

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2018

Mayor

Scott Neisler

City Council

Mike Butler

Rodney L. Gordon

Tommy Hawkins

Keith Miller

David Allen

Jay Rhodes

Annie Thombs

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, 2018, 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 75 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, 2018, 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 ending June 30, 2018 the City of Kings Mountain adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. 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' Schedule of Changes in Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and 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 26, 2018 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 26, 2018

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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, 2018. 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

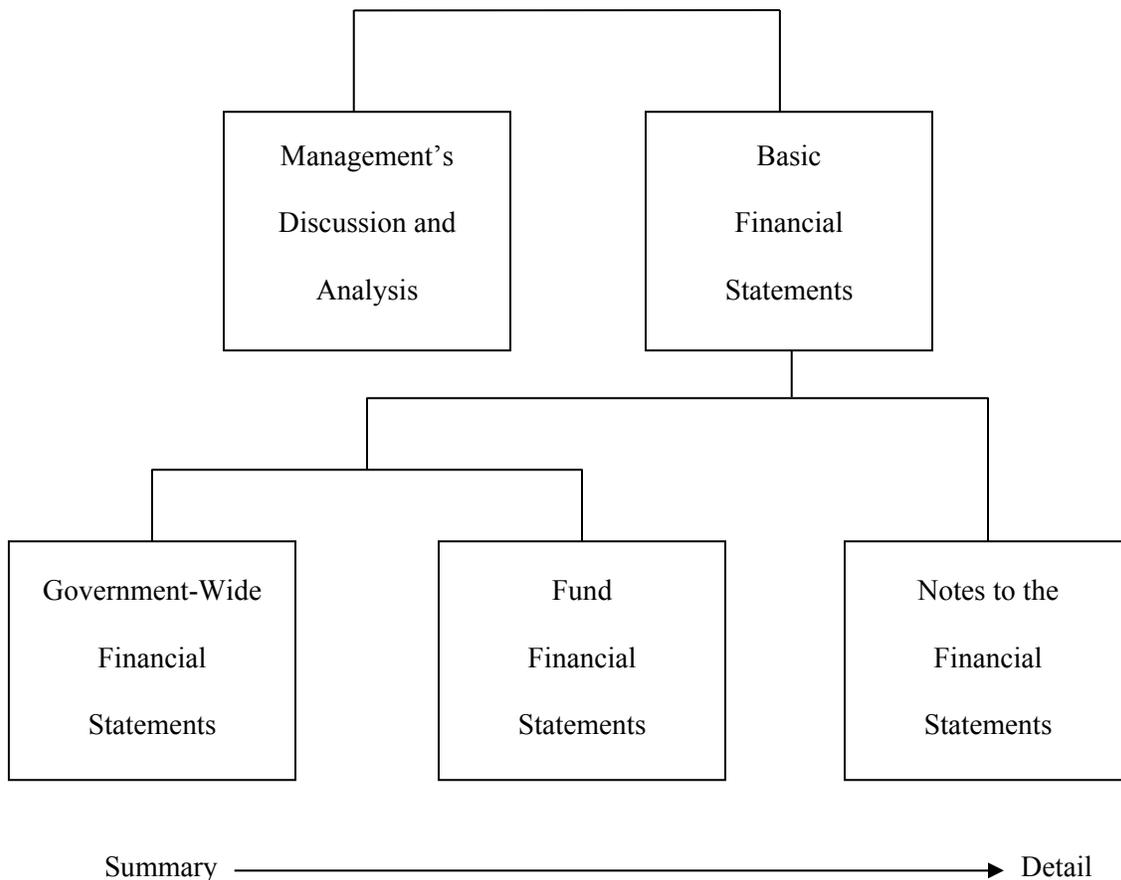
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$54,312,872 (*net position*).
- The government's total net position increased by \$4,464,415.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$7,305,658, an increase of \$1,172,144 in comparison with the prior year. Approximately 24.9% of this amount, or \$1,819,118, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,486,540 or 36.31%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt increased by \$792,693 during the current fiscal year. The key factor in this increase was that current year borrowings (DEQ loans in the Water and Sewer Fund for the Water Plant Upgrade and Line Rehab Projects, and miscellaneous installment debt borrowings) outpaced current year debt retirements.

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current assets	\$ 8,660,255	\$ 6,625,675	\$ 14,742,446	\$ 13,632,302	\$ 23,402,701	\$ 20,257,977
Other assets	294,937	703,685	243,140	333,939	538,077	1,037,624
Capital assets, net	9,796,514	9,373,531	66,914,991	64,771,376	76,711,505	74,144,907
Total assets	<u>18,751,706</u>	<u>16,702,891</u>	<u>81,900,577</u>	<u>78,737,617</u>	<u>100,652,283</u>	<u>95,440,508</u>
Deferred Outflows of Resources	<u>1,251,815</u>	<u>1,571,904</u>	<u>535,510</u>	<u>702,803</u>	<u>1,787,325</u>	<u>2,274,707</u>
Liabilities:						
Long-term liabilities	11,740,910	7,926,009	32,634,045	30,622,049	44,374,955	38,548,058
Other liabilities	843,127	820,769	1,808,667	2,238,124	2,651,794	3,058,893
Total liabilities	<u>12,584,037</u>	<u>8,746,778</u>	<u>34,442,712</u>	<u>32,860,173</u>	<u>47,026,749</u>	<u>41,606,951</u>
Deferred Inflows of Resources	<u>770,587</u>	<u>80,231</u>	<u>329,400</u>	<u>28,586</u>	<u>1,099,987</u>	<u>108,817</u>
Net Position:						
Net investment in capital assets	7,490,663	7,869,504	38,191,503	36,521,283	45,682,166	44,390,787
Restricted	1,769,114	1,652,091	-	-	1,769,114	1,652,091
Unrestricted	(2,610,880)	(73,809)	9,472,472	10,030,378	6,861,592	9,956,569
Total net position	<u>\$ 6,648,897</u>	<u>\$ 9,447,786</u>	<u>\$ 47,663,975</u>	<u>\$ 46,551,661</u>	<u>\$ 54,312,872</u>	<u>\$ 55,999,447</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 \$54,312,873 as of June 30, 2018. However, the largest portion (84%) 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 \$1,769,114 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,861,593 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,151,600	\$ 1,915,525	\$ 25,923,385	\$ 24,454,561	\$ 28,074,985	\$ 26,370,086
Operating grants and contributions	1,079,741	929,143	-	-	1,079,741	929,143
Capital grants and contributions	-	-	3,187,591	5,041,142	3,187,591	5,041,142
General revenues:						
Property taxes	6,147,585	5,579,726	-	-	6,147,585	5,579,726
Other taxes	3,768,274	3,288,545	-	-	3,768,274	3,288,545
Other	70,147	20,933	65,466	(27,937)	135,613	(7,004)
Total revenues	<u>13,217,347</u>	<u>11,733,872</u>	<u>29,176,442</u>	<u>29,467,766</u>	<u>42,393,789</u>	<u>41,201,638</u>
Expenses:						
General government	3,257,757	2,907,146	-	-	3,257,757	2,907,146
Public safety	4,701,627	4,649,281	-	-	4,701,627	4,649,281
Transportation	1,497,400	1,647,237	-	-	1,497,400	1,647,237
Environmental protection	1,440,917	1,168,498	-	-	1,440,917	1,168,498
Economic development	1,548,686	2,012,203	-	-	1,548,686	2,012,203
Culture and recreation	1,640,440	1,582,178	-	-	1,640,440	1,582,178
Interest expense	38,984	42,681	-	-	38,984	42,681
Water and sewer	-	-	5,801,572	4,760,026	5,801,572	4,760,026
Electric	-	-	12,972,360	11,787,063	12,972,360	11,787,063
Gas	-	-	4,646,731	4,359,573	4,646,731	4,359,573
Stormwater	-	-	382,900	446,867	382,900	446,867
Total expenses	<u>14,125,811</u>	<u>14,009,224</u>	<u>23,803,563</u>	<u>21,353,529</u>	<u>37,929,374</u>	<u>35,362,753</u>
Change in net position before transfers	(908,464)	(2,275,352)	5,372,879	8,114,237	4,464,415	5,838,885
Transfers	<u>2,358,057</u>	<u>2,379,000</u>	<u>(2,358,057)</u>	<u>(2,379,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,449,593</u>	<u>103,648</u>	<u>3,014,822</u>	<u>5,735,237</u>	<u>4,464,415</u>	<u>5,838,885</u>
Net Position:						
Beginning of year - July 1	9,447,786	9,873,160	46,551,661	40,816,424	55,999,447	50,689,584
Restatement	<u>(4,248,482)</u>	<u>(529,022)</u>	<u>(1,902,508)</u>	<u>-</u>	<u>(6,150,990)</u>	<u>(529,022)</u>
Beginning of year, restated	<u>5,199,304</u>	<u>9,344,138</u>	<u>44,649,153</u>	<u>40,816,424</u>	<u>49,848,457</u>	<u>50,160,562</u>
End of year - June 30	<u>\$ 6,648,897</u>	<u>\$ 9,447,786</u>	<u>\$ 47,663,975</u>	<u>\$ 46,551,661</u>	<u>\$ 54,312,872</u>	<u>\$ 55,999,447</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,449,593. The key elements of this increase are as follows:

- Increases in property taxes and other tax revenues such as local option sales taxes.
- An overall decrease in total expenses for all functions of roughly \$270,000 due to diligence in monitoring expenditures

Business-Type Activities. Business-type activities increased the City's net position by \$3,014,822. 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 used for debt retirement/repayments

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 \$5,755,294, while total fund balance reached \$6,755,571. 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 38.09 percent of total General Fund expenditures, while total fund balance represents 44.71 percent of that same amount.

At June 30, 2018, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$7,305,658 with a net increase of \$1,172,144. 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 \$1,328,124. With respect to actual versus final amended budget, revenues had a positive variance of \$1,107,562 due to an increase in property tax and other tax revenues. The expenditures recognized a positive variance of \$1,276,971. The major components of this positive variance are as follows:

- Capital outlay budgeted (\$230,000) was not expended in the fiscal year related to improvements at Patriot's Park
- 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 \$5,606,241. The amount of unrestricted net position for the Electric Fund was \$2,744,012, for the Gas Fund was \$1,285,246, and for the Stormwater Fund was (\$163,027). The total changes in net position for the four funds were \$2,918,036, (\$641,282), \$671,854, and \$66,214, 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, 2018 totals \$76,711,505 (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 the Water and Sewer Fund related to the water plant upgrade and waterline upgrades.
- Several large trucks were purchased (Sanitation (2) and Fire) in the General Fund, as well as bucket trucks (2) in the Electric Fund.

**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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 2,777,198	\$ 2,777,198	\$ 7,244,945	\$ 7,244,945	\$ 10,022,143	\$ 10,022,143
Infrastructure	312,937	377,562	-	-	312,937	377,562
Buildings	1,326,794	1,688,402	3,081,878	3,328,637	4,408,672	5,017,039
Other improvements	1,957,981	1,849,753	19,416,298	18,575,919	21,374,279	20,425,672
Equipment	1,255,682	1,420,484	4,757,729	4,849,916	6,013,411	6,270,400
Vehicles	1,858,275	1,085,685	1,055,762	663,444	2,914,037	1,749,129
Lines	-	-	30,809,187	19,124,611	30,809,187	19,124,611
Construction in progress	307,647	174,447	549,192	10,983,904	856,839	11,158,351
Total	<u>\$ 9,796,514</u>	<u>\$ 9,373,531</u>	<u>\$ 66,914,991</u>	<u>\$ 64,771,376</u>	<u>\$ 76,711,505</u>	<u>\$ 74,144,907</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, 2018, the City of Kings Mountain had total installment purchase debt outstanding of \$31,031,311. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Installment purchases	<u>\$ 2,307,823</u>	<u>\$ 1,988,525</u>	<u>\$ 28,723,488</u>	<u>\$ 28,250,093</u>	<u>\$ 31,031,311</u>	<u>\$ 30,238,618</u>

The City of Kings Mountain's total debt increased by \$792,693 during the current fiscal year. The key factor in this increase was that current year borrowings (DEQ loans in the Water and Sewer Fund for the Water Plant Upgrade and Line Rehab Projects, and miscellaneous installment debt borrowings) outpaced current year debt retirements.

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 \$84,120,503.

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 began operations in August 2018 of its \$400 plus million-dollar Electric Power Plant. 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 has already generated 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, 2019

Governmental Activities. The property tax rate remains unchanged at 43 cents per \$100 in assessed property value. The FY 18-19 General Fund budget increased roughly \$1.9 million dollars over prior year's originally adopted budget due to increased medical costs, new positions added in the Fire Department, COLA and wage and rate adjustments, and increases in budgeted capital outlay for improvements, new equipment and vehicles. The City looked at all rates and fees and there were no increases in City fees in the 18-19 General Fund budget.

Business-Type Activities. The City's utility base rates remained unchanged for the 18-19 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 does anticipate significant increases in Water/sewer volume given a partial year of NTE operations in FYE 18-19. The City also anticipates a decrease in purchased power costs as our contract with NTE will begin 1-1-19.

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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BASIC FINANCIAL STATEMENTS

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 7,565,586	\$ 10,983,620	\$ 18,549,206	\$ 451,932	\$ 227,923
Taxes receivable, net	64,591	-	64,591	-	-
Accounts receivable, net	294,731	2,660,044	2,954,775	40	-
Due from other governments	747,315	-	747,315	-	11,971
Internal balances	(60,000)	60,000	-	-	-
Inventories	48,032	1,038,782	1,086,814	90,483	-
Prepaid items	-	-	-	6,250	-
Total current assets	8,660,255	14,742,446	23,402,701	548,705	239,894
Restricted assets:					
Cash and cash equivalents	294,937	243,140	538,077	-	-
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	3,084,845	7,794,137	10,878,982	119,103	-
Other capital assets, net of depreciation	6,711,669	59,120,854	65,832,523	18,145	-
Total capital assets	9,796,514	66,914,991	76,711,505	137,248	-
Total assets	18,751,706	81,900,577	100,652,283	685,953	239,894
Deferred Outflows of Resources					
Pension deferrals	1,064,065	449,640	1,513,705	13,976	-
OPEB deferrals	187,750	85,870	273,620	-	-
Total deferred outflows of resources	1,251,815	535,510	1,787,325	13,976	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	843,127	1,565,527	2,408,654	147,257	4,644
Liabilities to be paid from restricted assets:					
Customer deposits	-	243,140	243,140	-	-
Long-term liabilities:					
Net pension liability - LGERS	1,241,026	557,562	1,798,588	8,708	-
Total pension liability - LEOSSA	893,642	-	893,642	-	-
Total OPEB liability	6,970,516	3,188,065	10,158,581	-	-
Due within one year	742,075	2,366,907	3,108,982	-	-
Due in more than one year	1,893,652	26,521,511	28,415,163	-	-
Total liabilities	12,584,037	34,442,712	47,026,749	155,965	4,644
Deferred Inflows of Resources:					
OPEB deferrals	671,698	307,211	978,909	-	-
Pension deferrals	98,889	22,189	121,078	246	-
Total deferred inflows of resources	770,587	329,400	1,099,987	246	-
Net Position:					
Net investment in capital assets	7,490,663	38,191,503	45,682,166	137,248	-
Restricted for:					
Perpetual maintenance	27,663	-	27,663	-	-
Stabilization by State statute	955,546	-	955,546	-	11,971
Streets - Powell Bill	94,397	-	94,397	-	-
Public safety	271,271	-	271,271	-	-
Cultural and recreational	420,237	-	420,237	-	-
Working capital	-	-	-	53,647	-
Capital improvements	-	-	-	119,309	-
Tourism promotion	-	-	-	-	223,279
Unrestricted	(2,610,880)	9,472,472	6,861,592	233,514	-
Total net position	\$ 6,648,897	\$ 47,663,975	\$ 54,312,872	\$ 543,718	\$ 235,250

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, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 3,257,757	\$ 158,936	\$ -	\$ -
Public safety	4,701,627	4,049	207,630	-
Transportation	1,497,400	-	350,275	-
Economic and physical development	1,548,686	187,829	105,646	-
Environmental protection	1,440,917	1,342,773	-	-
Culture and recreation	1,640,440	458,013	416,190	-
Interest expense	38,984	-	-	-
Total governmental activities	<u>14,125,811</u>	<u>2,151,600</u>	<u>1,079,741</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	5,801,572	5,503,973	-	3,187,591
Electric	12,972,360	14,456,731	-	-
Gas	4,646,731	5,514,075	-	-
Stormwater	382,900	448,606	-	-
Total business-type activities	<u>23,803,563</u>	<u>25,923,385</u>	<u>-</u>	<u>3,187,591</u>
Total primary government	<u>\$ 37,929,374</u>	<u>\$ 28,074,985</u>	<u>\$ 1,079,741</u>	<u>\$ 3,187,591</u>
Component Units:				
ABC Board	\$ 1,729,624	\$ 1,808,288	\$ -	\$ -
Tourism Development Authority Board	95,999	-	-	-
Total component units	<u>\$ 1,825,623</u>	<u>\$ 1,808,288</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, 2018

	<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	\$ (3,098,821)	\$ -	\$ (3,098,821)		
Public safety	(4,489,948)	-	(4,489,948)		
Transportation	(1,147,125)	-	(1,147,125)		
Economic and physical development	(1,255,211)	-	(1,255,211)		
Environmental protection	(98,144)	-	(98,144)		
Culture and recreation	(766,237)	-	(766,237)		
Interest expense	(38,984)	-	(38,984)		
Total governmental activities	<u>(10,894,470)</u>	<u>-</u>	<u>(10,894,470)</u>		
Business-Type Activities:					
Water and sewer	-	2,889,992	2,889,992		
Electric	-	1,484,371	1,484,371		
Gas	-	867,344	867,344		
Stormwater	-	65,706	65,706		
Total business-type activities	<u>-</u>	<u>5,307,413</u>	<u>5,307,413</u>		
Total primary government	<u>(10,894,470)</u>	<u>5,307,413</u>	<u>(5,587,057)</u>		
Component Units:					
ABC Board				\$ 78,664	\$ -
Tourism Development Authority Board				<u>-</u>	<u>(95,999)</u>
Total component units				<u>78,664</u>	<u>(95,999)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	6,147,585	-	6,147,585	-	-
Local option sales tax	1,879,342	-	1,879,342	-	-
Payment in lieu of taxes	165,800	-	165,800	-	-
Franchise taxes	999,448	-	999,448	-	-
Other taxes and licenses	723,684	-	723,684	-	131,599
Unrestricted investment earnings	70,147	35,074	105,221	669	590
Miscellaneous	-	30,392	30,392	-	959
Total general revenues before transfers	<u>9,986,006</u>	<u>65,466</u>	<u>10,051,472</u>	<u>669</u>	<u>133,148</u>
Transfers	<u>2,358,057</u>	<u>(2,358,057)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>12,344,063</u>	<u>(2,292,591)</u>	<u>10,051,472</u>	<u>669</u>	<u>133,148</u>
Change in net position	<u>1,449,593</u>	<u>3,014,822</u>	<u>4,464,415</u>	<u>79,333</u>	<u>37,149</u>
Net Position:					
Beginning of year - July 1	9,447,786	46,551,661	55,999,447	464,385	198,101
Restatement	(4,248,482)	(1,902,508)	(6,150,990)	-	-
Beginning of year, restated	<u>5,199,304</u>	<u>44,649,153</u>	<u>49,848,457</u>	<u>464,385</u>	<u>198,101</u>
End of year - June 30	<u>\$ 6,648,897</u>	<u>\$ 47,663,975</u>	<u>\$ 54,312,872</u>	<u>\$ 543,718</u>	<u>\$ 235,250</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<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	\$ 6,003,720	\$ 549,550	\$ 6,553,270
Cash and cash equivalents, restricted	267,274	27,663	294,937
Taxes receivable, net	64,591	-	64,591
Accounts receivable, net	208,231	-	208,231
Due from other governments	744,014	3,301	747,315
Inventories	48,032	-	48,032
Total assets	<u>\$ 7,335,862</u>	<u>\$ 580,514</u>	<u>\$ 7,916,376</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 455,700	\$ 30,427	\$ 486,127
Due to other funds	60,000	-	60,000
Total liabilities	<u>515,700</u>	<u>30,427</u>	<u>546,127</u>
Deferred Inflows of Resources:			
Property taxes receivable	64,591	-	64,591
Fund Balances:			
Non-spendable:			
Inventories	48,032	-	48,032
Perpetual maintenance	-	27,663	27,663
Restricted:			
Stabilization by state statute	952,245	3,301	955,546
Streets	94,397	-	94,397
Public safety	86,212	187,031	273,243
Cultural and recreational	88,145	332,092	420,237
Unassigned	5,486,540	-	5,486,540
Total fund balances	<u>6,755,571</u>	<u>550,087</u>	<u>7,305,658</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,335,862</u>	<u>\$ 580,514</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.	9,796,514
The assets and liabilities of internal service funds are included in the Statement of Net Position.	773,816
Net pension liability - LGERS	(1,241,026)
Total pension liability - LEOSSA	(893,642)
Total OPEB liability	(6,970,516)
Deferred outflows of resources related to pensions are not reported in the funds	1,064,065
Deferred outflows of resources related to OPEB are not reported in the funds	187,750
Deferred inflows of resources related to pensions are not reported in the funds	(98,889)
Deferred intflows of resources related to OPEB are not reported in the funds	(671,698)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	64,591
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>(2,667,726)</u>
Net position of governmental activities	<u>\$ 6,648,897</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, 2018

	<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	\$ 6,146,375	\$ -	\$ 6,146,375
Other taxes and licenses	3,768,274	-	3,768,274
Restricted intergovernmental	971,866	39,612	1,011,478
Permits and fees	188,498	-	188,498
Sales and services	1,748,391	-	1,748,391
Donations	-	67,621	67,621
Investment earnings	69,033	1,114	70,147
Miscellaneous	215,353	-	215,353
Total revenues	<u>13,107,790</u>	<u>108,347</u>	<u>13,216,137</u>
Expenditures:			
Current:			
General government	3,119,193	-	3,119,193
Public safety	4,743,310	75,170	4,818,480
Transportation	1,561,050	-	1,561,050
Economic and physical development	1,523,001	26,744	1,549,745
Environmental protection	1,843,559	-	1,843,559
Culture and recreation	1,793,337	-	1,793,337
Debt service:			
Principal	490,501	-	490,501
Interest	35,984	-	35,984
Total expenditures	<u>15,109,935</u>	<u>101,914</u>	<u>15,211,849</u>
Revenues over (under) expenditures	<u>(2,002,145)</u>	<u>6,433</u>	<u>(1,995,712)</u>
Other Financing Sources (Uses):			
Transfers in	2,505,957	3,500	2,509,457
Transfers out	(3,500)	(147,900)	(151,400)
Issuance of debt	809,799	-	809,799
Total other financing sources (uses)	<u>3,312,256</u>	<u>(144,400)</u>	<u>3,167,856</u>
Net change in fund balances	1,310,111	(137,967)	1,172,144
Fund Balances:			
Beginning of year - July 1	<u>5,445,460</u>	<u>688,054</u>	<u>6,133,514</u>
End of year - June 30	<u>\$ 6,755,571</u>	<u>\$ 550,087</u>	<u>\$ 7,305,658</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, 2018**

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 \$ 1,172,144

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.

Capital outlay	\$ 1,865,719	
Depreciation expense	<u>(1,442,736)</u>	422,983

Change in deferred inflows for tax revenues 1,210

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. 426,290

Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position. 17,461

OPEB benefit payments made in the current fiscal year are not included on the Statement of Activities 163,842

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:

Issuance of debt	(809,799)	
Repayment of debt principal	490,501	
OPEB plan expense	(369,773)	
Pension expense - LGERS	(427,208)	
Pension expense - LEOSSA	(51,201)	
Accrual of interest expense payable	(3,000)	
Accrual of compensated absences	<u>(16,977)</u>	(1,187,457)

Net revenue of internal service funds determined to be governmental-type 433,120

Total change in net position of governmental activities (Exhibit B) \$ 1,449,593

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 5,670,000	\$ 5,920,000	\$ 6,146,375	\$ 226,375
Other taxes	3,280,500	3,290,500	3,768,274	477,774
Restricted intergovernmental	754,733	830,441	971,866	141,425
Permits and fees	135,800	135,800	188,498	52,698
Investment earnings	10,000	10,000	69,033	59,033
Sales and services	1,714,300	1,714,300	1,748,391	34,091
Miscellaneous	181,337	189,187	215,353	26,166
Total revenues	<u>11,746,670</u>	<u>12,090,228</u>	<u>13,107,790</u>	<u>1,017,562</u>
Expenditures:				
Current:				
General government	2,632,419	3,543,219	3,119,193	424,026
Public safety	5,104,818	5,057,668	4,743,310	314,358
Transportation	1,634,741	1,682,237	1,561,050	121,187
Economic and physical development	1,560,900	1,728,900	1,523,001	205,899
Environmental protection	1,673,907	1,873,673	1,843,559	30,114
Culture and recreation	1,925,139	1,974,351	1,793,337	181,014
Debt service:				
Principal retirement	490,501	490,501	490,501	-
Interest and fees	36,357	36,357	35,984	373
Total expenditures	<u>15,058,782</u>	<u>16,386,906</u>	<u>15,109,935</u>	<u>1,276,971</u>
Revenues over (under) expenditures	<u>(3,312,112)</u>	<u>(4,296,678)</u>	<u>(2,002,145)</u>	<u>2,294,533</u>
Other Financing Sources (Uses):				
Transfers in	2,022,657	2,505,957	2,505,957	-
Transfers out	(98,500)	(98,500)	(3,500)	95,000
Issuance of debt	703,500	831,266	809,799	(21,467)
Total other financing sources (uses)	<u>2,627,657</u>	<u>3,238,723</u>	<u>3,312,256</u>	<u>73,533</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(684,455)</u>	<u>(1,057,955)</u>	<u>1,310,111</u>	<u>2,368,066</u>
Fund balance appropriated	<u>684,455</u>	<u>1,057,955</u>	<u>-</u>	<u>1,057,955</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,310,111</u>	<u>\$ 1,310,111</u>
Fund Balance:				
Beginning of year - July 1			<u>5,445,460</u>	
End of year - June 30			<u>\$ 6,755,571</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, 2018

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 6,244,675	\$ 2,897,044	\$ 1,668,136	\$ 173,765	\$ 10,983,620	\$ 1,012,316
Cash - restricted	62,921	119,144	61,075	-	243,140	-
Accounts receivable, net	838,882	1,473,786	301,269	46,107	2,660,044	86,500
Due from other funds	-	10,000	50,000	-	60,000	-
Inventories	451,830	466,883	120,069	-	1,038,782	-
Total current assets	<u>7,598,308</u>	<u>4,966,857</u>	<u>2,200,549</u>	<u>219,872</u>	<u>14,985,586</u>	<u>1,098,816</u>
Non-current assets:						
Capital assets:						
Land and other non-depreciable assets	7,723,247	39,890	31,000	-	7,794,137	-
Other capital assets, net of depreciation	48,817,333	6,025,043	4,034,355	244,123	59,120,854	-
Total capital assets	<u>56,540,580</u>	<u>6,064,933</u>	<u>4,065,355</u>	<u>244,123</u>	<u>66,914,991</u>	<u>-</u>
Total assets	<u>64,138,888</u>	<u>11,031,790</u>	<u>6,265,904</u>	<u>463,995</u>	<u>81,900,577</u>	<u>1,098,816</u>
Deferred Outflows of Resources						
Pension Deferrals	203,065	130,540	72,523	43,512	449,640	-
OPEB deferrals	37,841	24,742	14,554	8,733	85,870	-
Total deferred outflows of resources	<u>240,906</u>	<u>155,282</u>	<u>87,077</u>	<u>52,245</u>	<u>535,510</u>	<u>-</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	305,915	1,024,209	228,259	7,144	1,565,527	325,000
Liabilities to be paid from restricted assets:						
Customer deposits	62,921	119,144	61,075	-	243,140	-
Current portion of compensated absences	31,010	29,674	13,559	8,223	82,466	-
Current portion of long-term liabilities	1,861,541	201,831	187,194	33,875	2,284,441	-
Total current liabilities	<u>2,261,387</u>	<u>1,374,858</u>	<u>490,087</u>	<u>49,242</u>	<u>4,175,574</u>	<u>325,000</u>
Non-current liabilities:						
Net pension liability - LGERS	251,805	161,872	89,929	53,956	557,562	-
Notes payable	25,056,783	232,917	1,130,884	18,463	26,439,047	-
Total OPEB liability	1,404,910	918,595	540,350	324,210	3,188,065	-
Compensated absences	31,010	29,673	13,559	8,222	82,464	-
Total non-current liabilities	<u>26,744,508</u>	<u>1,343,057</u>	<u>1,774,722</u>	<u>404,851</u>	<u>30,267,138</u>	<u>-</u>
Total liabilities	<u>29,005,895</u>	<u>2,717,915</u>	<u>2,264,809</u>	<u>454,093</u>	<u>34,442,712</u>	<u>325,000</u>
Deferred Inflows of Resources						
Pension deferrals	10,021	6,442	3,579	2,147	22,189	-
OPEB deferrals	135,381	88,518	52,070	31,242	307,211	-
Total deferred inflows of resources	<u>145,402</u>	<u>94,960</u>	<u>55,649</u>	<u>33,389</u>	<u>329,400</u>	<u>-</u>
Net Position:						
Net investment in capital assets	29,622,256	5,630,185	2,747,277	191,785	38,191,503	-
Unrestricted	<u>5,606,241</u>	<u>2,744,012</u>	<u>1,285,246</u>	<u>(163,027)</u>	<u>9,472,472</u>	<u>773,816</u>
Total net position	<u>\$ 35,228,497</u>	<u>\$ 8,374,197</u>	<u>\$ 4,032,523</u>	<u>\$ 28,758</u>	<u>\$ 47,663,975</u>	<u>\$ 773,816</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, 2018

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Service Funds
Operating Revenues:						
Charges for services	\$ 5,416,014	\$ 14,078,447	\$ 4,799,326	\$ 446,606	\$ 24,740,393	\$ 4,448,081
Miscellaneous revenues	87,959	378,284	714,749	2,000	1,182,992	-
Total operating revenues	<u>5,503,973</u>	<u>14,456,731</u>	<u>5,514,075</u>	<u>448,606</u>	<u>25,923,385</u>	<u>4,448,081</u>
Operating Expenses:						
Salaries and fringe benefits	1,601,962	1,978,253	870,466	313,329	4,764,010	-
Cost of merchandise sold	631,230	7,991,964	2,767,159	-	11,390,353	-
Other operating expenses	1,348,331	2,340,476	715,247	34,384	4,438,438	-
Depreciation	2,191,400	651,287	279,369	34,184	3,156,240	-
Excess policy fees	-	-	-	-	-	103,343
Administrative fees	-	-	-	-	-	208,383
Claims	-	-	-	-	-	3,704,856
Total operating expenses	<u>5,772,923</u>	<u>12,961,980</u>	<u>4,632,241</u>	<u>381,897</u>	<u>23,749,041</u>	<u>4,016,582</u>
Operating income (loss)	<u>(268,950)</u>	<u>1,494,751</u>	<u>881,834</u>	<u>66,709</u>	<u>2,174,344</u>	<u>431,499</u>
Non-Operating Revenues (Expenses):						
Interest income	16,337	13,719	4,510	508	35,074	1,621
Interest expense	(28,649)	(10,380)	(14,490)	(1,003)	(54,522)	-
Gain (loss) on disposal of capital assets	<u>11,707</u>	<u>18,685</u>	<u>-</u>	<u>-</u>	<u>30,392</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(605)</u>	<u>22,024</u>	<u>(9,980)</u>	<u>(495)</u>	<u>10,944</u>	<u>1,621</u>
Income (loss) before transfers and capital contributions	<u>(269,555)</u>	<u>1,516,775</u>	<u>871,854</u>	<u>66,214</u>	<u>2,185,288</u>	<u>433,120</u>
Transfers from other funds	-	150,000	-	-	150,000	-
Transfers to other funds	-	(2,308,057)	(200,000)	-	(2,508,057)	-
Capital contributions	<u>3,187,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,187,591</u>	<u>-</u>
Total transfers and capital contributions	<u>3,187,591</u>	<u>(2,158,057)</u>	<u>(200,000)</u>	<u>-</u>	<u>829,534</u>	<u>-</u>
Change in net position	<u>2,918,036</u>	<u>(641,282)</u>	<u>671,854</u>	<u>66,214</u>	<u>3,014,822</u>	<u>433,120</u>
Net Position:						
Beginning of year - July 1	33,105,799	9,538,294	3,681,925	225,643	46,551,661	340,696
Prior period adjustment	<u>(795,338)</u>	<u>(522,815)</u>	<u>(321,256)</u>	<u>(263,099)</u>	<u>(1,902,508)</u>	<u>-</u>
Beginning of year, restated	<u>32,310,461</u>	<u>9,015,479</u>	<u>3,360,669</u>	<u>(37,456)</u>	<u>44,649,153</u>	<u>340,696</u>
End of year - June 30	<u>\$ 35,228,497</u>	<u>\$ 8,374,197</u>	<u>\$ 4,032,523</u>	<u>\$ 28,758</u>	<u>\$ 47,663,975</u>	<u>\$ 773,816</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, 2018

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 5,145,199	\$ 13,890,304	\$ 4,890,404	\$ 424,443	\$ 24,350,350	\$ 3,646,740
Cash paid for goods and services	(2,551,351)	(10,102,213)	(3,485,223)	(35,034)	(16,173,821)	(3,236,051)
Cash paid to employees for services	(1,556,983)	(1,949,953)	(852,107)	(300,767)	(4,659,810)	-
Cash received (paid) for customer deposits	(20,709)	(43,547)	(26,543)	-	(90,799)	-
Other operating revenues	87,959	378,284	714,749	2,000	1,182,992	-
Net cash provided (used) by operating activities	<u>1,104,115</u>	<u>2,172,875</u>	<u>1,241,280</u>	<u>90,642</u>	<u>4,608,912</u>	<u>410,689</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(4,181,293)	(759,407)	(320,069)	(48,150)	(5,308,919)	-
Principal paid on bonds and equipment contracts	(2,066,165)	(432,587)	(354,257)	(33,313)	(2,886,322)	-
Proceeds from issuance of debt	2,974,857	309,652	75,208	-	3,359,717	-
Proceeds from sale of capital assets	16,031	23,425	-	-	39,456	-
Interest expense	(31,649)	(9,880)	(15,490)	(1,453)	(58,472)	-
Net cash provided (used) by capital and related financing activities	<u>(3,288,219)</u>	<u>(868,797)</u>	<u>(614,608)</u>	<u>(82,916)</u>	<u>(4,854,540)</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:						
Capital contributions	3,187,591	-	-	-	3,187,591	-
(Increase) decrease in due from other funds	-	10,000	50,000	-	60,000	-
Operating transfers	-	(2,158,057)	(200,000)	-	(2,358,057)	-
Net cash provided (used) by non-capital financing activities	<u>3,187,591</u>	<u>(2,148,057)</u>	<u>(150,000)</u>	<u>-</u>	<u>889,534</u>	<u>-</u>
Cash Flows from Investing Activities:						
Interest income	16,337	13,719	4,510	508	35,074	1,621
Net increase (decrease) in cash and cash equivalents	1,019,824	(830,260)	481,182	8,234	678,980	412,310
Cash and Cash Equivalents:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 6,307,596</u>	<u>\$ 3,016,188</u>	<u>\$ 1,729,211</u>	<u>\$ 173,765</u>	<u>\$ 11,226,760</u>	<u>\$ 1,012,316</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ (268,950)	\$ 1,494,751	\$ 881,834	\$ 66,709	\$ 2,174,344	\$ 431,499
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,191,400	651,287	279,369	34,184	3,156,240	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	(270,815)	(188,143)	91,078	(22,163)	(390,043)	331
Inventories	(66,434)	59,404	(3,292)	-	(10,322)	-
Deferred outflows of resources - pensions	76,492	48,757	26,278	15,766	167,293	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(502,068)	171,865	2,805	2,294	(325,104)	(21,141)
Accrued OPEB liability	(56,035)	(36,638)	(21,552)	(12,931)	(127,156)	-
Customer deposits	(20,709)	(43,547)	(26,543)	-	(90,799)	-
Deferred inflows of resources - pensions	132,492	86,661	51,038	30,623	300,814	-
Net pension liability - LGERS	(111,258)	(71,522)	(39,735)	(23,840)	(246,355)	-
Net cash provided (used) by operating activities	<u>\$ 1,104,115</u>	<u>\$ 2,172,875</u>	<u>\$ 1,241,280</u>	<u>\$ 90,642</u>	<u>\$ 4,608,912</u>	<u>\$ 410,689</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, 2018**

	<u>Firefighter's Retirement Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>233,533</u>
Liabilities:	
Intergovernmental payable	\$ <u>233,533</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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) government money market fund, 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, 2018

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	\$	94,397
Public safety		82,760
Unspent debt proceeds		1,972
Cultural and recreation		88,145
Nonmajor Funds:		
Perpetual maintenance		<u>27,663</u>
Total governmental activities		<u>294,937</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits		62,921
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Electric Fund:

Customer deposits		119,144
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Gas Fund:

Customer deposits		<u>61,075</u>
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Total business-type activities		<u>243,140</u>
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Total restricted cash	\$	<u><u>538,077</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, 2017. 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, 2018

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, 2018

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, pension deferrals and OPEB deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category – property taxes receivable, pension deferrals, and OPEB deferrals.

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, 2018

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.

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, 2018

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. \$60,312 is restricted in the General Fund by police contributions and forfeiture funds. \$23,928 is restricted in the General Fund by fire museum contributions. \$1,972 is restricted in the General Fund for unspent debt proceeds. \$187,031 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 \$88,145 restricted for future culture and recreation expenditures while the nonmajor funds have \$332,092 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 \$1,972 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.

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.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 6,755,571
Less:	
Inventories	48,032
Stabilization by state statute	<u>952,245</u>
Total available fund balance	<u>\$ 5,755,294</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.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, the City's deposits had a carrying amount of \$12,262,940 and a bank balance of \$12,831,457. Of the bank balance, \$769,954 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 \$227,923 and the bank balance was \$228,370. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$368,867 and the bank balance was \$347,461. The bank balance of the ABC Board was fully covered by federal depository insurance. The ABC Board had certificates of deposit totaling \$81,065 and petty cash funds of \$2,000.

At June 30, 2018, the City's petty cash funds totaled \$2,280.

Investments

At June 30, 2018, the City of Kings Mountain had \$7,055,596 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2018 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 208,231	\$ 127,959	\$ 744,014	\$ 1,080,204
Nonmajor - Emergency Telephone System	-	-	3,301	3,301
Nonmajor - internal service funds	86,500	-	-	86,500
Allowance for doubtful accounts	-	(63,368)	-	(63,368)
Total governmental activities	<u>\$ 294,731</u>	<u>\$ 64,591</u>	<u>\$ 747,315</u>	<u>\$ 1,106,637</u>
Business-Type Activities:				
Water and sewer	\$ 906,618	\$ -	\$ -	\$ 906,618
Electric	1,660,053	-	-	1,660,053
Gas	334,851	-	-	334,851
Stormwater	50,941	-	-	50,941
Allowance for doubtful accounts	(292,419)	-	-	(292,419)
Total business-type activities	<u>\$ 2,660,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,660,044</u>

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

Governmental Activities:	
Local option sales tax	\$ 419,445
Sales tax reimbursement	275,442
DMV MV taxes	49,127
911 funds	<u>3,301</u>
Total	<u>\$ 747,315</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,777,198	\$ -	\$ -	\$ -	\$ 2,777,198
Construction in progress	<u>174,447</u>	<u>261,581</u>	<u>-</u>	<u>(128,381)</u>	<u>307,647</u>
Total non-depreciable capital assets	<u>2,951,645</u>	<u>261,581</u>	<u>-</u>	<u>(128,381)</u>	<u>3,084,845</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,631,469	-	-	-	10,631,469
Other improvements	2,298,988	93,731	-	128,381	2,521,100
Equipment	3,500,925	82,413	(75,018)	-	3,508,320
Vehicles	<u>5,235,333</u>	<u>1,427,994</u>	<u>(235,843)</u>	<u>56,856</u>	<u>6,484,340</u>
Total depreciable capital assets	<u>24,735,495</u>	<u>1,604,138</u>	<u>(310,861)</u>	<u>185,237</u>	<u>26,214,009</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,691,218	64,625	-	-	2,755,843
Buildings	8,943,067	361,608	-	-	9,304,675
Other improvements	449,235	113,884	-	-	563,119
Equipment	2,080,441	247,215	(75,018)	-	2,252,638
Vehicles	<u>4,149,648</u>	<u>655,404</u>	<u>(235,843)</u>	<u>56,856</u>	<u>4,626,065</u>
Total accumulated depreciation	<u>18,313,609</u>	<u>\$ 1,442,736</u>	<u>\$ (310,861)</u>	<u>\$ 56,856</u>	<u>19,502,340</u>
Total depreciable capital assets, net	<u>6,421,886</u>				<u>6,711,669</u>
Governmental activities capital assets, net	<u>\$ 9,373,531</u>				<u>\$ 9,796,514</u>

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

Governmental Activities:	
General government	\$ 164,673
Public safety	469,754
Transportation	180,842
Economic and physical development	5,419
Environmental protection	318,411
Cultural and recreational	<u>303,637</u>
Total depreciation expense	<u>\$ 1,442,736</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	10,983,904	3,802,870	-	(14,237,582)	549,192
Total non-depreciable capital assets	<u>18,157,959</u>	<u>3,802,870</u>	<u>-</u>	<u>(14,237,582)</u>	<u>7,723,247</u>
Depreciable Capital Assets:					
Buildings	14,522,183	-	-	-	14,522,183
Other improvements	51,694,215	314,000	-	1,642,716	53,650,931
Lines	17,222,795	64,423	-	12,560,157	29,847,375
Equipment	7,166,737	-	(23,500)	34,709	7,177,946
Vehicles	1,006,334	-	-	-	1,006,334
Total depreciable capital assets	<u>91,612,264</u>	<u>378,423</u>	<u>(23,500)</u>	<u>14,237,582</u>	<u>106,204,769</u>
Less Accumulated Depreciation:					
Buildings	12,291,440	158,739	-	-	12,450,179
Other improvements	33,760,589	1,074,659	-	-	34,835,248
Lines	3,599,344	658,930	-	-	4,258,274
Equipment	4,646,332	257,708	(19,176)	-	4,884,864
Vehicles	917,507	41,364	-	-	958,871
Total accumulated depreciation	<u>55,215,212</u>	<u>\$ 2,191,400</u>	<u>\$ (19,176)</u>	<u>\$ -</u>	<u>57,387,436</u>
Total depreciable capital assets, net	<u>36,397,052</u>				<u>48,817,333</u>
Water and Sewer Fund capital assets, net	<u>54,555,011</u>				<u>56,540,580</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	\$ -	\$ -	\$ -	39,890
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	1,202,851	-	-	-	1,202,851
Lines	5,884,733	39,671	-	-	5,924,404
Equipment	2,014,276	150,996	-	-	2,165,272
Vehicles	1,377,482	568,740	(214,309)	-	1,731,913
Total depreciable capital assets	<u>12,794,499</u>	<u>759,407</u>	<u>(214,309)</u>	<u>-</u>	<u>13,339,597</u>
Less Accumulated Depreciation:					
Buildings	1,379,390	79,504	-	-	1,458,894
Other improvements	619,935	88,633	-	-	708,568
Lines	3,096,850	213,234	-	-	3,310,084
Equipment	854,422	112,358	-	-	966,780
Vehicles	922,239	157,558	(209,569)	-	870,228
Total accumulated depreciation	<u>6,872,836</u>	<u>\$ 651,287</u>	<u>\$ (209,569)</u>	<u>\$ -</u>	<u>7,314,554</u>
Total depreciable capital assets, net	<u>5,921,663</u>				<u>6,025,043</u>
Electric Fund capital assets, net	<u>5,961,553</u>				<u>6,064,933</u>
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	-	-	-	31,000
Total non-depreciable capital assets	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Depreciable Capital Assets:					
Buildings	170,327	-	-	-	170,327
Lines	4,179,807	33,921	-	-	4,213,728
Equipment	1,481,225	210,940	-	-	1,692,165
Vehicles	314,740	75,208	-	(56,856)	333,092
Total depreciable capital assets	<u>6,146,099</u>	<u>320,069</u>	<u>-</u>	<u>(56,856)</u>	<u>6,409,312</u>
Less Accumulated Depreciation:					
Buildings	32,107	8,516	-	-	40,623
Lines	1,466,530	141,432	-	-	1,607,962
Equipment	421,269	95,939	-	-	517,208
Vehicles	232,538	33,482	-	(56,856)	209,164
Total accumulated depreciation	<u>2,152,444</u>	<u>\$ 279,369</u>	<u>\$ -</u>	<u>\$ (56,856)</u>	<u>2,374,957</u>
Total depreciable capital assets, net	<u>3,993,655</u>				<u>4,034,355</u>
Gas Fund capital assets, net	<u>4,024,655</u>				<u>4,065,355</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	\$ -	\$ -	\$ -	23,907
Other improvements	62,419	48,150	-	-	110,569
Equipment	311,434	-	-	-	311,434
Vehicles	109,573	-	-	-	109,573
Total depreciable capital assets	<u>507,333</u>	<u>48,150</u>	<u>-</u>	<u>-</u>	<u>555,483</u>
Less Accumulated Depreciation:					
Buildings	3,042	1,195	-	-	4,237
Other improvements	2,733	4,146	-	-	6,879
Equipment	199,000	14,357	-	-	213,357
Vehicles	72,401	14,486	-	-	86,887
Total accumulated depreciation	<u>277,176</u>	<u>\$ 34,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>311,360</u>
Total depreciable capital assets, net	<u>230,157</u>				<u>244,123</u>
Stormwater Fund capital assets, net	<u>230,157</u>				<u>244,123</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	18,228,849				7,794,137
Depreciable capital assets, net of depreciation	<u>46,542,527</u>				<u>59,120,854</u>
Total business-type capital assets, net	<u>\$ 64,771,376</u>				<u>\$ 66,914,991</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2018 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 9,796,514	\$ 66,914,991
Long-term debt	(2,307,823)	(28,723,488)
Add: unexpended debt proceeds	1,972	-
Net investment in capital assets	<u>\$ 7,490,663</u>	<u>\$ 38,191,503</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

ABC Board

Activity for the ABC Board for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Non-Depreciable Capital Assets:				
Land	\$ 88,835	\$ 30,268	\$ -	\$ 119,103
Total non-depreciable capital assets	<u>88,835</u>	<u>30,268</u>	<u>-</u>	<u>119,103</u>
Depreciable Capital Assets:				
Buildings and improvements	216,257	-	-	216,257
Equipment	<u>67,560</u>	<u>7,000</u>	<u>-</u>	<u>74,560</u>
Total depreciable capital assets	<u>283,817</u>	<u>7,000</u>	<u>-</u>	<u>290,817</u>
Less Accumulated Depreciation:				
Buildings and improvements	216,257	-	-	216,257
Equipment	<u>50,950</u>	<u>5,465</u>	<u>-</u>	<u>56,415</u>
Total accumulated depreciation	<u>267,207</u>	<u>\$ 5,465</u>	<u>\$ -</u>	<u>272,672</u>
Total depreciable capital assets, net	<u>16,610</u>			<u>18,145</u>
ABC Board capital assets, net	<u>\$ 105,445</u>			<u>\$ 137,248</u>

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 272,193	\$ 183,507	\$ 32,000	\$ 487,700
Special revenue fund	6,333	-	-	6,333
Capital project funds	24,094	-	-	24,094
Internal service funds	<u>325,000</u>	<u>-</u>	<u>-</u>	<u>325,000</u>
Total governmental activities	<u>\$ 627,620</u>	<u>\$ 183,507</u>	<u>\$ 32,000</u>	<u>\$ 843,127</u>
Business-Type Activities:				
Water and sewer	\$ 260,240	\$ 38,175	\$ 7,500	\$ 305,915
Electric	994,572	24,137	5,500	1,024,209
Gas	207,242	16,017	5,000	228,259
Stormwater	<u>1,451</u>	<u>4,893</u>	<u>800</u>	<u>7,144</u>
Total business-type activities	<u>\$ 1,463,505</u>	<u>\$ 83,222</u>	<u>\$ 18,800</u>	<u>\$ 1,565,527</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Pension Plan 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, 2018

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$617,811 for the year ended June 30, 2018.

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, 2018, the City reported a liability of \$1,798,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was 0.118%, which was a decrease of 0.004% from its proportion measured as of June 30, 2016.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

For the year ended June 30, 2018, the City recognized pension expense of \$626,624. At June 30, 2018, 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	\$ 103,615	\$ 50,912
Changes of assumptions	256,863	-
Net difference between projected and actual earnings on pension plan investments	436,700	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,464	20,669
City contributions subsequent to the measurement date	<u>617,811</u>	<u>-</u>
Total	<u>\$ 1,450,453</u>	<u>\$ 71,581</u>

\$617,811 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, 2019. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
<u>June 30</u>	<u>Amount</u>
2019	\$ 116,045
2020	526,330
2021	257,638
2022	(138,952)
2023	-
Thereafter	-
Total	<u>\$ 761,061</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 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	7.20 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, 2018

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, 2016 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, 2017 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 2017 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, 2018**

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 5,399,403	\$ 1,798,588	\$ (1,206,955)

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. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	32
Total	33

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, 2018

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 normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

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

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

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

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

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the 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 \$23,416 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, 2018**

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

At June 30, 2018, the City reported a total pension liability of \$893,642. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$67,326.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 35,935
Changes of assumptions	45,791	13,562
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>17,461</u>	<u>-</u>
Total	<u><u>\$ 63,252</u></u>	<u><u>\$ 49,497</u></u>

\$17,461 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (1,089)
2020	(1,089)
2021	(1,089)
2022	(1,089)
2023	554
Thereafter	<u>96</u>
Total	<u><u>\$ (3,706)</u></u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 970,495	\$ 893,642	\$ 823,309

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

	2018
Beginning balance	\$ 837,142
Service cost	36,246
Interest on the total pension liability	31,862
Differences between expected and actual experience in the measurement of the total pension liability	(43,051)
Changes of assumptions or other inputs	54,859
Benefit payments	<u>(23,416)</u>
Ending balance of the total pension liability	<u>\$ 893,642</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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 626,624	\$ 67,326	\$ 693,950
Pension liability	1,798,588	893,642	2,692,230
Proportionate share of the net pension liability	0.11773%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	103,615	-	103,615
Changes of assumptions	256,863	45,791	302,654
Net difference between projected and actual earnings on plan investments	436,700	-	436,700
Changes in proportion and differences between contributions and proportionate share of contributions	35,464	-	35,464
Benefit payments and administrative costs paid subsequent to the measurement date	<u>617,811</u>	<u>17,461</u>	<u>635,272</u>
Total deferred outflows of resources	<u>\$ 1,450,453</u>	<u>\$ 63,252</u>	<u>\$ 1,513,705</u>

Deferred of Inflows of Resources:

Differences between expected and actual experience	50,912	35,935	86,847
Changes of assumptions	-	13,562	13,562
Changes in proportion and differences between contributions and proportionate share of contributions	<u>20,669</u>	<u>-</u>	<u>20,669</u>
Total deferred inflows of resources	<u>\$ 71,581</u>	<u>\$ 49,497</u>	<u>\$ 121,078</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

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. The City made contributions of \$77,724 for the reporting year. 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. The City made contributions of \$444,350 for the reporting year. No amounts were forfeited.

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Membership of the plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	General	Law
	Employees	Enforcement
	<u> </u>	<u>Officers</u>
Retirees and dependents receiving benefits	20	-
Active plan members	<u>143</u>	<u>31</u>
Total	<u><u>163</u></u>	<u><u>31</u></u>

Total OPEB Liability

The City's total OPEB liability of \$10,158,581 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00 percent
Salary increases, including wage inflation	
General Employees and Firefighters	3.50 - 7.75 percent
Law Enforcement Officers	3.50 - 7.35 percent
Discount rate	3.56 percent
Healthcare Cost Trend Rates	
Pre-Medicare	7.75 percent for 2016 decreasing to an ultimate rate of 5.00 percent by 2022
Medicare	5.75 percent for 2016 decreasing to an ultimate rate of 5.00 percent by 2019

The discount rate is based on June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at July 1, 2017	\$ 10,563,755
Changes for the year	
Service cost	543,451
Interest	315,041
Differences between expected and actual experience	39,402
Changes in assumptions or other inputs	(1,107,040)
Benefit payments	<u>(196,028)</u>
Net Changes	<u>(405,174)</u>
Balances at June 30, 2018	<u>\$ 10,158,581</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	<u>\$ 12,300,326</u>	<u>\$ 10,158,581</u>	<u>\$ 8,506,072</u>

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	<u>\$ 8,227,676</u>	<u>\$ 10,158,581</u>	<u>\$ 12,756,005</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$734,923. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,843	\$ -
Changes of assumptions	-	978,909
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>238,777</u>	<u>-</u>
Total	<u>\$ 273,620</u>	<u>\$ 978,909</u>

\$238,777 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (123,569)
2020	(123,569)
2021	(123,569)
2022	(123,569)
2023	(123,569)
Thereafter	<u>(326,221)</u>
Total	<u>\$ (944,066)</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.

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	\$ 617,811
Benefit payments made for LEOSSA subsequent to measurement date	17,461
Difference between expected and actual experience	138,458
Changes of assumptions - Pensions	302,654
Benefit payments for OPEB subsequent to measurement date	238,777
Net difference between projected and actual - Pensions	436,700
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	35,464
Total	<u>\$ 1,787,325</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)	\$ -	\$ 64,591
Differences between expected and actual experience	86,847	-
Change in assumptions - Pensions	992,471	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	20,669	-
Total	<u>\$ 1,099,987</u>	<u>\$ 64,591</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 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, 2018**

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

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning	\$ 321,117	\$ 228,045
Incurred claims	3,673,495	3,205,131
Claim payments	<u>(3,694,612)</u>	<u>(3,112,059)</u>
Unpaid claims, ending	<u>\$ 300,000</u>	<u>\$ 321,117</u>

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

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning	\$ 25,024	\$ 27,870
Incurred claims	10,220	31,058
Claim payments	<u>(10,244)</u>	<u>(33,904)</u>
Unpaid claims, ending	<u>\$ 25,000</u>	<u>\$ 25,024</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, 2018, 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, 2018

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	\$ 8,062
Home Trust Bank \$118,921 note payable in October 2017 for Swap Loader, due in annual payments of \$25,174, plus interest at 2.02% through October 2022	118,921
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	76,460
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	440,049
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	47,159
Home Trust Bank \$126,500 note payable in April 2018 for Rear Loader, due in annual payments of \$26,869, plus interest at 2.04% through April 2023	126,500
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	540,274
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	122,629
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	36,000
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	57,278
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	51,487
Signature Public Funding Corp \$564,379 note payable in October 2017 for Garbage Trucks, due in annual payments of \$119,692, plus interest at 1.987% through October 2022	564,379
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>118,625</u>
Total governmental activities	<u>\$ 2,307,823</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 39,775
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	238,031
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	7,727
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	7,205
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	4,069,997
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	10,283,058
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	11,912,544
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>359,987</u>
Total Water and Sewer Fund	<u>26,918,324</u>

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	32,459
Signature Public Funding Corp \$309,652 note payable in October 2017 for Digger Derrick, due in annual payments of \$64,024, plus interest at 1.987% through October 2022	245,261
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	10,078
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	6,550

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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	93,560
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>46,840</u>
Total Electric Fund	<u>434,748</u>
<i>Gas Fund:</i>	
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	14,363
Signature Public Funding Corp \$75,208 note payable in October 2017 for Altec Service Truck, due in annual payments of \$16,006, plus interest at 1.987% through October 2022	59,568
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	7,727
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	4,585
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>1,231,835</u>
Total Gas Fund	<u>1,318,078</u>
<i>Stormwater Fund:</i>	
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	15,727
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>36,611</u>
Total Stormwater Fund	<u>52,338</u>
Total business-type activities	<u>\$ 28,723,488</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The future minimum payments of the installment purchases as of June 30, 2018 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 578,123	\$ 42,947	\$ 2,284,441	\$ 52,863
2020	529,466	32,788	1,913,799	35,793
2021	399,689	23,161	1,825,660	27,831
2022	378,443	15,539	1,830,563	21,373
2023	217,202	8,242	1,755,538	14,814
2024-2028	204,900	9,929	8,136,575	15,264
2029-2033	-	-	7,644,344	-
2034-2036	-	-	3,332,568	-
Total	\$ 2,307,823	\$ 132,606	\$ 28,723,488	\$ 167,938

At June 30, 2018, the City had a legal debt margin of approximately \$84,120,503.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases	\$ 1,988,525	\$ 809,799	\$ (490,501)	\$ 2,307,823	\$ 578,123
Compensated absences	310,926	227,316	(210,339)	327,903	163,952
Net pension liability - LGERS	1,789,364	-	(548,338)	1,241,026	-
OPEB obligation	7,248,534	616,109	(894,127)	6,970,516	-
Total pension obligation - LEO	<u>837,142</u>	<u>122,967</u>	<u>(66,467)</u>	<u>893,642</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 12,174,491</u>	<u>\$ 1,776,191</u>	<u>\$ (2,209,772)</u>	<u>\$ 11,740,910</u>	<u>\$ 742,075</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases	\$ 26,009,632	\$ 2,974,857	\$ (2,066,165)	\$ 26,918,324	\$ 1,861,541
Net pension liability - LGERS	363,063	-	(111,258)	251,805	-
OPEB obligation	1,460,945	124,177	(180,212)	1,404,910	-
Compensated absences	<u>58,732</u>	<u>41,817</u>	<u>(38,529)</u>	<u>62,020</u>	<u>31,010</u>
Total Water and Sewer Fund	<u>\$ 27,892,372</u>	<u>\$ 3,140,851</u>	<u>\$ (2,396,164)</u>	<u>\$ 28,637,059</u>	<u>\$ 1,892,551</u>
Electric Fund:					
Installment purchases	\$ 557,683	\$ 309,652	\$ (432,587)	\$ 434,748	\$ 201,831
Net pension liability - LGERS	233,394	-	(71,522)	161,872	-
OPEB obligation	955,233	81,193	(117,831)	918,595	-
Compensated absences	<u>58,305</u>	<u>57,355</u>	<u>(56,313)</u>	<u>59,347</u>	<u>29,674</u>
Total Electric Fund	<u>\$ 1,804,615</u>	<u>\$ 448,200</u>	<u>\$ (678,253)</u>	<u>\$ 1,574,562</u>	<u>\$ 231,505</u>
Gas Fund:					
Installment purchases	\$ 1,597,127	\$ 75,208	\$ (354,257)	\$ 1,318,078	\$ 187,194
Net pension liability - LGERS	129,664	-	(39,735)	89,929	-
OPEB obligation	561,902	47,760	(69,312)	540,350	-
Compensated absences	<u>24,788</u>	<u>22,668</u>	<u>(20,338)</u>	<u>27,118</u>	<u>13,559</u>
Total Gas Fund	<u>\$ 2,313,481</u>	<u>\$ 145,636</u>	<u>\$ (483,642)</u>	<u>\$ 1,975,475</u>	<u>\$ 200,753</u>
Stormwater Fund:					
Installment purchases	\$ 85,651	\$ -	\$ (33,313)	\$ 52,338	\$ 33,875
Net pension liability - LGERS	77,796	-	(23,840)	53,956	-
OPEB obligation	337,141	28,656	(41,587)	324,210	-
Compensated absences	<u>13,501</u>	<u>9,251</u>	<u>(6,307)</u>	<u>16,445</u>	<u>8,223</u>
Total Stormwater Fund	<u>\$ 514,089</u>	<u>\$ 37,907</u>	<u>\$ (105,047)</u>	<u>\$ 446,949</u>	<u>\$ 42,098</u>
Total Business-Type Activities:					
Installment purchases	\$ 28,250,093	\$ 3,359,717	\$ (2,886,322)	\$ 28,723,488	\$ 2,284,441
Net pension liability - LGERS	803,917	-	(246,355)	557,562	-
OPEB obligation	3,315,221	281,786	(408,942)	3,188,065	-
Compensated absences	<u>155,326</u>	<u>131,091</u>	<u>(121,487)</u>	<u>164,930</u>	<u>82,466</u>
Total business-type activities long-term liabilities	<u>\$ 32,524,557</u>	<u>\$ 3,772,594</u>	<u>\$ (3,663,106)</u>	<u>\$ 32,634,045</u>	<u>\$ 2,366,907</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018 consist of the following:

From the Gas Fund to the General Fund for operating expenditures	\$ 50,000
From the Electric Fund to the General Fund for operating and capital expenditures	2,308,057
From the Gas Fund to the Electric Fund for operating and capital	150,000
From the General Fund to the Cemetery Perpetual Care Fund for perpetual maintenance	3,500
From the Senior Center Capital Project Fund to the General Fund for the annual contribution of the Senior Center Expansion project and debt	147,900
From Water Sewer Fund to the Enterprise Fund Capital Project - Water Plant Upgrade and Line Rehab for capital expenditures	55,741
From the Enterprise Fund Capital Project - Water Grant Projects to the Water Sewer Fund for debt service	916,015
From Water Sewer Fund to the Enterprise Fund Capital Project - Water Grant Projects for capital expenditures	<u>450,000</u>
Total	<u><u>\$ 4,081,213</u></u>

Balances due to/from other funds at June 30, 2018 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 10,000
Gas Fund	General Fund	50,000

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, 2018

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 \$9,290 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, 2018. 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) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending June 30, 2017). As a result, net position for the governmental activities decreased \$4,248,482 and \$1,902,508 for the business-type activities, for a total decrease of \$6,150,990.

SUPPLEMENTARY INFORMATION
REQUIRED SUPPLEMENTAL FINANCIAL DATA

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Beginning balance	\$ 837,142	\$ 798,699
Service cost	36,246	36,018
Interest on the total pension liability	31,862	28,401
Difference between expected and actual experience	(43,051)	-
Changes in assumptions or other inputs	54,859	(19,644)
Benefit payments	(23,416)	(6,332)
Ending balance of the total pension liability	<u>\$ 893,642</u>	<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
LAST TWO FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance		
	2018	2017
Total pension liability	\$ 893,642	\$ 837,142
Covered payroll	1,446,631	1,382,847
Total pension liability as a percentage of covered payroll	61.77%	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

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Other Post-Employment Benefits	
	2018
Service cost	\$ 543,451
Interest	315,041
Differences between expected and actual experience	39,402
Changes in assumptions	(1,107,040)
Benefit payments	(196,028)
Net change in total OPEB liability	(405,174)
Total OPEB liability - beginning	10,563,755
Total OPEB liability - ending	<u>\$ 10,158,581</u>
Covered payroll	\$ 6,325,862
Total OPEB liability as a percentage of covered payroll	160.59%

Notes to the required schedules:

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes additional years' information will be displayed as it comes available.

Fiscal Year	Rate
2018	3.56%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM					
	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.11773%	0.12219%	0.11936%	0.11345%	0.10970%
Proportion of the net pension liability (asset) (\$)	\$ 1,798,588	\$ 2,593,281	\$ 535,681	\$ (669,066)	\$ 1,322,306
Covered-employee payroll	\$ 7,383,647	\$ 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	24.36%	36.27%	7.73%	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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 FIVE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 617,811	\$ 545,783	\$ 483,200	\$ 493,511	\$ 471,343
Contributions in relation to the contractually required contribution	<u>617,811</u>	<u>545,783</u>	<u>483,200</u>	<u>493,511</u>	<u>471,343</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 8,090,102	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526
Contributions as a percentage of covered-employee payroll	7.64%	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.

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SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS SECTION

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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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 5,910,000	\$ 6,133,203	\$ 223,203	\$ 5,562,673
Penalties and interest	10,000	13,172	3,172	12,818
Total ad valorem taxes	5,920,000	6,146,375	226,375	5,575,491
Other Taxes:				
Local option sales tax	1,480,000	1,879,342	399,342	1,502,684
Hold-harmless sales tax	460,000	505,837	45,837	435,996
Utilities franchise tax	975,000	999,448	24,448	974,282
Payments in lieu of taxes	150,500	165,800	15,300	152,417
Miscellaneous	225,000	217,847	(7,153)	223,166
Total other taxes	3,290,500	3,768,274	477,774	3,288,545
Restricted Intergovernmental:				
Powell Bill allocation	310,000	310,494	494	311,547
Federal government grants	117,258	94,880	(22,378)	93,371
State government grants	24,483	142,486	118,003	68,218
Local government grants	378,700	424,006	45,306	297,387
Total restricted intergovernmental	830,441	971,866	141,425	770,523
Permits and Fees:				
Privilege licenses	800	669	(131)	709
General permits	135,000	187,829	52,829	199,883
Total permits and fees	135,800	188,498	52,698	200,592
Sales and Services:				
Lake authority income	339,300	404,848	65,548	366,844
Disposal fee revenue	1,060,000	1,025,171	(34,829)	830,162
Recycling fees	165,000	170,517	5,517	140,980
Cemetery income	140,000	139,775	(225)	133,385
Recreation	10,000	8,080	(1,920)	15,665
Total sales and services	1,714,300	1,748,391	34,091	1,487,036

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
Investment Earnings:				
Interest income (loss)	10,000	68,758	58,758	19,821
Interest income (loss) - Powell Bill	-	275	275	248
Total investment earnings	10,000	69,033	59,033	20,069
Miscellaneous:				
Library	18,000	25,627	7,627	23,103
Sale of capital assets	20,000	25,175	5,175	4,758
Court costs and jail fees	4,000	2,924	(1,076)	3,271
Other revenues	147,187	161,627	14,440	200,865
Total miscellaneous	189,187	215,353	26,166	231,997
Total revenues	12,090,228	13,107,790	1,017,562	11,574,253
Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	563,270	550,025	13,245	410,246
Operating expenses	604,605	573,813	30,792	541,356
Charges to other funds	(75,374)	(75,374)	-	-
Total	1,092,501	1,048,464	44,037	951,602
Administration and Finance:				
Salaries and employee benefits	899,648	888,981	10,667	853,111
Operating expenses	435,331	396,393	38,938	268,194
Charges to other funds	(641,810)	(641,810)	-	(555,180)
Total	693,169	643,564	49,605	566,125
Human Resources:				
Salaries and employee benefits	222,410	224,414	(2,004)	204,360
Operating expenses	63,030	38,631	24,399	32,624
Charges to other funds	(54,888)	(54,888)	-	-
Total	230,552	208,157	22,395	236,984

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Elections Board:				
Operating expenses	7,500	3,966	3,534	-
Garage:				
Salaries and employee benefits	277,897	271,805	6,092	230,114
Operating expenses	43,564	20,009	23,555	34,926
Total	321,461	291,814	29,647	265,040
Public Works:				
Salaries and employee benefits	253,356	268,355	(14,999)	180,165
Operating expenses	82,883	53,386	29,497	21,022
Capital outlay	533,300	317,807	215,493	174,447
Total	869,539	639,548	229,991	375,634
Information Technology:				
Salaries and employee benefits	165,872	163,462	2,410	155,945
Operating expenses	201,000	160,589	40,411	80,701
Charges to other departments	(87,707)	(87,707)	-	-
Capital outlay	49,332	47,336	1,996	9,233
Total	328,497	283,680	44,817	245,879
Total general government	3,543,219	3,119,193	424,026	2,641,264
Public Safety:				
Police:				
Salaries and employee benefits	2,677,828	2,527,824	150,004	2,471,405
Operating expenses	414,872	396,667	18,205	354,306
Total	3,092,700	2,924,491	168,209	2,825,711
Fire:				
Salaries and employee benefits	896,685	871,900	24,785	694,017
Operating expenses	226,632	192,057	34,575	141,395
Capital outlay	484,455	482,526	1,929	-
Total	1,607,772	1,546,483	61,289	835,412

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
Codes and Inspections:				
Salaries and employee benefits	262,124	227,972	34,152	260,327
Operating expenses	96,332	45,624	50,708	43,778
Charges to other departments	(1,260)	(1,260)	-	(1,260)
Total	357,196	272,336	84,860	302,845
Total public safety	5,057,668	4,743,310	314,358	3,963,968
Transportation:				
Streets:				
Salaries and employee benefits	899,120	901,042	(1,922)	818,179
Operating expenses	238,029	205,884	32,145	201,478
Capital outlay	119,325	118,921	404	169,169
Total	1,256,474	1,225,847	30,627	1,188,826
Streets - Powell Bill:				
Operating expenses	138,500	102,607	35,893	129,596
Capital outlay	80,000	75,020	4,980	165,212
Total	218,500	177,627	40,873	294,808
Streets - Main Street:				
Salaries and employee benefits	115,474	86,086	29,388	114,267
Operating expenses	91,789	71,490	20,299	149,693
Total	207,263	157,576	49,687	263,960
Total transportation	1,682,237	1,561,050	121,187	1,747,594
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	229,002	189,101	39,901	199,676
Operating expenses	1,491,898	1,327,355	164,543	1,701,920
Capital outlay	8,000	6,545	1,455	-
Total	1,728,900	1,523,001	205,899	1,901,596

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	449,209	441,486	7,723	396,571
Operating expenses	450,759	463,715	(12,956)	426,947
Capital outlay	705,527	690,888	14,639	53,346
Total	1,605,495	1,596,089	9,406	876,864
Cemetery:				
Salaries and employee benefits	127,084	123,154	3,930	101,551
Operating expenses	28,416	22,755	5,661	16,733
Total	155,500	145,909	9,591	118,284
Recycling:				
Salaries and employee benefits	79,100	73,215	5,885	78,136
Operating expenses	33,578	28,346	5,232	13,102
Total	112,678	101,561	11,117	91,238
Total environmental protection	1,873,673	1,843,559	30,114	1,086,386
Culture and Recreation:				
Library:				
Salaries and employee benefits	403,684	374,873	28,811	369,252
Operating expenses	363,377	311,385	51,992	258,829
Total	767,061	686,258	80,803	628,081
Senior Services:				
Salaries and employee benefits	349,197	320,655	28,542	288,614
Operating expenses	193,409	152,393	41,016	163,193
Capital outlay	33,724	22,724	11,000	25,419
Total	576,330	495,772	80,558	477,226
Recreation:				
Salaries and employee benefits	-	1,385	(1,385)	-
Operating expenses	155,909	140,266	15,643	-
Total	155,909	141,651	14,258	-

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Lake Authority:				
Salaries and employee benefits	195,893	192,396	3,497	175,808
Operating expenses	90,408	92,174	(1,766)	52,824
Capital outlay	57,500	57,435	65	100
Total	343,801	342,005	1,796	228,732
Tourism and Development:				
Operating expenses	131,250	127,651	3,599	122,299
Total culture and recreation	1,974,351	1,793,337	181,014	1,456,338
Debt Service:				
Principal retirement	490,501	490,501	-	487,622
Interest and fees	36,357	35,984	373	35,515
Total debt service	526,858	526,485	373	523,137
Total expenditures	16,386,906	15,109,935	1,276,971	13,320,283
Revenues over (under) expenditures	(4,296,678)	(2,002,145)	2,294,533	(1,746,030)
Other Financing Sources (Uses):				
Transfers from other funds	2,505,957	2,505,957	-	2,549,467
Transfers to other funds:				
Special revenue funds	-	-	-	(20,936)
Cemetery Fund	(7,000)	(3,500)	3,500	(7,000)
Enterprise Funds	(91,500)	-	91,500	-
Capital Project Fund	-	-	-	(75,000)
Appropriated fund balance	1,057,955	-	(1,057,955)	-
Issuance of debt	831,266	809,799	(21,467)	611,910
Total other financing sources (uses)	4,296,678	3,312,256	(984,422)	3,058,441
Net change in fund balance	\$ -	1,310,111	\$ 1,310,111	1,312,411
Fund Balance:				
Beginning of year - July 1		5,445,460		4,133,049
End of year - June 30		\$ 6,755,571		\$ 5,445,460

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	<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	\$ 193,364	\$ 116,310	\$ 239,876	\$ -	\$ 549,550
Cash and cash equivalents, restricted	-	-	-	27,663	27,663
Due from other governments	3,301	-	-	-	3,301
Total assets	<u>\$ 196,665</u>	<u>\$ 116,310</u>	<u>\$ 239,876</u>	<u>\$ 27,663</u>	<u>\$ 580,514</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	<u>\$ 6,333</u>	<u>\$ -</u>	<u>\$ 24,094</u>	<u>\$ -</u>	<u>\$ 30,427</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	27,663	27,663
Restricted:					
Stabilization by state statute	3,301	-	-	-	3,301
Public safety	187,031	-	-	-	187,031
Senior Center project	-	-	215,782	-	215,782
Library project	-	116,310	-	-	116,310
Total fund balances	<u>190,332</u>	<u>116,310</u>	<u>215,782</u>	<u>27,663</u>	<u>550,087</u>
Total liabilities and fund balances	<u>\$ 196,665</u>	<u>\$ 116,310</u>	<u>\$ 239,876</u>	<u>\$ 27,663</u>	<u>\$ 580,514</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, 2018**

	<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	\$ -	\$ 54,421	\$ 13,200	\$ -	\$ 67,621
Restricted intergovernmental	39,612	-	-	-	39,612
Investment earnings	718	311	-	85	1,114
Total revenues	<u>40,330</u>	<u>54,732</u>	<u>13,200</u>	<u>85</u>	<u>108,347</u>
Expenditures:					
Current:					
Economic and physical development	-	-	24,094	2,650	26,744
Public safety	75,170	-	-	-	75,170
Total expenditures	<u>75,170</u>	<u>-</u>	<u>24,094</u>	<u>2,650</u>	<u>101,914</u>
Revenues over (under) expenditures	<u>(34,840)</u>	<u>54,732</u>	<u>(10,894)</u>	<u>(2,565)</u>	<u>6,433</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	3,500	3,500
Transfers out	-	-	(147,900)	-	(147,900)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(147,900)</u>	<u>3,500</u>	<u>(144,400)</u>
Net change in fund balances	(34,840)	54,732	(158,794)	935	(137,967)
Fund Balances:					
Beginning of year - July 1	<u>225,172</u>	<u>61,578</u>	<u>374,576</u>	<u>26,728</u>	<u>688,054</u>
End of year - June 30	<u>\$ 190,332</u>	<u>\$ 116,310</u>	<u>\$ 215,782</u>	<u>\$ 27,663</u>	<u>\$ 550,087</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, 2018**

	2018		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental	\$ 39,000	\$ 39,612	\$ (612)
Investment earnings	-	718	(718)
Total revenues	<u>39,000</u>	<u>40,330</u>	<u>(1,330)</u>
Expenditures:			
Telephone & furniture	63,500	45,629	17,871
Hardware maintenance	<u>33,500</u>	<u>29,541</u>	<u>3,959</u>
Total expenditures	<u>97,000</u>	<u>75,170</u>	<u>21,830</u>
Revenues over (under) expenditures	<u>(58,000)</u>	<u>(34,840)</u>	<u>(23,160)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>58,000</u>	-	<u>58,000</u>
Net change in fund balance	<u>\$ -</u>	<u>(34,840)</u>	<u>\$ (34,840)</u>
Fund Balance:			
Beginning of year - July 1		<u>225,172</u>	
End of year - June 30		<u>\$ 190,332</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, 2018

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 70,000	\$ 104,146	\$ 54,421	\$ 158,567
Investment earnings	-	1,432	311	1,743
Total revenues	<u>70,000</u>	<u>105,578</u>	<u>54,732</u>	<u>160,310</u>
Other Financing Sources (Uses):				
Transfers out	<u>(70,000)</u>	<u>(44,000)</u>	-	<u>(44,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 61,578</u>	54,732	<u>\$ 116,310</u>
Fund Balance:				
Beginning of year - July 1			<u>61,578</u>	
End of year - June 30			<u>\$ 116,310</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, 2018**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 500,000	\$ 548,634	\$ 13,200	\$ 561,834
Restricted intergovernmental	100,000	100,000	-	100,000
Total revenues	<u>600,000</u>	<u>648,634</u>	<u>13,200</u>	<u>661,834</u>
Expenditures:				
Architectural fees	74,000	73,475	-	73,475
Construction	1,120,000	1,083,596	24,094	1,107,690
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>1,351,106</u>	<u>24,094</u>	<u>1,375,200</u>
Revenues over (under) expenditures	<u>(788,038)</u>	<u>(702,472)</u>	<u>(10,894)</u>	<u>(713,366)</u>
Other Financing Sources (Uses):				
Issuance of debt	1,080,548	1,080,548	-	1,080,548
Transfers out	(492,510)	(228,500)	(147,900)	(376,400)
Transfers in	200,000	225,000	-	225,000
Total other financing sources (uses)	<u>788,038</u>	<u>1,077,048</u>	<u>(147,900)</u>	<u>929,148</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 374,576</u>	(158,794)	<u>\$ 215,782</u>
Fund Balance:				
Beginning of year - July 1			<u>374,576</u>	
End of year - June 30			<u>\$ 215,782</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, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 85	\$ 85	\$ 42
Expenditures:				
Current:				
Operating expenses	3,500	2,650	850	3,928
Revenues over (under) expenditures	(3,500)	(2,565)	(935)	(3,886)
Other Financing Sources (Uses):				
Transfers in (out)	3,500	3,500	-	7,000
Net change in fund balance	\$ -	935	\$ 935	3,114
Fund Balance:				
Beginning of year - July 1		26,728		23,614
End of year - June 30		\$ 27,663		\$ 26,728

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 5,585,567	\$ 5,416,014	\$ (169,553)	\$ 5,471,373
Miscellaneous revenues	31,420	87,959	56,539	33,841
Total operating revenues	<u>5,616,987</u>	<u>5,503,973</u>	<u>(113,014)</u>	<u>5,505,214</u>
Non-operating revenues:				
Interest income (loss)	16,500	16,337	(163)	15,245
Other non-operating revenue	-	27,075	27,075	2,195,967
Total non-operating revenues	<u>16,500</u>	<u>43,412</u>	<u>26,912</u>	<u>2,211,212</u>
Total revenues	<u>5,633,487</u>	<u>5,547,385</u>	<u>(86,102)</u>	<u>7,716,426</u>
Expenditures:				
Administration:				
Salaries and employee benefits	230,735	236,316	(5,581)	196,207
Other operating expenditures	533,792	519,513	14,279	333,226
Capital outlay	-	-	-	13,000
Total administration	<u>764,527</u>	<u>755,829</u>	<u>8,698</u>	<u>542,433</u>
Plant:				
Salaries and employee benefits	293,228	291,281	1,947	265,133
Other operating expenditures	208,563	121,519	87,044	114,508
Capital outlay	320,000	314,000	6,000	-
Cost of merchandise sold	253,600	238,098	15,502	253,866
Total plant	<u>1,075,391</u>	<u>964,898</u>	<u>110,493</u>	<u>633,507</u>
System maintenance and extension:				
Salaries and employee benefits	388,034	377,038	10,996	341,326
Other operating expenditures	304,515	255,875	48,640	178,540
Capital outlay	64,500	64,422	78	2,132,158
Total system maintenance and extension	<u>757,049</u>	<u>697,335</u>	<u>59,714</u>	<u>2,652,024</u>
Waste water treatment:				
Salaries and employee benefits	365,282	351,071	14,211	324,852
Other operating expenditures	267,900	235,693	32,207	174,375
Cost of merchandise sold	357,106	363,657	(6,551)	327,931
Total waste water treatment	<u>990,288</u>	<u>950,421</u>	<u>39,867</u>	<u>827,158</u>
Pump station maintenance:				
Salaries and employee benefits	331,970	301,277	30,693	321,870
Other operating expenditures	255,035	149,297	105,738	225,616
Capital outlay	-	-	-	6,700
Cost of merchandise sold	30,000	29,475	525	(95,529)
Total pump station maintenance	<u>617,005</u>	<u>480,049</u>	<u>136,956</u>	<u>458,657</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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Debt Service:				
Principal retirement	2,066,165	2,066,165	-	2,520,999
LPA interest	131,777	31,649	100,128	50,985
Total debt service	<u>2,197,942</u>	<u>2,097,814</u>	<u>100,128</u>	<u>2,571,984</u>
Total expenditures	<u>6,402,202</u>	<u>5,946,346</u>	<u>455,856</u>	<u>7,685,763</u>
Revenues over (under) expenditures	<u>(768,715)</u>	<u>(398,961)</u>	<u>369,754</u>	<u>30,663</u>
Other Financing Sources (Uses):				
Transfers in	916,015	916,015	-	1,749,228
Transfers out	(505,741)	(505,741)	-	(606,400)
Sale of capital assets	2,700	16,031	13,331	4,340
Total other financing sources (uses)	<u>412,974</u>	<u>426,305</u>	<u>13,331</u>	<u>1,147,168</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(355,741)	27,344	383,085	1,177,831
Appropriated net position	<u>355,741</u>	<u>-</u>	<u>(355,741)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>27,344</u>	<u>\$ 27,344</u>	<u>1,177,831</u>
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		3,160,515		2,845,175
Capital project transfers		(410,274)		(1,142,828)
Change in inventories		(66,434)		(123,668)
Capital outlay		378,423		2,151,858
Change in deferred outflows - OPEB		37,841		-
Change in deferred inflows - OPEB		(135,381)		-
Change in net pension liability		111,258		-
Change in deferred outflows - pensions		(114,333)		-
Change in deferred inflows - pensions		2,889		-
Pension expense		-		(100,837)
Contributions to pension plan		-		76,410
OPEB liability		56,035		(83,287)
Compensated absences		(3,288)		(7,271)
Accrued interest		3,000		7,588
Principal retirement		2,066,165		2,520,999
Loss on asset disposal		(4,324)		(65,911)
Depreciation expense		<u>(2,191,400)</u>		<u>(1,516,055)</u>
Change in net position		<u>\$ 2,918,036</u>		<u>\$ 5,740,004</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, 2018

	<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	10,796,112	1,764,045	12,560,157
Water Line Rehabilitation Project	5,243,500	5,118,697	-	5,118,697
Water Plant Improvement Project	13,410,640	12,621,385	614,775	13,236,160
Spillway Project	599,980	599,980	-	599,980
Total expenditures	<u>35,416,790</u>	<u>29,136,174</u>	<u>2,378,820</u>	<u>31,514,994</u>
Revenues over (under) expenditures	(35,416,790)	(29,135,970)	(2,378,820)	(31,514,790)
Other Financing Sources (Uses):				
Proceeds from financing	35,361,049	28,484,192	2,974,857	31,459,049
Transfer from Water Sewer Fund	55,741	-	55,741	55,741
Total other financing sources (uses)	<u>35,416,790</u>	<u>28,484,192</u>	<u>3,030,598</u>	<u>31,514,790</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (651,778)</u>	651,778	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>(651,778)</u>	
End of year - June 30			<u>\$ -</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, 2018

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 5,000,000	\$ 2,845,175	\$ 3,160,515	\$ 6,005,690
Expenditures:				
DEQ \$5M Grant-Force Main	1,200,000	135,320	892,621	1,027,941
DEQ \$5M Grant-I-85	119,000	-	-	-
DEQ \$5M Grant-AMI Smart Mtr	546,672	511,963	34,709	546,672
Dam Repair-Moss Lake	900,000	52,472	466,353	518,825
Dam Repair-City Lake	156,400	-	3,291	3,291
Total expenditures	<u>2,922,072</u>	<u>699,755</u>	<u>1,396,974</u>	<u>2,096,729</u>
Revenues over (under) expenditures	<u>2,077,928</u>	<u>2,145,420</u>	<u>1,763,541</u>	<u>3,908,961</u>
Other Financing Sources (Uses):				
Transfer to Water Sewer Fund	(3,134,328)	(1,749,228)	(916,015)	(2,665,243)
Transfer from Water Sewer Fund	<u>1,056,400</u>	<u>606,400</u>	<u>450,000</u>	<u>1,056,400</u>
Total other financing sources (uses)	<u>(2,077,928)</u>	<u>(1,142,828)</u>	<u>(466,015)</u>	<u>(1,608,843)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,002,592</u>	1,297,526	<u>\$ 2,300,118</u>
Fund Balance:				
Beginning of year - July 1			<u>1,002,592</u>	
End of year - June 30			<u>\$ 2,300,118</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, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 13,713,742	\$ 14,078,447	\$ 364,705	\$ 13,278,846
Miscellaneous revenues	497,697	378,284	(119,413)	261,076
Total operating revenues	<u>14,211,439</u>	<u>14,456,731</u>	<u>245,292</u>	<u>13,539,922</u>
Non-operating revenues:				
Interest income	10,000	13,719	3,719	14,678
Total revenues	<u>14,221,439</u>	<u>14,470,450</u>	<u>249,011</u>	<u>13,554,600</u>
Expenditures:				
Meter reading:				
Salaries and employee benefits	159,475	158,802	673	152,384
Operating expenditures	8,601	8,348	253	18,341
Capital outlay	28,000	21,800	6,200	-
Total meter reading	<u>196,076</u>	<u>188,950</u>	<u>7,126</u>	<u>170,725</u>
System:				
Salaries and employee benefits	1,798,400	1,791,151	7,249	1,529,768
Other operating expenditures	2,378,239	2,369,732	8,507	1,140,417
Capital outlay	937,790	759,407	178,383	163,655
Cost of merchandise sold	8,035,000	7,991,964	43,036	8,143,615
Debt service - principal	432,587	432,587	-	402,474
Debt service - interest	10,285	9,880	405	14,448
Total system	<u>13,592,301</u>	<u>13,354,721</u>	<u>237,580</u>	<u>11,394,377</u>
Total expenditures	<u>13,788,377</u>	<u>13,543,671</u>	<u>244,706</u>	<u>11,565,102</u>
Revenues over (under) expenditures	<u>433,062</u>	<u>926,779</u>	<u>493,717</u>	<u>1,989,498</u>
Other Financing Sources (Uses):				
Appropriated from net position	1,374,995	-	(1,374,995)	-
Sale of capital assets	15,000	23,425	8,425	-
Transfer from other fund:				
Gas Fund	160,000	150,000	(10,000)	-
Transfer to other fund:				
General Fund	(2,308,057)	(2,308,057)	-	(2,254,000)
Proceeds from issuance of debt	325,000	309,652	(15,348)	-
Total other financing sources (uses)	<u>(433,062)</u>	<u>(1,824,980)</u>	<u>(1,391,918)</u>	<u>(2,254,000)</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, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(902,941)	\$ (902,941)	(264,502)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		59,404		(14,593)
Capital outlay		759,407		163,655
Change in deferred outflows - OPEB		24,742		-
Change in deferred inflows - OPEB		(88,518)		-
Change in net pension liability		71,522		-
Change in deferred outflows - pensions		(73,499)		-
Change in deferred inflows - pensions		1,857		-
Pension expense		-		(64,823)
Contributions to pension plan		-		38,297
Proceeds from issuance of debt		(309,652)		-
Accrued interest		(500)		2,447
OPEB liability		36,638		(54,894)
Compensated absences		(1,042)		(12,068)
Principal retirement		432,587		402,474
Depreciation expense		(651,287)		(682,456)
Change in net position	\$	(641,282)	\$	(486,463)

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, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 4,504,000	\$ 4,799,326	\$ 295,326	\$ 4,393,041
Miscellaneous revenues	939,892	714,749	(225,143)	609,738
Total operating revenues	5,443,892	5,514,075	70,183	5,002,779
Non-operating revenues:				
Interest income	2,000	4,510	2,510	3,130
Total revenues	5,445,892	5,518,585	72,693	5,005,909
Expenditures:				
Salaries and employee benefits	872,500	852,107	20,393	649,879
Other operating expenditures	849,010	711,955	137,055	752,754
Capital outlay	452,134	320,069	132,065	110,920
Cost of merchandise sold	2,860,000	2,767,159	92,841	2,687,537
Debt service - principal	354,257	354,257	-	356,309
Debt service - interest	15,491	15,490	1	40,604
Total expenditures	5,403,392	5,021,037	382,355	4,598,003
Revenues over (under) expenditures	42,500	497,548	455,048	407,906
Other Financing Sources (Uses):				
Proceeds from issuance of debt	107,500	75,208	(32,292)	-
Transfer from other fund:				
General Fund	50,000	-	(50,000)	-
Transfer to other fund:				
Electric Fund	(150,000)	(150,000)	-	-
General Fund	(50,000)	(50,000)	-	(125,000)
Total other financing sources (uses)	(42,500)	(124,792)	(82,292)	(125,000)

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, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	372,756	\$ 372,756	282,906
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(3,292)		7,351
Proceeds from issuance of debt		(75,208)		-
Capital outlay		320,069		110,920
Change in deferred outflows - OPEB		14,554		-
Change in deferred inflows - OPEB		(52,070)		-
Change in net pension liability		39,735		-
Change in deferred outflows - pensions		(40,832)		-
Change in deferred inflows - pensions		1,032		-
Pension expense		-		(36,013)
Contributions to pension plan		-		27,289
Accrued interest		1,000		1,305
OPEB liability		21,552		(32,179)
Compensated absences		(2,330)		(10,593)
Principal retirement		354,257		356,309
Depreciation expense		(279,369)		(185,959)
Change in net position	\$	<u>671,854</u>		<u>\$ 521,336</u>

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, 2018
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 426,000	\$ 446,606	\$ 20,606	\$ 405,646
Miscellaneous revenues	500	2,000	1,500	1,000
Total operating revenues	426,500	448,606	22,106	406,646
Non-operating revenues:				
Interest income	-	508	508	581
Total revenues	426,500	449,114	22,614	407,227
Expenditures:				
Salaries and employee benefits	304,620	300,767	3,853	333,125
Other operating expenditures	92,567	65,884	26,683	60,214
Capital outlay	51,046	48,150	2,896	24,615
Debt service - principal	33,313	33,313	-	32,758
Debt service - interest	1,454	1,453	1	2,008
Charges to other funds	(31,500)	(31,500)	-	-
Total expenditures	451,500	418,067	33,433	452,720
Revenues over (under) expenditures	(25,000)	31,047	56,047	(45,493)
Other Financing Sources (Uses):				
Appropriated from net position	25,000	-	(25,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	31,047	\$ 31,047	(45,493)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Capital outlay		48,150		24,615
Pension expense		-		(21,607)
Change in deferred outflows - OPEB		8,733		-
Change in deferred inflows - OPEB		(31,242)		-
Change in net pension liability		23,840		-
Change in deferred outflows - pensions		(24,499)		-
Change in deferred inflows - pensions		619		-
Contributions to pension plan		-		16,372
Accrued interest		450		394
OPEB liability		12,931		(18,929)
Compensated absences		(2,944)		4,185
Principal retirement		33,313		32,758
Depreciation expense		(34,184)		(31,935)
Change in net position		\$ 66,214		\$ (39,640)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 225,585	\$ 786,731	\$ 1,012,316
Accounts receivable	<u>-</u>	<u>86,500</u>	<u>86,500</u>
Total assets	<u>225,585</u>	<u>873,231</u>	<u>1,098,816</u>
Liabilities:			
Accounts payable	<u>25,000</u>	<u>300,000</u>	<u>325,000</u>
Net Position:			
Unrestricted	<u>\$ 200,585</u>	<u>\$ 573,231</u>	<u>\$ 773,816</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, 2018**

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 179,671	\$ 4,268,410	\$ 4,448,081
Operating Expenses:			
Excess policy fees	103,343	-	103,343
Administrative fees	3,550	204,833	208,383
Claims	10,244	3,694,612	3,704,856
Total operating expenses	<u>117,137</u>	<u>3,899,445</u>	<u>4,016,582</u>
Operating income (loss)	62,534	368,965	431,499
Non-Operating Revenues:			
Investment income	<u>308</u>	<u>1,313</u>	<u>1,621</u>
Change in net position	62,842	370,278	433,120
Net Position:			
Beginning of year - July 1	<u>137,743</u>	<u>202,953</u>	<u>340,696</u>
End of year - June 30	<u>\$ 200,585</u>	<u>\$ 573,231</u>	<u>\$ 773,816</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 179,671	\$ 3,467,069	\$ 3,646,740
Cash paid for goods and services	<u>(117,161)</u>	<u>(3,118,890)</u>	<u>(3,236,051)</u>
Net cash provided (used) by operating activities	<u>62,510</u>	<u>348,179</u>	<u>410,689</u>
Cash Flows from Investing Activities:			
Interest income	<u>308</u>	<u>1,313</u>	<u>1,621</u>
Net increase (decrease) in cash and cash equivalents	62,818	349,492	412,310
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>162,767</u>	<u>437,239</u>	<u>600,006</u>
End of year - June 30	<u>\$ 225,585</u>	<u>\$ 786,731</u>	<u>\$ 1,012,316</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	<u>\$ 62,534</u>	<u>\$ 368,965</u>	<u>\$ 431,499</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in operating accounts receivable	-	331	331
Increase (decrease) in operating accounts payable and accrued liabilities	<u>(24)</u>	<u>(21,117)</u>	<u>(21,141)</u>
Total adjustments	<u>(24)</u>	<u>(20,786)</u>	<u>(20,810)</u>
Net cash provided (used) by operating activities	<u>\$ 62,510</u>	<u>\$ 348,179</u>	<u>\$ 410,689</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, 2018**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 179,750	\$ 179,671	\$ 79
Non-operating revenues:			
Interest income	<u>250</u>	<u>308</u>	<u>(58)</u>
Total revenues	<u>180,000</u>	<u>179,979</u>	<u>21</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	105,000	103,343	1,657
Administrative fees	10,000	3,550	6,450
Claims	<u>65,000</u>	<u>10,244</u>	<u>54,756</u>
Total expenditures	<u>180,000</u>	<u>117,137</u>	<u>62,863</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 62,842</u>	<u>\$ 62,842</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, 2018**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 4,156,360	\$ 4,268,410	\$ 112,050
Non-operating revenues:			
Interest income	<u>-</u>	<u>1,313</u>	<u>1,313</u>
Total revenues	<u>4,156,360</u>	<u>4,269,723</u>	<u>113,363</u>
Expenditures:			
Operating expenditures:			
Administrative fees	206,360	204,833	1,527
Claims	<u>4,100,000</u>	<u>3,694,612</u>	<u>405,388</u>
Total expenditures	<u>4,306,360</u>	<u>3,899,445</u>	<u>406,915</u>
Operating income (loss)	(150,000)	370,278	520,278
Other Financing Sources (Uses):			
Appropriated net position	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 370,278</u>	<u>\$ 370,278</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2018

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 227,923
Due from other governments	<u>11,971</u>
Total assets	<u>239,894</u>
Liabilities:	
Accounts payable	<u>4,644</u>
Net Position:	
Restricted:	
Stabilization by state statute	11,971
Tourism promotion	<u>223,279</u>
Total net position	<u>\$ 235,250</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, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 125,000	\$ 131,599	\$ 6,599
Non-operating revenues:			
Miscellaneous	1,000	959	(41)
Investment earnings	<u>150</u>	<u>590</u>	<u>440</u>
Total revenues	<u>126,150</u>	<u>133,148</u>	<u>6,998</u>
Expenditures:			
Current:			
Operating expenses	51,150	23,296	27,854
Cultural and recreation	<u>75,000</u>	<u>72,703</u>	<u>2,297</u>
Total expenditures	<u>126,150</u>	<u>95,999</u>	<u>30,151</u>
Net change in fund balance	<u>\$ -</u>	37,149	<u>\$ 37,149</u>
Fund Balance:			
Beginning of year - July 1		<u>198,101</u>	
End of year - June 30		<u>\$ 235,250</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Assets:				
Cash and cash equivalents	\$ 228,421	\$ 12,570	\$ 7,458	\$ 233,533
Liabilities:				
Intergovernmental payable	<u>\$ 228,421</u>	<u>\$ 12,570</u>	<u>\$ 7,458</u>	<u>\$ 233,533</u>

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SUPPLEMENTARY INFORMATION

SUPPLEMENTAL FINANCIAL DATA

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 6,189,410	\$ 6,141,265	\$ 48,145
2016-2017	47,125	-	27,175	19,950
2015-2016	16,456	-	6,370	10,086
2014-2015	15,859	-	2,449	13,410
2013-2014	11,218	-	2,057	9,161
2012-2013	9,530	-	1,218	8,312
2011-2012	7,411	-	722	6,689
2010-2011	6,102	-	210	5,892
2009-2010	6,332	-	18	6,314
2008-2009	6,716	-	6,716	-
Total	<u>\$ 126,749</u>	<u>\$ 6,189,410</u>	<u>\$ 6,188,200</u>	<u>127,959</u>
Less: Allowance for uncollectible accounts				<u>(63,368)</u>
Ad valorem taxes receivable, net				<u>\$ 64,591</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 6,133,203
Reconciling items:				
Taxes written off				6,716
Miscellaneous adjustments				<u>48,281</u>
Total collections and credits				<u>\$ 6,188,200</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$1,439,397,674	\$ 0.43	\$ 6,189,410	\$ 5,878,879	\$ 310,531
Total property valuation	<u>\$1,439,397,674</u>				
Net Levy			6,189,410	5,878,879	310,531
Uncollected taxes at June 30, 2018			(48,145)	(48,145)	-
Current Year's Taxes Collected			<u>\$ 6,141,265</u>	<u>\$ 5,830,734</u>	<u>\$ 310,531</u>
Current Levy Collection Percentage			<u>99.22%</u>	<u>99.18%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property					\$ 743,909,376
Personal property					566,882,722
Public service companies					<u>128,605,576</u>
Total assessed valuation					<u>\$1,439,397,674</u>
Tax rate per \$100					0.43
Levy (includes discoveries, releases, and abatements)					<u>\$ 6,189,410</u>

COMPLIANCE SECTION

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of 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, 2018, 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 26, 2018. 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, North Carolina
November 26, 2018

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 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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of 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, 2018.

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, North Carolina
November 26, 2018

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

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, 2018. 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 state statutes, regulations, and the terms and conditions of its state awards 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, 2018.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 26, 2018

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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(s) 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(s) 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, 2018**

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) 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

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, 2018**

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Fed. (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
Federal Grants:					
<u>U.S. Dept. of Health and Human Services</u>					
Administration For Community Living					
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	\$ 47,282	\$ -	\$ -
Total Aging Cluster:			<u>47,282</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	5,545	-	-
Medicare Enrollment Assistance Program	93.071	14AANCMSI	2,902	-	-
<u>Institute of Museum and Library Services</u>					
Passed-through Division of State Library:					
Grants to States	45.310	5313	38,586	-	-
<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	1,708,099	-	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-R-DW-1785F	614,775	-	-
Total Drinking Water State Revolving Fund Cluster			<u>2,322,874</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>2,417,189</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	-	3,187,591	-
<u>N.C. Department of Natural and Cultural Resources:</u>					
State Aid to Public Libraries					
			-	10,767	-
<u>N.C. Department of Transportation:</u>					
Powell Bill					
			-	237,505	-
<u>N.C. Department of Aging:</u>					
Senior Center General Purpose Grant					
			-	19,698	-
<u>N.C. Department of Commerce:</u>					
Revitalization and Economic Development - Patriots Park Amphitheater					
			-	100,000	-
Total assistance - State programs			<u>-</u>	<u>3,555,561</u>	<u>-</u>
Total assistance			<u>\$ 2,417,189</u>	<u>\$ 3,555,561</u>	<u>\$ -</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**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, 2018. 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, 2018 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, 2018 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	\$ 10,283,058
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-R-DW-1785F	11,912,544
			<u>\$ 22,195,602</u>

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