-	(120,003)	(136,584)	1,377,482
Total depreciable capital assets	<u>12,887,431</u>	<u>163,655</u>	<u>(120,003)</u>	<u>(136,584)</u>	<u>12,794,499</u>
Less Accumulated Depreciation:					
Buildings	1,299,886	79,504	-	-	1,379,390
Other improvements	534,223	85,712	-	-	619,935
Lines	2,884,677	212,173	-	-	3,096,850
Equipment	746,424	107,998	-	-	854,422
Vehicles	981,757	197,069	(120,003)	(136,584)	922,239
Total accumulated depreciation	<u>6,446,967</u>	<u>\$ 682,456</u>	<u>\$ (120,003)</u>	<u>\$ (136,584)</u>	<u>6,872,836</u>
Total depreciable capital assets, net	<u>6,440,464</u>				<u>5,921,663</u>
Electric Fund capital assets, net	<u>6,480,354</u>				<u>5,961,553</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	\$ -	\$ -	\$ -	31,000
Construction in progress	1,609,617	-	-	(1,609,617)	-
Total non-depreciable capital assets	<u>1,640,617</u>	<u>-</u>	<u>-</u>	<u>(1,609,617)</u>	<u>31,000</u>
Depreciable Capital Assets:					
Buildings	170,327	-	-	-	170,327
Lines	2,497,428	72,762	-	1,609,617	4,179,807
Equipment	1,443,067	38,158	-	-	1,481,225
Vehicles	315,668	-	-	(928)	314,740
Total depreciable capital assets	<u>4,426,490</u>	<u>110,920</u>	<u>-</u>	<u>1,608,689</u>	<u>6,146,099</u>
Less Accumulated Depreciation:					
Buildings	23,591	8,516	-	-	32,107
Lines	1,409,597	56,933	-	-	1,466,530
Equipment	331,852	89,417	-	-	421,269
Vehicles	202,373	31,093	-	(928)	232,538
Total accumulated depreciation	<u>1,967,413</u>	<u>\$ 185,959</u>	<u>\$ -</u>	<u>\$ (928)</u>	<u>2,152,444</u>
Total depreciable capital assets, net	<u>2,459,077</u>				<u>3,993,655</u>
Gas Fund capital assets, net	<u>4,099,694</u>				<u>4,024,655</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	\$ -	\$ -	\$ -	23,907
Other improvements	37,804	24,615	-	-	62,419
Equipment	311,434	-	-	-	311,434
Vehicles	109,573	-	-	-	109,573
Total depreciable capital assets	<u>482,718</u>	<u>24,615</u>	<u>-</u>	<u>-</u>	<u>507,333</u>
Less Accumulated Depreciation:					
Buildings	1,847	1,195	-	-	3,042
Other improvements	836	1,897	-	-	2,733
Equipment	184,643	14,357	-	-	199,000
Vehicles	57,915	14,486	-	-	72,401
Total accumulated depreciation	<u>245,241</u>	<u>\$ 31,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>277,176</u>
Total depreciable capital assets, net	<u>237,477</u>				<u>230,157</u>
Stormwater Fund capital assets, net	<u>237,477</u>				<u>230,157</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	29,380,484				18,228,849
Depreciable capital assets, net of depreciation	<u>31,348,990</u>				<u>46,542,527</u>
Total business-type capital assets, net	<u>\$ 60,729,474</u>				<u>\$ 64,771,376</u>

Construction Commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-To-Date</u>	<u>Remaining Commitment</u>
Water Plant Improvement Project	\$ 12,621,385	\$ 789,255
36" Water Transmission Line Project	10,796,112	5,366,558
DEQ \$5M Grant-Force Main	135,320	1,531,680
DEQ \$5M Grant-AMI Smart Mtr	511,963	34,709
Dam Repair-Moss Lake	52,472	397,528

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 9,373,531	\$ 64,771,376
Long-term debt	(1,988,525)	(28,250,093)
Add: unexpended debt proceeds	484,498	-
Net investment in capital assets	<u>\$ 7,869,504</u>	<u>\$ 36,521,283</u>

ABC Board

Activity for the ABC Board for the year ended June 30, 2017 was as follows:

	July 1, 2016	Additions	Retirements	June 30, 2017
Non-Depreciable Capital Assets:				
Land	\$ 78,875	\$ 9,960	\$ -	\$ 88,835
Total non-depreciable capital assets	<u>78,875</u>	<u>9,960</u>	<u>-</u>	<u>88,835</u>
Depreciable Capital Assets:				
Buildings and improvements	216,257	-	-	216,257
Equipment	79,717	5,164	(17,321)	67,560
Total depreciable capital assets	<u>295,974</u>	<u>5,164</u>	<u>(17,321)</u>	<u>283,817</u>
Less Accumulated Depreciation:				
Buildings and improvements	216,257	-	-	216,257
Equipment	62,857	5,414	(17,321)	50,950
Total accumulated depreciation	<u>279,114</u>	<u>\$ 5,414</u>	<u>\$ (17,321)</u>	<u>267,207</u>
Total depreciable capital assets, net	<u>16,860</u>			<u>16,610</u>
ABC Board capital assets, net	<u>\$ 95,735</u>			<u>\$ 105,445</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 271,290	\$ 162,561	\$ 29,000	\$ 462,851
Special revenue fund	4,514	-	-	4,514
Internal service funds	<u>346,141</u>	<u>-</u>	<u>-</u>	<u>346,141</u>
Total governmental activities	<u>\$ 621,945</u>	<u>\$ 162,561</u>	<u>\$ 29,000</u>	<u>\$ 813,506</u>
Business-Type Activities:				
Water and sewer	\$ 780,513	\$ 23,258	\$ 10,500	\$ 814,271
Electric	823,817	24,069	5,000	852,886
Gas	207,880	14,904	6,000	228,784
Stormwater	<u>3,807</u>	<u>3,187</u>	<u>1,250</u>	<u>8,244</u>
Total business-type activities	<u>\$ 1,816,017</u>	<u>\$ 65,418</u>	<u>\$ 22,750</u>	<u>\$ 1,904,185</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Pension Plan and Post-Employment Obligations

Local Government Employees' Retirement System

Plan Description. The City and the ABC Board are participating employers 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, or 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 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Kings Mountain 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 of Kings Mountain's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, 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 of Kings Mountain were \$545,783 for the year ended June 30, 2017.

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, 2017, the City reported a liability of \$2,593,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.122%, which was an increase of 0.003% from its proportion measured as of June 30, 2015.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

For the year ended June 30, 2017, the City recognized pension expense of \$720,257. At June 30, 2017, 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	\$ 48,723	\$ 90,871
Changes of assumptions	177,617	-
Net difference between projected and actual earnings on pension plan investments	1,433,758	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,228	1,343
City contributions subsequent to the measurement date	<u>545,783</u>	<u>-</u>
Total	<u>\$ 2,267,109</u>	<u>\$ 92,214</u>

\$545,783 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 263,644
2019	263,704
2020	690,137
2021	411,627
2022	-
Thereafter	-
Total	<u>\$ 1,629,112</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 contributions 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 benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 6,155,066	\$ 2,593,281	\$ (381,786)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Active plan members	29
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A separate report was not issued for the plan.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

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

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$6,332 as benefits came due for the reporting period.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

At June 30, 2017, the City reported a total pension liability of \$837,142. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$61,682.

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Changes of assumptions	\$ -	\$ 16,603
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>7,598</u>	<u>-</u>
Total	<u><u>\$ 7,598</u></u>	<u><u>\$ 16,603</u></u>

\$7,598 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30</u>	
2018	\$ 3,041
2019	3,041
2020	3,041
2021	3,041
2022	3,041
Thereafter	<u>1,398</u>
Total	<u><u>\$ 16,603</u></u>

\$7,598 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1%	Discount	1%
	Decrease	Rate	Increase
	(2.86%)	(3.86%)	(4.86%)
Total pension liability	<u>\$ 906,997</u>	<u>\$ 837,142</u>	<u>\$ 733,147</u>

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

	<u>2017</u>
Beginning balance	\$ 798,699
Service cost	36,018
Interest on the total pension liability	28,401
Changes of assumptions or other inputs	(19,644)
Benefit payments	<u>(6,332)</u>
Ending balance of the total pension liability	<u>\$ 837,142</u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of salary of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2017 were \$83,928, which consisted of \$69,286 from the City and \$14,642 from the law enforcement officers. No amounts were forfeited.

401(k) Plan

The City provides an investment retirement plan (the “401(k) Plan”) pursuant to section 401(k) of the Internal Revenue Code for all non-law enforcement employees who qualify based on tenure with the City. The 401(k) Plan provides for City and employee contributions subject to limitations. Contributions for the year ended June 30, 2017, were \$430,900, which consisted of \$305,476 from the City and \$125,424 from employees.

Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, the City has elected to provide healthcare benefits to retirees of the City through a single-employer, defined benefit plan. At retirement, the City will pay the employees’ medical insurance until Medicare coverage begins. After Medicare begins, the City will pay for a Medicare supplemental policy for the employee. To be eligible, the employee must have completed 20 years of creditable service if hired prior to January 29, 1997, or 25 years of service if hired on or after January 29, 1997. Additionally, employee must be eligible and approved to receive retirement benefits, in accordance with the regulations of the Local Governmental Employees Retirement System. The City funds this benefit when payments are due. The City obtains health coverage through private insurers. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	24	-
Active plan members	157	31
Total	181	31

Funding Policy. The City pays the full 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 has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 8.9% of annual covered payroll. For the current year, the City contributed \$242,715, or 3.6%, of annual covered payroll. The City purchases healthcare coverage through private insurers. The City’s contributions totaled \$242,715 in fiscal year 2017. There were no contributions made by employees. The City’s obligation to contribute to the plan is established and may be amended by the City Council.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified 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 (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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.

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:

Annual required contribution	\$ 603,383
Interest on net OPEB obligation	161,794
Adjustments to annual required contribution	<u>(154,564)</u>
Annual OPEB cost (expense)	610,613
Contributions made	<u>(242,715)</u>
Increase (decrease) in net OPEB obligation	367,898
Net OPEB obligation:	
Beginning of year - July 1	<u>4,044,867</u>
End of year - June 30	<u><u>\$ 4,412,765</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

Three-Year Trend Information			
Year Ended	Annual	Percentage of	Net
June 30	OPEB	Annual OPEB	OPEB
	Cost	Cost Contributed	Obligation
2015	\$ 562,509	12.0%	\$ 3,518,288
2016	592,099	11.1%	4,044,867
2017	610,613	39.7%	4,412,765

Fund 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, thus, the unfunded actuarial accrued liability (UAAL) was \$6,548,366. The covered payroll (annual payroll of active employees covered by the plan) was \$6,767,777, and the ratio of the UAAL to the covered payroll was 96.8%.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 liability for benefits.

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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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 7.50 to 5.00% annually for pre-Medicare and 5.50 to 5.00% annually for post-Medicare. 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 pay on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

Other Employment Benefits

The City has elected to provide death benefits to law enforcement officers 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 officer's 12 highest months' salary in a row during the 24 months prior to the officer's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions.

The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The City considers these contributions to be immaterial.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year - LGERS	\$ 545,783
Benefit payments made for LEOSSA	7,598
Difference between expected and actual experience - LGERS	48,723
Changes in assumptions - LGERS	177,617
Net difference between projected and actual earnings on pension plan investments - LGERS	1,433,758
Changes in proportion and differences between employer contributions and proportionate share of contributions - LGERS	<u>61,228</u>
Total	<u>\$ 2,274,707</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deferred Inflows:		
Taxes receivable, net (General Fund)	\$ -	\$ 63,381
Differences between expected and actual experience - LGERS	90,871	-
Change in assumptions - LEOSSA	16,603	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - LGERS	<u>1,343</u>	<u>-</u>
Total	<u>\$ 108,817</u>	<u>\$ 63,381</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Unemployment Compensation

The City and the ABC Board have elected to pay direct costs of unemployment benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in a period following discharge of employees.

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 purchases insurance coverage through BB&T Insurance Services (agent) to protect these exposures. Saville Public Entity is the City's current insurance broker. State National Insurance Company provides all of the above coverage except for the excess workers' compensation that is placed with Midwest Employers Casualty Co., a Boiler & Machinery policy with Traveler's Property Casualty Co. of America, and an employee dishonesty policy and public official liability policy, which are placed with State National Insurance Company. These insurance carriers are all rated as "A" carriers by A.M. Best, the industry's leading rating agency.

The City's insurance program consists of general liability coverage of \$1,000,000 per occurrence and \$2,000,000 general aggregate and a per occurrence deductible of \$1,000; auto liability coverage of \$1,000,000 per occurrence and a per occurrence deductible of \$1,000; law enforcement liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 per occurrence deductible; public officials liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; employment practices liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; umbrella liability coverage limit of \$1,000,000 with a \$10,000 self-insured retention; employee dishonesty coverage limit of \$250,000 with a per occurrence deductible of \$2,500; property coverage blanket limit of \$77,811,141 with a \$10,000 per occurrence deductible; flood coverage limit of \$1,000,000 with a \$25,000 minimum per occurrence deductible; earth quake coverage limit of \$1,000,000 with a \$25,000 per occurrence deductible; equipment breakdown limit of \$4,500,000 with a \$500 deductible; excess workers' compensation and employers liability/occupational accident coverage with a \$450,000 self-insured retention. Settled claims have not exceeded coverage in any of the past three fiscal years.

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 bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

In accordance with G.S. 159-29, the TDA's employees that have access to \$100 or more at any given time of the TDA's funds are performance bonded through a commercial surety bond. The City's Finance Officer is bonded for \$50,000 for the TDA.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR's).

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Changes in the balances of claims liabilities for health insurance during the past fiscal year are as follows:

	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning	\$ 228,045	\$ 134,344
Incurred claims	3,205,131	2,971,022
Claim payments	<u>(3,112,059)</u>	<u>(2,877,321)</u>
Unpaid claims, ending	<u>\$ 321,117</u>	<u>\$ 228,045</u>

Changes in the balances of claims liabilities for workers' compensation insurance during the past fiscal year are as follows:

	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning	\$ 27,870	\$ 33,020
Incurred claims	31,058	58,396
Claim payments	<u>(33,904)</u>	<u>(63,546)</u>
Unpaid claims, ending	<u>\$ 25,024</u>	<u>\$ 27,870</u>

The City of Kings Mountain ABC Board is exposed to various risks of loss related to torts; theft of; damage to, and the destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reduction in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Claims, Judgments, and Contingent Liabilities

At June 30, 2017, the City was defendant to various lawsuits; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Long-Term Obligations

Installment Purchases Agreements

The installment purchase agreements are secured by certain equipment of the City. The financing contracts are as follows:

Serviced by the Governmental Funds:

BB&T \$52,800 note payable in August 2011 for accounting software, due in annual payments of \$8,246, including interest at 2.28% through August 2018	\$ 15,945
BB&T \$210,000 note payable in February 2008 for library repairs and improvements, due in annual payments of \$21,000, plus interest at 3.41% through February 2018	21,000
BB&T \$127,455 note payable in August 2016 for a knuckleboom loader vehicle, due in annual payments of \$26,302, plus interest at 1.59% through August 2020	101,153
BB&T \$484,455 note payable in August 2016 for a fire pumper truck, due in annual payments of \$53,707, including interest at 1.92% through August 2026	484,455
BB&T \$313,200 note payable in March 2012 for the radio tower project, due in annual payments of \$48,003, including interest at 1.79% through March 2019	93,489
BB&T \$256,200 note payable in March 2014 for a heil front loader, due in annual payments of \$52,869, including interest at 1.59% through March 2018	52,042
BB&T \$1,080,548 note payable in November 2014 for a Municipal Building, due in annual payments of \$135,069, plus interest at 1.90% through November 2022	675,342
BB&T \$299,600 note payable in November 2014 for data center infrastructure, due in annual payments of \$63,021, including interest at 1.85% through September 2019	182,278
Faunce Realty \$72,000 note payable in February 2016 for land, due in annual payments of \$18,000, including interest at 4% through February 2021	54,000
Carolina Alliance Bank \$142,000 note payable in August 2015 for a tractor loader backhoe, due in annual payments of \$29,381, including interest at 1.70% through August 2019	85,191
Carolina Alliance Bank \$127,608 note payable in September 2015 for an excavator, due in annual payments of \$26,435, including interest at 1.76% through September 2019	76,556
Carolina Alliance Bank \$205,943 note payable in July 2015 for a heavy rescue vehicle, due in annual payments of \$30,905 including interest at 1.67% through July 2021	<u>147,074</u>
Total governmental activities	<u>\$ 1,988,525</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Serviced by the Enterprise Funds:

Water and Sewer Fund:

Carolina Alliance Bank \$98,581 note payable in September 2015 for a regular cab truck and an excavator, due in annual payments of \$20,421, including interest at 1.76% through September 2019	\$ 59,142
BB&T \$2,359,786 note payable in November 2006 for energy project, due in quarterly payments, including interest at 4.21% through May 2019	466,167
BB&T \$2,378,363 note payable in April 2014 for the smart meters, due in annual payments of \$612,234, including interest at 1.18% through April 2018	223,885
BB&T \$52,800 note payable in August 2011 for accounting software, due in annual payments of \$8,246, including interest at 2.28% through August 2018	15,281
BB&T \$313,200 note payable in March 2012 for the radio tower project, due in annual payments of \$48,003, including interest at 1.79% through March 2019	14,283
NC DWSRF \$5,243,500 note payable in October 2014 for water and sewer projects, due in annual payments of \$262,175, interest free through May 2034	4,332,172
NC DWSRF \$16,162,670 note payable in June 2015 for water and sewer projects, due in annual payments of \$808,134, interest free through May 2035	8,738,636
NC DWSRF \$13,410,640 note payable in May 2016 for water and sewer projects, due in annual payments of \$670,532, interest free through May 2036	11,740,080
BB&T \$599,980 note payable in November 2014 for spillway project, due in annual payments, including interest at 2.59% through November 2023	<u>419,986</u>
Total Water and Sewer Fund	<u>26,009,632</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Electric Fund:

BB&T \$2,359,786 note payable in November 2006 for energy project, due in quarterly payments, including interest at 4.21% through May 2019	63,568
BB&T \$2,378,363 note payable in April 2014 for the smart meters, due in annual payments of \$612,234, including interest at 1.18% through April 2018	211,783
BB&T \$52,800 note payable in August 2011 for accounting software, due in annual payments of \$8,246, including interest at 2.28% through August 2018	19,931
BB&T \$313,200 note payable in March 2012 for the radio tower project, due in annual payments of \$48,003, including interest at 1.79% through March 2019	12,985
Wells Fargo Equipment Finance Inc. \$232,000 lease purchase agreement in October 2015 for hydraulic articulating aerial device, due in annual payments, plus interest at 1.70% through October 2019	139,174
BB&T \$84,789 note payable in August 2013 for a bucket truck, due in annual payments of \$17,697, plus interest at 2.17% through August 2017	17,321
Suntrust Equipment Finance & Leasing \$230,467 in October 2014 for hydraulic equipment, due in annual payments of \$47,612, including interest at 1.65% through October 2018	<u>92,921</u>
Total Electric Fund	<u>557,683</u>

Gas Fund:

Carolina Alliance Bank \$35,597 note payable in September 2015 for a standard cab truck, due in annual payments of \$7,374, including interest at 1.76% through September 2019	21,356
BB&T \$2,378,363 note payable in April 2014 for the smart meters, due in annual payments of \$612,234, including interest at 1.18% through April 2018	169,426
BB&T \$52,800 note payable in August 2011 for accounting software, due in annual payments of \$8,246, including interest at 2.28% through August 2018	15,281
BB&T \$313,200 note payable in March 2012 for the radio tower project, due in annual payments of \$48,003, including interest at 1.79% through March 2019	9,089
Carter Bank & Trust \$1,600,000 note payable in October 2015 for NTE Gateway project, due in semi-annual payments of \$89,189, including interest at 2.10% through November 2025	<u>1,381,975</u>
Total Gas Fund	<u>1,597,127</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Stormwater Fund:

Suntrust Equipment Finance & Leasing \$77,380 capital lease in October 2014 for a truck and equipment, due in annual payments of \$15,986, including interest at 1.65% through October 2018	31,198
Carolina Alliance Bank \$90,765 note payable in August 2015 for a rear loader collection vehicle, due in annual payments of \$18,780, including interest at 1.70% through August 2019	<u>54,453</u>
Total Stormwater Fund	<u>85,651</u>
Total business-type activities	<u>\$ 28,250,093</u>

The future minimum payments of the installment purchases as of June 30, 2017 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 490,501	\$ 35,985	\$ 3,026,986	\$ 73,746
2019	422,221	21,114	2,422,441	46,805
2020	370,819	19,700	2,050,328	31,207
2021	237,867	13,248	1,960,690	24,743
2022	213,382	8,866	1,964,064	19,814
2023-2027	253,735	14,799	9,423,103	30,079
2028-2032	-	-	5,320,836	-
2033-2035	-	-	2,081,645	-
Total	<u>\$ 1,988,525</u>	<u>\$ 113,712</u>	<u>\$ 28,250,093</u>	<u>\$ 226,394</u>

At June 30, 2017, the City had a legal debt margin of approximately \$73,294,000.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases	\$ 1,864,237	\$ 611,910	\$ (487,622)	\$ 1,988,525	\$ 490,501
Compensated absences	300,458	200,585	(190,117)	310,926	155,463
Net pension liability - LGERS	369,620	1,419,744	-	1,789,364	-
OPEB obligation	2,821,443	527,973	(349,364)	3,000,052	-
Net pension obligation - LEO	<u>263,041</u>	<u>597,340</u>	<u>(23,239)</u>	<u>837,142</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 5,618,799</u>	<u>\$ 3,357,552</u>	<u>\$ (1,050,342)</u>	<u>\$ 7,926,009</u>	<u>\$ 645,964</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases	\$ 25,809,198	\$ 2,721,433	\$ (2,520,999)	\$ 26,009,632	\$ 2,286,858
Net pension liability - LGERS	74,996	288,067	-	363,063	-
OPEB obligation	582,320	104,370	(21,083)	665,607	-
Compensated absences	<u>51,461</u>	<u>48,056</u>	<u>(40,785)</u>	<u>58,732</u>	<u>29,366</u>
Total Water and Sewer Fund	<u>\$ 26,517,975</u>	<u>\$ 3,161,926</u>	<u>\$ (2,582,867)</u>	<u>\$ 27,097,034</u>	<u>\$ 2,316,224</u>
Electric Fund:					
Installment purchases	\$ 960,157	\$ -	\$ (402,474)	\$ 557,683	\$ 368,196
Net pension liability - LGERS	48,211	185,183	-	233,394	-
OPEB obligation	377,524	68,789	(13,895)	432,418	-
Compensated absences	<u>46,237</u>	<u>81,117</u>	<u>(69,049)</u>	<u>58,305</u>	<u>29,153</u>
Total Electric Fund	<u>\$ 1,432,129</u>	<u>\$ 335,089</u>	<u>\$ (485,418)</u>	<u>\$ 1,281,800</u>	<u>\$ 397,349</u>
Gas Fund:					
Installment purchases	\$ 1,953,436	\$ -	\$ (356,309)	\$ 1,597,127	\$ 338,618
Net pension liability - LGERS	26,784	102,880	-	129,664	-
OPEB obligation	208,467	40,325	(8,146)	240,646	-
Compensated absences	<u>14,195</u>	<u>28,670</u>	<u>(18,077)</u>	<u>24,788</u>	<u>12,394</u>
Total Gas Fund	<u>\$ 2,202,882</u>	<u>\$ 171,875</u>	<u>\$ (382,532)</u>	<u>\$ 1,992,225</u>	<u>\$ 351,012</u>
Stormwater Fund:					
Installment purchases	\$ 118,409	\$ -	\$ (32,758)	\$ 85,651	\$ 33,314
Net pension liability - LGERS	16,070	61,726	-	77,796	-
OPEB obligation	55,113	23,721	(4,792)	74,042	-
Compensated absences	<u>17,686</u>	<u>994</u>	<u>(5,179)</u>	<u>13,501</u>	<u>6,751</u>
Total Stormwater Fund	<u>\$ 207,278</u>	<u>\$ 86,441</u>	<u>\$ (42,729)</u>	<u>\$ 250,990</u>	<u>\$ 40,065</u>
Total Business-Type Activities:					
Installment purchases	\$ 28,841,200	\$ 2,721,433	\$ (3,312,540)	\$ 28,250,093	\$ 3,026,986
Net pension liability - LGERS	166,061	637,856	-	803,917	-
OPEB obligation	1,223,424	237,205	(47,916)	1,412,713	-
Compensated absences	<u>129,579</u>	<u>158,837</u>	<u>(133,090)</u>	<u>155,326</u>	<u>77,664</u>
Total business-type activities long-term liabilities	<u>\$ 30,360,264</u>	<u>\$ 3,755,331</u>	<u>\$ (3,493,546)</u>	<u>\$ 30,622,049</u>	<u>\$ 3,104,650</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Compensated absences, net pension obligation, and other post-employment benefits for governmental activities have been liquidated in the General Fund.

Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2017 consist of the following:

From the Gas Fund to the General Fund for operating expenditures	\$ 125,000
From the Electric Fund to the General Fund for operating and capital expenditures	2,254,000
From the General Fund to the Cemetery Perpetual Care Fund for perpetual maintenance	7,000
From the General Fund to the Emergency Telephone System Fund to cover prior year disallowed costs by E911 board	20,936
From the General Fund to the Senior Center Capital Project Fund for capital expenditures	75,000
From the Library Fund to the General Fund for capital planning	20,000
From the Senior Center Capital Project Fund to the General Fund for the annual contribution of the Senior Center Expansion project and debt	150,467
From the Workers' Compensation Insurance Fund to the Health Insurance Fund to cover medical self-insurance costs	125,000
From the Enterprise Fund Capital Project - Water Grant Projects to the Water Sewer Fund for debt service	1,749,228
From Water Sewer Fund to the Enterprise Fund Capital Project - Water Grant Projects for capital expenditures	<u>606,400</u>
Total	<u>\$ 5,133,031</u>

Balances due to/from other funds at June 30, 2017 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 20,000
Gas Fund	General Fund	100,000

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

3. 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 agreement. 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.

4. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$7,913 for the salary supplement and 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, 2017. 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 departments.

5. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$529,022.

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance	
	<u>2017</u>
Beginning balance	\$ 798,699
Service cost	36,018
Interest on the total pension liability	28,401
Changes in assumptions or other inputs	(19,644)
Benefit payments	<u>(6,332)</u>
Ending balance of the total pension liability	<u>\$ 837,142</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance

	2017
Total pension liability	\$ 837,142
Covered payroll	1,382,847
Total pension liability as a percentage of covered payroll	60.54%

Notes to Schedules:

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

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		(B)					
12/31/2010	\$ -	\$ 5,565,799		\$ 5,565,799	0.00%	\$ 6,047,996	92.0%
12/31/2012	-	6,084,352		6,084,352	0.00%	6,119,411	99.4%
12/31/2014	-	6,548,366		6,548,366	0.00%	6,767,777	96.8%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution		Amount Contributed By Employer	Percentage of ARC Contributed
	(ARC)			
2015	\$ 557,105		\$ 67,476	12.11%
2016	585,809		65,520	11.18%
2017	603,383		242,715	40.23%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets

Actuarial assumptions:	
Investment rate of return*	4.00%
Medical trend assumptions:	
Pre-Medicare trend rate	7.5% - 5.00%
Post-Medicare trend rate	5.5% - 5.00%
Year of ultimate trend rate	2020

* Includes inflation at 3.00%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM				
	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.12219%	0.11936%	0.11345%	0.10970%
Proportion of the net pension liability (asset) (\$)	\$2,593,281	\$ 535,681	\$ (669,066)	\$ 1,322,306
Covered-employee payroll	\$7,150,178	\$ 6,929,373	\$ 6,641,526	\$ 6,371,903
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.27%	7.73%	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CITY OF KINGS MOUNTAIN'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 545,783	\$ 483,200	\$ 493,511	\$ 471,343
Contributions in relation to the contractually required contribution	<u>545,783</u>	<u>483,200</u>	<u>493,511</u>	<u>471,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526
Contributions as a percentage of covered-employee payroll	7.39%	6.76%	7.12%	7.10%

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 5,034,938	\$ 5,562,673	\$ 527,735	\$ 4,666,562
Penalties and interest	10,500	12,818	2,318	13,744
Total ad valorem taxes	5,045,438	5,575,491	530,053	4,680,306
Other Taxes:				
Local option sales tax	1,183,670	1,502,684	319,014	1,312,366
Hold-harmless sales tax	342,760	435,996	93,236	401,745
Utilities franchise tax	930,000	974,282	44,282	982,516
Payments in lieu of taxes	124,496	152,417	27,921	137,681
Miscellaneous	228,760	223,166	(5,594)	222,952
Total other taxes	2,809,686	3,288,545	478,859	3,057,260
Restricted Intergovernmental:				
Powell Bill allocation	315,245	311,547	(3,698)	315,246
Federal government grants	94,827	93,371	(1,456)	109,856
State government grants	20,517	68,218	47,701	108,730
Local government grants	299,312	297,387	(1,925)	295,238
Total restricted intergovernmental	729,901	770,523	40,622	829,070
Permits and Fees:				
Privilege licenses	1,000	709	(291)	881
General permits	75,385	199,883	124,498	234,290
Total permits and fees	76,385	200,592	124,207	235,171
Sales and Services:				
Lake authority income	347,200	366,844	19,644	368,117
Disposal fee revenue	1,087,000	830,162	(256,838)	554,085
Recycling fees	168,400	140,980	(27,420)	81,080
Cemetery income	226,800	133,385	(93,415)	134,845
Recreation	600	15,665	15,065	435
Total sales and services	1,830,000	1,487,036	(342,964)	1,138,562

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Investment Earnings:				
Interest income (loss)	7,500	19,821	12,321	8,012
Interest income (loss) - Powell Bill	500	248	(252)	383
Total investment earnings	8,000	20,069	12,069	8,395
Miscellaneous:				
Library	26,100	23,103	(2,997)	33,164
Sale of capital assets	19,825	4,758	(15,067)	32,267
Court costs and jail fees	4,000	3,271	(729)	4,169
Other revenues	109,521	200,865	91,344	53,101
Total miscellaneous	159,446	231,997	72,551	122,701
Total revenues	10,658,856	11,574,253	915,397	10,071,465
Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	436,760	410,246	26,514	328,016
Operating expenses	579,885	541,356	38,529	523,703
Total	1,016,645	951,602	65,043	851,719
Administration and Finance:				
Salaries and employee benefits	857,314	853,111	4,203	941,180
Operating expenses	322,404	268,194	54,210	268,618
Charges to other funds	(555,180)	(555,180)	-	(549,180)
Capital outlay	-	-	-	19,486
Total	624,538	566,125	58,413	680,104
Human Resources:				
Salaries and employee benefits	201,002	204,360	(3,358)	199,924
Operating expenses	55,157	32,624	22,533	48,737
Total	256,159	236,984	19,175	248,661

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Elections Board:				
Operating expenses	-	-	-	3,060
Garage:				
Salaries and employee benefits	250,882	230,114	20,768	233,859
Operating expenses	38,361	34,926	3,435	42,928
Total	289,243	265,040	24,203	276,787
Public Works:				
Salaries and employee benefits	165,025	180,165	(15,140)	161,889
Operating expenses	36,073	21,022	15,051	27,270
Capital outlay	182,000	174,447	7,553	-
Total	383,098	375,634	7,464	189,159
Information Technology:				
Salaries and employee benefits	157,842	155,945	1,897	150,971
Operating expenses	105,281	80,701	24,580	44,515
Capital outlay	-	9,233	(9,233)	9,333
Total	263,123	245,879	17,244	204,819
Total general government	2,832,806	2,641,264	191,542	2,454,309
Public Safety:				
Police:				
Salaries and employee benefits	2,440,931	2,471,405	(30,474)	2,399,427
Operating expenses	422,813	354,306	68,507	435,376
Capital outlay	-	-	-	128,411
Total	2,863,744	2,825,711	38,033	2,963,214
Fire:				
Salaries and employee benefits	701,300	694,017	7,283	668,814
Operating expenses	162,491	141,395	21,096	175,681
Capital outlay	484,455	-	484,455	201,544
Total	1,348,246	835,412	512,834	1,046,039

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Codes and Inspections:				
Salaries and employee benefits	272,632	260,327	12,305	245,855
Operating expenses	58,134	43,778	14,356	34,434
Charges to other departments	(1,260)	(1,260)	-	(1,260)
Total	<u>329,506</u>	<u>302,845</u>	<u>26,661</u>	<u>279,029</u>
Total public safety	<u>4,541,496</u>	<u>3,963,968</u>	<u>577,528</u>	<u>4,288,282</u>
Transportation:				
Streets:				
Salaries and employee benefits	825,399	818,179	7,220	778,857
Operating expenses	205,310	201,478	3,832	175,144
Capital outlay	171,355	169,169	2,186	23,300
Total	<u>1,202,064</u>	<u>1,188,826</u>	<u>13,238</u>	<u>977,301</u>
Streets - Powell Bill:				
Operating expenses	151,745	129,596	22,149	129,919
Capital outlay	165,556	165,212	344	23,008
Total	<u>317,301</u>	<u>294,808</u>	<u>22,493</u>	<u>152,927</u>
Streets - Main Street:				
Salaries and employee benefits	123,816	114,267	9,549	115,175
Operating expenses	165,739	149,693	16,046	220,148
Total	<u>289,555</u>	<u>263,960</u>	<u>25,595</u>	<u>335,323</u>
Total transportation	<u>1,808,920</u>	<u>1,747,594</u>	<u>61,326</u>	<u>1,465,551</u>
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	215,493	199,676	15,817	184,882
Operating expenses	1,725,075	1,701,920	23,155	514,452
Capital outlay	-	-	-	26,386
Total	<u>1,940,568</u>	<u>1,901,596</u>	<u>38,972</u>	<u>725,720</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	415,723	396,571	19,152	374,143
Operating expenses	442,422	426,947	15,475	428,068
Capital outlay	55,000	53,346	1,654	142,000
Total	<u>913,145</u>	<u>876,864</u>	<u>36,281</u>	<u>944,211</u>
Cemetery:				
Salaries and employee benefits	102,157	101,551	606	103,735
Operating expenses	22,139	16,733	5,406	19,294
Capital outlay	-	-	-	6,491
Total	<u>124,296</u>	<u>118,284</u>	<u>6,012</u>	<u>129,520</u>
Recycling:				
Salaries and employee benefits	79,487	78,136	1,351	76,693
Operating expenses	18,720	13,102	5,618	27,685
Total	<u>98,207</u>	<u>91,238</u>	<u>6,969</u>	<u>104,378</u>
Total environmental protection	<u>1,135,648</u>	<u>1,086,386</u>	<u>49,262</u>	<u>1,178,109</u>
Culture and Recreation:				
Library:				
Salaries and employee benefits	386,802	369,252	17,550	393,986
Operating expenses	328,547	258,829	69,718	355,775
Capital outlay	-	-	-	6,413
Total	<u>715,349</u>	<u>628,081</u>	<u>87,268</u>	<u>756,174</u>
Senior Services:				
Salaries and employee benefits	299,094	288,614	10,480	250,054
Operating expenses	180,369	163,193	17,176	192,832
Capital outlay	33,481	25,419	8,062	-
Total	<u>512,944</u>	<u>477,226</u>	<u>35,718</u>	<u>442,886</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Lake Authority:				
Salaries and employee benefits	179,767	175,808	3,959	202,969
Operating expenses	70,173	52,824	17,349	86,671
Capital outlay	-	100	(100)	134,932
Total	<u>249,940</u>	<u>228,732</u>	<u>21,208</u>	<u>424,572</u>
Tourism and Development:				
Operating expenses	125,000	122,299	2,701	118,136
Total culture and recreation	<u>1,603,233</u>	<u>1,456,338</u>	<u>146,895</u>	<u>1,741,768</u>
Debt Service:				
Principal retirement	487,622	487,622	-	508,464
Interest and fees	35,830	35,515	315	33,580
Total debt service	<u>523,452</u>	<u>523,137</u>	<u>315</u>	<u>542,044</u>
Total expenditures	<u>14,386,123</u>	<u>13,320,283</u>	<u>1,065,840</u>	<u>12,395,783</u>
Revenues over (under) expenditures	<u>(3,727,267)</u>	<u>(1,746,030)</u>	<u>1,981,237</u>	<u>(2,324,318)</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,549,467	2,549,467	-	2,679,033
Transfers to other funds:				
Special revenue funds	(25,000)	(20,936)	4,064	(199,526)
Cemetery Fund	(7,000)	(7,000)	-	(7,266)
Enterprise Funds	(60,000)	-	60,000	(96,000)
Capital Project Fund	(75,000)	(75,000)	-	-
Appropriated fund balance	728,345	-	(728,345)	-
Issuance of debt	616,455	611,910	(4,545)	475,551
Total other financing sources (uses)	<u>3,727,267</u>	<u>3,058,441</u>	<u>(668,826)</u>	<u>2,851,792</u>
Net change in fund balance	<u>\$ -</u>	1,312,411	<u>\$ 1,312,411</u>	527,474
Fund Balance:				
Beginning of year - July 1		<u>4,133,049</u>		<u>3,605,575</u>
End of year - June 30		<u>\$ 5,445,460</u>		<u>\$ 4,133,049</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>		<u>Permanent Fund</u>	
	<u>Emergency Telephone System Fund</u>	<u>Library Fund</u>	<u>Senior Center Capital Project Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 220,779	\$ 61,578	\$ 374,576	\$ -	\$ 656,933
Cash and cash equivalents, restricted	-	-	-	29,078	29,078
Due from other governments	6,557	-	-	-	6,557
Total assets	<u>\$ 227,336</u>	<u>\$ 61,578</u>	<u>\$ 374,576</u>	<u>\$ 29,078</u>	<u>\$ 692,568</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,350</u>	<u>\$ 4,514</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	26,728	26,728
Restricted:					
Stabilization by State statute	6,557	-	-	-	6,557
Public safety	218,615	-	-	-	218,615
Senior Center project	-	-	374,576	-	374,576
Library project	-	61,578	-	-	61,578
Total fund balances	<u>225,172</u>	<u>61,578</u>	<u>374,576</u>	<u>26,728</u>	<u>688,054</u>
Total liabilities and fund balances	<u>\$ 227,336</u>	<u>\$ 61,578</u>	<u>\$ 374,576</u>	<u>\$ 29,078</u>	<u>\$ 692,568</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Telephone System Fund</u>	<u>Library Fund</u>	<u>Senior Center Capital Project Fund</u>	<u>Cemetery Care Fund</u>	
Revenues:					
Donations	\$ -	\$ 16,433	\$ 59,406	\$ -	\$ 75,839
Restricted intergovernmental	78,681	-	-	-	78,681
Investment earnings	709	113	-	42	864
Total revenues	<u>79,390</u>	<u>16,546</u>	<u>59,406</u>	<u>42</u>	<u>155,384</u>
Expenditures:					
Current:					
Economic and physical development	-	-	88,387	3,928	92,315
Public safety	119,288	-	-	-	119,288
Total expenditures	<u>119,288</u>	<u>-</u>	<u>88,387</u>	<u>3,928</u>	<u>211,603</u>
Revenues over (under) expenditures	<u>(39,898)</u>	<u>16,546</u>	<u>(28,981)</u>	<u>(3,886)</u>	<u>(56,219)</u>
Other Financing Sources (Uses):					
Transfers in	20,936	-	75,000	7,000	102,936
Transfers out	-	(20,000)	(150,467)	-	(170,467)
Total other financing sources (uses)	<u>20,936</u>	<u>(20,000)</u>	<u>(75,467)</u>	<u>7,000</u>	<u>(67,531)</u>
Net change in fund balances	(18,962)	(3,454)	(104,448)	3,114	(123,750)
Fund Balances:					
Beginning of year - July 1	<u>244,134</u>	<u>65,032</u>	<u>479,024</u>	<u>23,614</u>	<u>811,804</u>
End of year - June 30	<u>\$ 225,172</u>	<u>\$ 61,578</u>	<u>\$ 374,576</u>	<u>\$ 26,728</u>	<u>\$ 688,054</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017**

	2017		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental	\$ 114,300	\$ 78,681	\$ 35,619
Investment earnings	350	709	(359)
Total revenues	<u>114,650</u>	<u>79,390</u>	<u>35,260</u>
Expenditures:			
Telephone & furniture	71,000	50,869	20,131
Hardware maintenance	29,500	23,475	6,025
Capital outlay	45,000	44,944	56
Total expenditures	<u>145,500</u>	<u>119,288</u>	<u>26,212</u>
Revenues over (under) expenditures	<u>(30,850)</u>	<u>(39,898)</u>	<u>9,048</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>-</u>	<u>20,936</u>	<u>(20,936)</u>
Appropriated fund balance	<u>30,850</u>	<u>-</u>	<u>30,850</u>
Net change in fund balance	<u>\$ -</u>	<u>(18,962)</u>	<u>\$ (18,962)</u>
Fund Balance:			
Beginning of year - July 1		<u>244,134</u>	
End of year - June 30		<u>\$ 225,172</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 70,000	\$ 87,713	\$ 16,433	\$ 104,146
Investment earnings	-	1,319	113	1,432
Total revenues	<u>70,000</u>	<u>89,032</u>	<u>16,546</u>	<u>105,578</u>
Other Financing Sources (Uses):				
Transfers out	<u>(70,000)</u>	<u>(24,000)</u>	<u>(20,000)</u>	<u>(44,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 65,032</u>	(3,454)	<u>\$ 61,578</u>
Fund Balance:				
Beginning of year - July 1			<u>65,032</u>	
End of year - June 30			<u>\$ 61,578</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SENIOR CENTER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 500,000	\$ 489,228	\$ 59,406	\$ 548,634
Restricted intergovernmental	100,000	100,000	-	100,000
Total revenues	<u>600,000</u>	<u>589,228</u>	<u>59,406</u>	<u>648,634</u>
Expenditures:				
Architectural fees	74,000	73,475	-	73,475
Construction	1,120,000	995,209	88,387	1,083,596
Capital outlay furnishings	96,360	96,357	-	96,357
Project development	97,678	97,678	-	97,678
Total expenditures	<u>1,388,038</u>	<u>1,262,719</u>	<u>88,387</u>	<u>1,351,106</u>
Revenues over (under) expenditures	<u>(788,038)</u>	<u>(673,491)</u>	<u>(28,981)</u>	<u>(702,472)</u>
Other Financing Sources (Uses):				
Issuance of debt	1,080,548	1,080,548	-	1,080,548
Transfers out	(492,510)	(78,033)	(150,467)	(228,500)
Transfers in	200,000	150,000	75,000	225,000
Total other financing sources (uses)	<u>788,038</u>	<u>1,152,515</u>	<u>(75,467)</u>	<u>1,077,048</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 479,024</u>	(104,448)	<u>\$ 374,576</u>
Fund Balance:				
Beginning of year - July 1			<u>479,024</u>	
End of year - June 30			<u>\$ 374,576</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CEMETERY CARE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 42	\$ 42	\$ 6
Expenditures:				
Current:				
Operating expenses	7,000	3,928	3,072	2,749
Revenues over (under) expenditures	(7,000)	(3,886)	(3,114)	(2,743)
Other Financing Sources (Uses):				
Transfers in (out)	7,000	7,000	-	7,266
Net change in fund balance	\$ -	3,114	\$ 3,114	4,523
Fund Balance:				
Beginning of year - July 1		23,614		19,091
End of year - June 30		\$ 26,728		\$ 23,614

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 5,345,144	\$ 5,471,373	\$ 126,229	\$ 5,570,179
Miscellaneous revenues	11,170	33,841	22,671	-
Total operating revenues	<u>5,356,314</u>	<u>5,505,214</u>	<u>148,900</u>	<u>5,570,179</u>
Non-operating revenues:				
Interest income (loss)	7,016	15,245	8,229	8,375
Other non-operating revenue	<u>2,231,116</u>	<u>2,195,967</u>	<u>(35,149)</u>	<u>453,506</u>
Total non-operating revenues	<u>2,238,132</u>	<u>2,211,212</u>	<u>(26,920)</u>	<u>461,881</u>
Total revenues	<u>7,594,446</u>	<u>7,716,426</u>	<u>121,980</u>	<u>6,032,060</u>
Expenditures:				
Administration:				
Salaries and employee benefits	199,406	196,207	3,199	179,884
Other operating expenditures	364,501	333,226	31,275	342,231
Capital outlay	<u>42,500</u>	<u>13,000</u>	<u>29,500</u>	<u>82,800</u>
Total administration	<u>606,407</u>	<u>542,433</u>	<u>63,974</u>	<u>604,915</u>
Plant:				
Salaries and employee benefits	264,062	265,133	(1,071)	257,369
Other operating expenditures	565,745	114,508	451,237	239,863
Capital outlay	-	-	-	186,230
Cost of merchandise sold	<u>262,698</u>	<u>253,866</u>	<u>8,832</u>	<u>199,767</u>
Total plant	<u>1,092,505</u>	<u>633,507</u>	<u>458,998</u>	<u>883,229</u>
System maintenance and extension:				
Salaries and employee benefits	361,495	341,326	20,169	330,787
Other operating expenditures	283,934	178,540	105,394	266,321
Capital outlay	<u>2,231,116</u>	<u>2,132,158</u>	<u>98,958</u>	<u>500,820</u>
Total system maintenance and extension	<u>2,876,545</u>	<u>2,652,024</u>	<u>224,521</u>	<u>1,097,928</u>
Waste water treatment:				
Salaries and employee benefits	330,040	324,852	5,188	331,242
Other operating expenditures	251,655	174,375	77,280	230,437
Cost of merchandise sold	<u>351,000</u>	<u>327,931</u>	<u>23,069</u>	<u>393,594</u>
Total waste water treatment	<u>932,695</u>	<u>827,158</u>	<u>105,537</u>	<u>955,273</u>
Pump station maintenance:				
Salaries and employee benefits	339,894	321,870	18,024	400,316
Other operating expenditures	278,179	101,948	176,231	185,489
Capital outlay	6,700	6,700	-	23,805
Cost of merchandise sold	<u>30,000</u>	<u>28,139</u>	<u>1,861</u>	<u>48,907</u>
Total pump station maintenance	<u>654,773</u>	<u>458,657</u>	<u>196,116</u>	<u>658,517</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Total
Debt Service:				
Principal retirement	2,520,999	2,520,999	-	1,824,284
LPA interest	53,350	50,985	2,365	67,787
Total debt service	<u>2,574,349</u>	<u>2,571,984</u>	<u>2,365</u>	<u>1,892,071</u>
Total expenditures	<u>8,737,274</u>	<u>7,685,763</u>	<u>1,051,511</u>	<u>6,091,933</u>
Revenues over (under) expenditures	<u>(1,142,828)</u>	<u>30,663</u>	<u>1,173,491</u>	<u>(59,873)</u>
Other Financing Sources (Uses):				
Transfers in	1,749,228	1,749,228	-	-
Transfers out	(606,400)	(606,400)	-	-
Sale of capital assets	-	4,340	4,340	3,865
Proceeds from debt	-	-	-	98,581
Total other financing sources (uses)	<u>1,142,828</u>	<u>1,147,168</u>	<u>4,340</u>	<u>102,446</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,177,831</u>	<u>\$ 1,177,831</u>	<u>42,573</u>
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		2,845,175		103
Capital project transfers		(1,142,828)		-
Proceeds from issuance of debt		-		(98,581)
Change in inventories		(123,668)		21,200
Capital outlay		2,151,858		793,655
Pension expense		(100,837)		28,183
Contributions to pension plan		76,410		(4,488)
OPEB liability		(83,287)		(80,762)
Compensated absences		(7,271)		-
Accrued interest		7,588		20,835
Principal retirement		2,520,999		1,824,284
Loss on asset disposal		(65,911)		-
Depreciation expense		<u>(1,516,055)</u>		<u>(1,551,227)</u>
Change in net position		<u>\$ 5,740,004</u>		<u>\$ 995,775</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - WATER PLANT UPGRADE AND LINE REHAB PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Interest income	\$ -	\$ 204	\$ -	\$ 204
Expenditures:				
36" Water Line Project	16,162,670	10,351,297	444,815	10,796,112
Water Line Rehabilitation Project	5,243,500	5,118,697	-	5,118,697
Water Plant Improvement Project	13,410,640	9,692,785	2,928,600	12,621,385
Spillway Project	599,980	599,980	-	599,980
Total expenditures	<u>35,416,790</u>	<u>25,762,759</u>	<u>3,373,415</u>	<u>29,136,174</u>
Revenues over (under) expenditures	(35,416,790)	(25,762,555)	(3,373,415)	(29,135,970)
Other Financing Sources (Uses):				
Proceeds from financing	<u>35,416,790</u>	<u>25,762,759</u>	<u>2,721,433</u>	<u>28,484,192</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 204</u>	(651,982)	<u>\$ (651,778)</u>
Fund Balance:				
Beginning of year - July 1			<u>204</u>	
End of year - June 30			<u>\$ (651,778)</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 6,500,000	\$ -	\$ 2,845,175	\$ 2,845,175
Expenditures:				
DEQ \$5M Grant-Force Main	1,667,000	-	135,320	135,320
DEQ \$5M Grant-I-85	750,000	-	-	-
DEQ \$5M Grant-AMI Smart Mtr	546,672	-	511,963	511,963
DEQ \$5M Grant-Misc	287,100	-	-	-
Dam Repair-Moss Lake	450,000	-	52,472	52,472
Dam Repair-City Lake	156,400	-	-	-
Total expenditures	<u>3,857,172</u>	<u>-</u>	<u>699,755</u>	<u>699,755</u>
Revenues over (under) expenditures	<u>2,642,828</u>	<u>-</u>	<u>2,145,420</u>	<u>2,145,420</u>
Other Financing Sources (Uses):				
Transfer to Water Sewer Fund	(3,249,228)	-	(1,749,228)	(1,749,228)
Transfer from Water Sewer Fund	606,400	-	606,400	606,400
Total other financing sources (uses)	<u>(2,642,828)</u>	<u>-</u>	<u>(1,142,828)</u>	<u>(1,142,828)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,002,592	<u>\$ 1,002,592</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 1,002,592</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 12,468,014	\$ 13,278,846	\$ 810,832	\$ 12,888,433
Miscellaneous revenues	248,907	261,076	12,169	118,295
Total operating revenues	12,716,921	13,539,922	823,001	13,006,728
Non-operating revenues:				
Interest income	5,500	14,678	9,178	8,382
Total revenues	12,722,421	13,554,600	832,179	13,015,110
Expenditures:				
Meter reading:				
Salaries and employee benefits	152,900	152,384	516	149,421
Operating expenditures	21,800	18,341	3,459	16,446
Capital outlay	-	-	-	18,669
Total meter reading	174,700	170,725	3,975	184,536
System:				
Salaries and employee benefits	1,522,000	1,529,768	(7,768)	1,056,450
Other operating expenditures	1,341,004	1,140,417	200,587	1,011,254
Capital outlay	558,026	163,655	394,371	421,712
Cost of merchandise sold	8,669,303	8,143,615	525,688	6,223,150
Debt service - principal	402,474	402,474	-	444,079
Debt service - interest	14,466	14,448	18	17,987
Total system	12,507,273	11,394,377	1,112,896	9,174,632
Total expenditures	12,681,973	11,565,102	1,116,871	9,359,168
Revenues over (under) expenditures	40,448	1,989,498	1,949,050	3,655,942
Other Financing Sources (Uses):				
Appropriated from net position	1,853,552	-	(1,853,552)	-
Sale of capital assets	25,000	-	(25,000)	-
Transfer from other fund:				
General Fund	10,000	-	(10,000)	-
Transfer to other fund:				
General Fund	(2,254,000)	(2,254,000)	-	(2,247,000)
Proceeds from issuance of debt	325,000	-	(325,000)	232,000
Total other financing sources (uses)	(40,448)	(2,254,000)	(2,213,552)	(2,015,000)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(264,502)	\$ (264,502)	1,640,942
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(14,593)		(48,030)
Capital outlay		163,655		440,381
Pension expense		(64,823)		18,118
Contributions to pension plan		38,297		(2,885)
Proceeds from issuance of debt		-		(232,000)
Accrued interest		2,447		4,048
OPEB liability		(54,894)		(53,230)
Compensated absences		(12,068)		-
Principal retirement		402,474		444,079
Depreciation expense		(682,456)		(638,140)
Change in net position		\$ (486,463)		\$ 1,573,283

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 4,479,500	\$ 4,393,041	\$ (86,459)	\$ 4,169,042
Miscellaneous revenues	599,616	609,738	10,122	82,188
Total operating revenues	<u>5,079,116</u>	<u>5,002,779</u>	<u>(76,337)</u>	<u>4,251,230</u>
Non-operating revenues:				
Interest income	<u>2,000</u>	<u>3,130</u>	<u>1,130</u>	<u>2,678</u>
Total revenues	<u>5,081,116</u>	<u>5,005,909</u>	<u>(75,207)</u>	<u>4,253,908</u>
Expenditures:				
Salaries and employee benefits	656,736	649,879	6,857	638,680
Other operating expenditures	859,416	752,754	106,662	680,288
Capital outlay	413,048	110,920	302,128	1,860,076
Cost of merchandise sold	2,680,000	2,687,537	(7,537)	2,084,018
Debt service - principal	356,309	356,309	-	278,225
Debt service - interest	<u>40,607</u>	<u>40,604</u>	<u>3</u>	<u>29,501</u>
Total expenditures	<u>5,006,116</u>	<u>4,598,003</u>	<u>408,113</u>	<u>5,570,788</u>
Revenues over (under) expenditures	<u>75,000</u>	<u>407,906</u>	<u>332,906</u>	<u>(1,316,880)</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	-	1,635,597
Sales of capital assets	-	-	-	12,345
Transfer from other fund:				
General Fund	50,000	-	(50,000)	-
Transfer to other fund:				
General Fund	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>(330,000)</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>(125,000)</u>	<u>(50,000)</u>	<u>1,317,942</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	282,906	\$ 282,906	1,062
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		7,351		(33,273)
Proceeds from issuance of debt		-		(1,635,597)
Capital outlay		110,920		1,860,076
Pension expense		(36,013)		10,066
Contributions to pension plan		27,289		(1,603)
Accrued interest		1,305		(4,677)
OPEB liability		(32,179)		(31,204)
Compensated absences		(10,593)		-
Principal retirement		356,309		278,225
Depreciation expense		(185,959)		(180,792)
Change in net position		\$ 521,336		\$ 262,283

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 421,723	\$ 405,646	\$ (16,077)	\$ 398,667
Miscellaneous revenues	-	1,000	1,000	2,000
Total operating revenues	<u>421,723</u>	<u>406,646</u>	<u>(15,077)</u>	<u>400,667</u>
Non-operating revenues:				
Interest income	100	581	481	5
Total revenues	<u>421,823</u>	<u>407,227</u>	<u>(14,596)</u>	<u>400,672</u>
Expenditures:				
Salaries and employee benefits	328,418	333,125	(4,707)	321,887
Other operating expenditures	129,639	60,214	69,425	44,690
Capital outlay	25,000	24,615	385	115,766
Debt service - principal	32,758	32,758	-	33,750
Debt service - interest	2,008	2,008	-	1,016
Total expenditures	<u>517,823</u>	<u>452,720</u>	<u>65,103</u>	<u>517,109</u>
Revenues over (under) expenditures	<u>(96,000)</u>	<u>(45,493)</u>	<u>50,507</u>	<u>(116,437)</u>
Other Financing Sources (Uses):				
Debt issued	-	-	-	90,765
Transfer from other fund:				
General Fund	96,000	-	(96,000)	96,000
Total other financing sources (uses)	<u>96,000</u>	<u>-</u>	<u>(96,000)</u>	<u>186,765</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(45,493)</u>	<u>\$ (45,493)</u>	<u>70,328</u>
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Proceeds from issuance of debt		-		(90,765)
Capital outlay		24,615		115,766
Pension expense		(21,607)		6,041
Contributions to pension plan		16,372		(962)
Accrued interest		394		(935)
OPEB liability		(18,929)		(18,355)
Compensated absences		4,185		-
Principal retirement		32,758		33,750
Depreciation expense		(31,935)		(29,426)
Change in net position		<u>\$ (39,640)</u>		<u>\$ 85,442</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 162,767	\$ 437,239	\$ 600,006
Accounts receivable	<u>-</u>	<u>86,831</u>	<u>86,831</u>
Total assets	<u>162,767</u>	<u>524,070</u>	<u>686,837</u>
Liabilities:			
Accounts payable	<u>25,024</u>	<u>321,117</u>	<u>346,141</u>
Net Position:			
Unrestricted	<u>\$ 137,743</u>	<u>\$ 202,953</u>	<u>\$ 340,696</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 190,870	\$ 3,083,193	\$ 3,274,063
Operating Expenses:			
Excess policy fees	83,665	-	83,665
Administrative fees	7,015	194,935	201,950
Claims	33,904	3,040,773	3,074,677
Total operating expenses	<u>124,584</u>	<u>3,235,708</u>	<u>3,360,292</u>
Operating income (loss)	66,286	(152,515)	(86,229)
Non-Operating Revenues:			
Investment income	<u>604</u>	<u>457</u>	<u>1,061</u>
Income before transfers	<u>66,890</u>	<u>(152,058)</u>	<u>(85,168)</u>
Transfers from other funds	-	125,000	125,000
Transfers to other funds	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
Total transfers	<u>(125,000)</u>	<u>125,000</u>	<u>-</u>
Change in net position	(58,110)	(27,058)	(85,168)
Net Position:			
Beginning of year - July 1	<u>195,853</u>	<u>230,011</u>	<u>425,864</u>
End of year - June 30	<u>\$ 137,743</u>	<u>\$ 202,953</u>	<u>\$ 340,696</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 190,870	\$ 3,267,909	\$ 3,458,779
Cash paid for goods and services	<u>(131,027)</u>	<u>(3,142,636)</u>	<u>(3,273,663)</u>
Net cash provided (used) by operating activities	<u>59,843</u>	<u>125,273</u>	<u>185,116</u>
Cash Flows from Non-Capital Financing Activities:			
Operating transfers	<u>(125,000)</u>	<u>125,000</u>	<u>-</u>
Cash Flows from Investing Activities:			
Interest income	<u>604</u>	<u>457</u>	<u>1,061</u>
Net increase (decrease) in cash and cash equivalents	(64,553)	250,730	186,177
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>227,320</u>	<u>186,509</u>	<u>413,829</u>
End of year - June 30	<u>\$ 162,767</u>	<u>\$ 437,239</u>	<u>\$ 600,006</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	<u>\$ 66,286</u>	<u>\$ (152,515)</u>	<u>\$ (86,229)</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in operating accounts receivable	-	184,716	184,716
Increase (decrease) in operating accounts payable and accrued liabilities	<u>(6,443)</u>	<u>93,072</u>	<u>86,629</u>
Total adjustments	<u>(6,443)</u>	<u>277,788</u>	<u>271,345</u>
Net cash provided (used) by operating activities	<u>\$ 59,843</u>	<u>\$ 125,273</u>	<u>\$ 185,116</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUND
 WORKERS' COMPENSATION INSURANCE
 SCHEDULE OF REVENUES AND EXPENDITURES -
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 179,671	\$ 190,870	\$ (11,199)
Non-operating revenues:			
Interest income	<u>240</u>	<u>604</u>	<u>(364)</u>
Total revenues	<u>179,911</u>	<u>191,474</u>	<u>(11,563)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	78,000	83,665	(5,665)
Administrative fees	15,500	7,015	8,485
Claims	<u>86,411</u>	<u>33,904</u>	<u>52,507</u>
Total expenditures	<u>179,911</u>	<u>124,584</u>	<u>55,327</u>
Operating income (loss)	<u>-</u>	<u>66,890</u>	<u>66,890</u>
Other Financing Sources (Uses):			
Appropriated net position	125,000	-	(125,000)
Transfers to other funds	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (58,110)</u>	<u>\$ (58,110)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUND
HEALTH INSURANCE
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,101,802	\$ 3,083,193	\$ (18,609)
Non-operating revenues:			
Interest income	<u>800</u>	<u>457</u>	<u>(343)</u>
Total revenues	<u>3,102,602</u>	<u>3,083,650</u>	<u>(18,952)</u>
Expenditures:			
Operating expenditures:			
Administrative fees	200,000	194,935	5,065
Claims	<u>3,227,602</u>	<u>3,040,773</u>	<u>186,829</u>
Total expenditures	<u>3,427,602</u>	<u>3,235,708</u>	<u>191,894</u>
Operating income (loss)	<u>(325,000)</u>	<u>(152,058)</u>	<u>172,942</u>
Other Financing Sources (Uses):			
Appropriated net position	200,000	-	(200,000)
Transfers from other funds	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total other financing sources (uses)	<u>325,000</u>	<u>125,000</u>	<u>(200,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (27,058)</u>	<u>\$ (27,058)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2017

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 187,962
Due from other governments	<u>10,589</u>
Total assets	<u>198,551</u>
Liabilities:	
Accounts payable	<u>450</u>
Net Position:	
Restricted:	
Stabilization by State statute	10,589
Tourism promotion	<u>187,512</u>
Total net position	<u>\$ 198,101</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**TOURISM DEVELOPMENT AUTHORITY BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 110,000	\$ 126,207	\$ 16,207
Non-operating revenues:			
Miscellaneous	-	1,120	1,120
Investment earnings	<u>100</u>	<u>313</u>	<u>213</u>
Total revenues	<u>110,100</u>	<u>127,640</u>	<u>17,540</u>
Expenditures:			
Current:			
Operating expenses	42,319	19,293	23,026
Cultural and recreation	<u>67,781</u>	<u>60,273</u>	<u>7,508</u>
Total expenditures	<u>110,100</u>	<u>79,566</u>	<u>30,534</u>
Net change in fund balance	<u>\$ -</u>	48,074	<u>\$ 48,074</u>
Fund Balance:			
Beginning of year - July 1		<u>150,027</u>	
End of year - June 30		<u>\$ 198,101</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Assets:				
Cash and cash equivalents	\$ 225,348	\$ 10,353	\$ 7,280	\$ 228,421
Accounts receivable	6,600	-	6,600	-
Total assets	<u>\$ 231,948</u>	<u>\$ 10,353</u>	<u>\$ 13,880</u>	<u>\$ 228,421</u>
Liabilities:				
Intergovernmental payable	<u>\$ 231,948</u>	<u>\$ 10,353</u>	<u>\$ 13,880</u>	<u>\$ 228,421</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 5,564,865	\$ 5,517,740	\$ 47,125
2015-2016	38,432	-	21,976	16,456
2014-2015	21,682	-	5,823	15,859
2013-2014	16,056	-	4,838	11,218
2012-2013	11,681	-	2,151	9,530
2011-2012	8,533	-	1,122	7,411
2010-2011	6,657	-	555	6,102
2009-2010	6,516	-	184	6,332
2008-2009	6,859	-	143	6,716
2007-2008	6,098	-	6,098	-
Total	<u>\$ 122,514</u>	<u>\$ 5,564,865</u>	<u>\$ 5,560,630</u>	126,749
Less: Allowance for uncollectible accounts				<u>(63,368)</u>
Ad valorem taxes receivable, net				<u>\$ 63,381</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 5,562,673
Reconciling items:				
Taxes written off				(6,098)
Miscellaneous adjustments				<u>4,055</u>
Total collections and credits				<u>\$ 5,560,630</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	City-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original Levy:				
Property taxed at current year's rate	\$1,294,154,651	\$ 0.43	\$ 5,564,865	\$ 5,266,771	\$ 298,094
Total property valuation	<u>\$1,294,154,651</u>				
Net Levy			5,564,865	5,266,771	298,094
Uncollected taxes at June 30, 2017			(47,125)	(47,125)	-
Current Year's Taxes Collected			<u>\$ 5,517,740</u>	<u>\$ 5,219,646</u>	<u>\$ 298,094</u>
Current Levy Collection Percentage			<u>99.15%</u>	<u>99.11%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property					\$ 719,901,930
Personal property					438,919,721
Public service companies					<u>135,333,000</u>
Total assessed valuation					<u>\$1,294,154,651</u>
Tax rate per \$100					0.43
Levy (includes discoveries, releases, and abatements)					<u>\$ 5,564,865</u>

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2017. Our report includes a reference to other auditors who audited the financial statements of the City of Kings Mountain ABC Board, as described in our report on the City of Kings Mountain, North Carolina's financial statements. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kings Mountain'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 Kings Mountain'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 City of Kings Mountain'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kings Mountain'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*.

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 City'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, NC
November 3, 2017

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major Federal Program

We have audited the City of Kings Mountain, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Kings Mountain's major federal programs for the year ended June 30, 2017. The City of Kings Mountain's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion On Each Major Federal Program

In our opinion, the City of Kings Mountain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report On Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 3, 2017

MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Kings Mountain's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Kings Mountain's major State programs for the year ended June 30, 2017. The City of Kings Mountain's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Kings Mountain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 3, 2017

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
----------------------------	----------------------

Drinking Water State Revolving Fund Cluster	66.468
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Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

State Awards

Internal control over major State programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Program Name

NC Drinking Water Revolving Loan and Grant Program
Water Resources Development Project Grant Program

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

None reported

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported

4. Findings and Questioned Costs Related to the Audit of State Awards

None reported

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Significant Deficiency

Finding: 2016-001

Status: Corrected

Material Weakness

Finding: 2016-002

Status: Corrected

Material Weakness

Finding: 2016-003

Status: Corrected

Material Weakness

Finding: 2016-004

Status: Corrected

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Fed. (Direct & Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Grants:					
<u>U.S. Dept. of Health and Human Services</u>					
Passed-through Isothermal Planning and Development Commission:					
Aging Cluster:					
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	10-1776695	\$ 51,418	\$ -	\$ -
Total Aging Cluster:			<u>51,418</u>	<u>-</u>	<u>-</u>
Passed-through the N.C. DHHS Administration for Community Living:					
State Health Insurance Assistance Program	93.324	90SA0090-01-00	3,686	-	-
Medicare Enrollment Assistance Program	93.071	14AANCMSI	2,200	-	-
<u>U. S. Department of Justice</u>					
Passed-through N.C. Department of Public Safety Governors Crime Commission:					
Edward Bryne Memorial Justice Assistance Grant Program (JAG) - Body Cameras	16.738	PROJ011067	14,837	-	-
Edward Bryne Memorial Justice Assistance Grant Program (JAG) - Mobile Data Computers	16.738	PROJ010895	34,693	-	-
Direct Program:					
Equitable Sharing Program	16.922		2,765	-	-
<u>Institute of Museum and Library Services</u>					
Passed-through Division of State Library: Grants to States					
	45.310	5313	35,757	-	-
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality: Drinking Water State Revolving Fund Cluster (note 3):					
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-R-DW-1784F	444,815	-	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-R-DW-1785F	2,928,600	-	-
Total Drinking Water State Revolving Fund Cluster			<u>3,373,415</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>3,518,771</u>	<u>-</u>	<u>-</u>
State Grants:					
<u>N.C. Department of Environmental Quality:</u>					
Division of Water Infrastructure					
NC Drinking Water Revolving Loan and Grant Program		H-SAP-D-16-0004	-	1,345,175	-
Division of Water Resources					
Water Resources Development Project Grant Program		7132	-	1,500,000	-
<u>N.C. Department of Natural and Cultural Resources:</u>					
State Aid to Public Libraries					
			-	9,117	-
<u>N.C. Department of Transportation:</u>					
Powell Bill					
			-	352,721	-
<u>N.C. Department of Aging:</u>					
Senior Center General Purpose Grant					
			-	9,571	-
Total assistance - State programs			<u>-</u>	<u>3,216,584</u>	<u>-</u>
Total assistance			<u>\$ 3,518,771</u>	<u>\$ 3,216,584</u>	<u>\$ -</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**Notes to the Schedule of Expenditures of Federal and State Financial Awards:****Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Kings Mountain under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Kings Mountain, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Kings Mountain.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Kings Mountain has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Loans Outstanding

The City of Kings Mountain had the following loan balances outstanding at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consist of:

Program Name	CFDA Number	Pass-Through Grantor's Number	Amount Outstanding
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-R-DW-1784F	\$ 8,738,636
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-R-DW-1785F	11,740,080
			\$ 20,478,716

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