

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, 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 79 percent, 73 percent, and 94 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, 2019, 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.

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 8, 2019 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 8, 2019

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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, 2019. 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

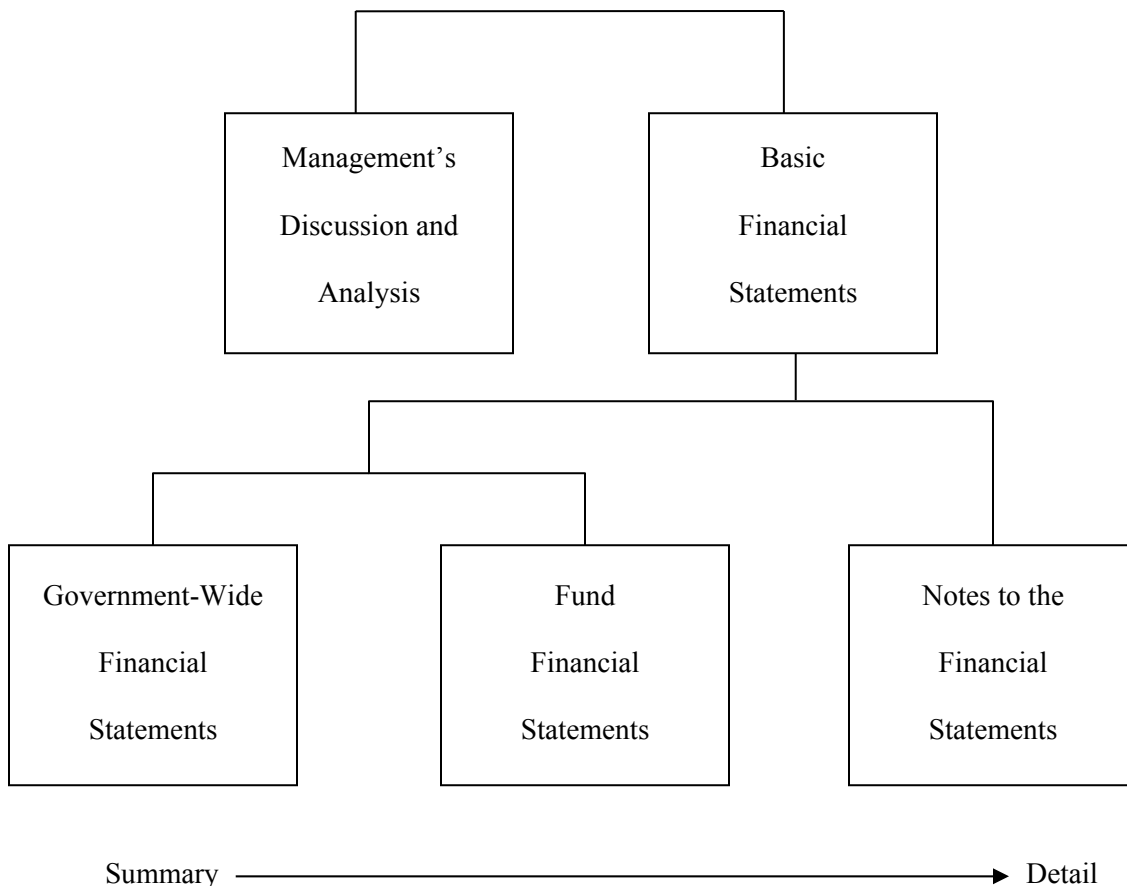
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$59,514,847 (*net position*).
- The government's total net position increased by \$5,201,975.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$9,336,842, an increase of \$2,031,184 in comparison with the prior year. Approximately 19.99% of this amount, or \$1,866,438, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,270,404, or 46.11%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt decreased by \$2,202,409 during the current fiscal year. The key factor in this decrease was that current year increases for installment purchases (direct placements) were far less than retirements in both governmental activities and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	\$ 11,841,592	\$ 8,660,255	\$ 16,474,046	\$ 14,742,446	\$ 28,315,638	\$ 23,402,701
Other assets	356,189	294,937	578,473	243,140	934,662	538,077
Capital assets, net	10,309,790	9,796,514	64,721,835	66,914,991	75,031,625	76,711,505
Total assets	<u>22,507,571</u>	<u>18,751,706</u>	<u>81,774,354</u>	<u>81,900,577</u>	<u>104,281,925</u>	<u>100,652,283</u>
Deferred Outflows of Resources	<u>1,908,148</u>	<u>1,251,815</u>	<u>812,910</u>	<u>535,510</u>	<u>2,721,058</u>	<u>1,787,325</u>
Liabilities:						
Long-term liabilities	12,491,143	11,740,910	30,616,527	32,634,045	43,107,670	44,374,955
Other liabilities	942,067	843,127	1,700,589	1,808,667	2,642,656	2,651,794
Total liabilities	<u>13,433,210</u>	<u>12,584,037</u>	<u>32,317,116</u>	<u>34,442,712</u>	<u>45,750,326</u>	<u>47,026,749</u>
Deferred Inflows of Resources	<u>1,214,481</u>	<u>770,587</u>	<u>523,329</u>	<u>329,400</u>	<u>1,737,810</u>	<u>1,099,987</u>
Net Position:						
Net investment in capital assets	7,919,936	7,490,663	38,282,787	38,191,503	46,202,723	45,682,166
Restricted	1,817,801	1,769,114	-	-	1,817,801	1,769,114
Unrestricted	30,291	(2,610,880)	11,464,032	9,472,472	11,494,323	6,861,592
Total net position	<u>\$ 9,768,028</u>	<u>\$ 6,648,897</u>	<u>\$ 49,746,819</u>	<u>\$ 47,663,975</u>	<u>\$ 59,514,847</u>	<u>\$ 54,312,872</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 \$59,514,847 as of June 30, 2019. However, the largest portion (78%) 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 \$1,817,801 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,494,323 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,116,671	\$ 2,151,600	\$ 26,841,461	\$ 25,923,385	\$ 28,958,132	\$ 28,074,985
Operating grants and contributions	1,496,707	1,079,741	-	-	1,496,707	1,079,741
Capital grants and contributions	-	-	467,234	3,187,591	467,234	3,187,591
General revenues:						
Property taxes	7,552,420	6,147,585	-	-	7,552,420	6,147,585
Other taxes	4,053,881	3,768,274	-	-	4,053,881	3,768,274
Other	219,232	70,147	182,863	65,466	402,095	135,613
Total revenues	<u>15,438,911</u>	<u>13,217,347</u>	<u>27,491,558</u>	<u>29,176,442</u>	<u>42,930,469</u>	<u>42,393,789</u>
Expenses:						
General government	2,588,198	3,257,757	-	-	2,588,198	3,257,757
Public safety	5,592,299	4,701,627	-	-	5,592,299	4,701,627
Transportation	1,506,372	1,497,400	-	-	1,506,372	1,497,400
Environmental protection	1,562,994	1,440,917	-	-	1,562,994	1,440,917
Economic development	1,260,361	1,548,686	-	-	1,260,361	1,548,686
Culture and recreation	2,041,191	1,640,440	-	-	2,041,191	1,640,440
Interest expense	48,122	38,984	-	-	48,122	38,984
Water and sewer	-	-	6,748,795	5,801,572	6,748,795	5,801,572
Electric	-	-	10,931,645	12,972,360	10,931,645	12,972,360
Gas	-	-	5,000,372	4,646,731	5,000,372	4,646,731
Stormwater	-	-	448,145	382,900	448,145	382,900
Total expenses	<u>14,599,537</u>	<u>14,125,811</u>	<u>23,128,957</u>	<u>23,803,563</u>	<u>37,728,494</u>	<u>37,929,374</u>
Change in net position before transfers	839,374	(908,464)	4,362,601	5,372,879	5,201,975	4,464,415
Transfers	<u>2,279,757</u>	<u>2,358,057</u>	<u>(2,279,757)</u>	<u>(2,358,057)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>3,119,131</u>	<u>1,449,593</u>	<u>2,082,844</u>	<u>3,014,822</u>	<u>5,201,975</u>	<u>4,464,415</u>
Net Position:						
Beginning of year - July 1	6,648,897	9,447,786	47,663,975	46,551,661	54,312,872	55,999,447
Restatement	-	(4,248,482)	-	(1,902,508)	-	(6,150,990)
Beginning of year, restated	<u>6,648,897</u>	<u>5,199,304</u>	<u>47,663,975</u>	<u>44,649,153</u>	<u>54,312,872</u>	<u>49,848,457</u>
End of year - June 30	<u>\$ 9,768,028</u>	<u>\$ 6,648,897</u>	<u>\$ 49,746,819</u>	<u>\$ 47,663,975</u>	<u>\$ 59,514,847</u>	<u>\$ 54,312,872</u>

Governmental Activities. Governmental activities increased the City's net position by \$3,119,131. The key elements of this increase are as follows:

- Increases in property taxes and other tax revenues such as local option sales taxes.
- Increases in revenues from operating grants and contributions.
- Decreases in expenses related to general government and economic development.

Business-Type Activities. Business-type activities increased the City's net position by \$2,082,844. Key elements of this increase are as follows:

- Increase in customer sales revenue due to volume increases in both the Water & Sewer Fund and the Gas Fund
- Overall decrease in expenses from a large decrease in the Electric Fund with small increases in the other proprietary funds. The electric decrease is mainly due to lower costs related to the purchase of power.

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 \$7,782,410, while total fund balance reached \$8,876,015. 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 49.36 percent of total General Fund expenditures, while total fund balance represents 56.29 percent of that same amount.

At June 30, 2019, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$9,336,842 with a net increase of \$2,031,184. 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 \$1,595,886. With respect to actual versus final amended budget, revenues had a positive variance of \$695,891 due to an increase in property tax and other tax revenues. The expenditures recognized a positive variance of \$2,801,929. The major components of this positive variance are as follows:

- Overall operating expenditures for planning was drastically curbed with a variance of \$869,988 related to final amended budget and actual experience.
- Actual expenditures related to capital outlay for administration and finance were far below final amended budget by \$367,525
- 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 \$5,937,662. The amount of unrestricted net position for the Electric Fund was \$4,080,072, for the Gas Fund was \$1,617,406, and for the Stormwater Fund was (\$171,108). The total changes in net position for the four funds were \$673,383, \$1,061,684, \$357,548, and \$(9,771), 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, 2019 totals \$75,031,625 (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 governmental activities related to renovations of Patriots Park.
- Several large equipment purchases for governmental activities. The largest being for an Industrial Tubgrinder and Servers.
- Construction in the Water and Sewer Fund for Moss Lake Dam and the City Lake Dam. These projects completed in the current fiscal year and transferred to other improvements.

City of Kings Mountain's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,777,198	\$ 2,777,198	\$ 7,244,945	\$ 7,244,945	\$ 10,022,143	\$ 10,022,143
Infrastructure	253,807	312,937	-	-	253,807	312,937
Buildings	979,843	1,326,794	2,931,263	3,081,878	3,911,106	4,408,672
Other improvements	1,862,539	1,957,981	19,499,420	19,416,298	21,361,959	21,374,279
Equipment	1,515,264	1,255,682	4,695,951	4,757,729	6,211,215	6,013,411
Vehicles	1,452,215	1,858,275	804,341	1,055,762	2,256,556	2,914,037
Lines	-	-	29,545,915	30,809,187	29,545,915	30,809,187
Construction in progress	1,468,924	307,647	-	549,192	1,468,924	856,839
Total	<u>\$ 10,309,790</u>	<u>\$ 9,796,514</u>	<u>\$ 64,721,835</u>	<u>\$ 66,914,991</u>	<u>\$ 75,031,625</u>	<u>\$ 76,711,505</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, 2019, the City of Kings Mountain had total installment purchase debt, for direct placements and direct borrowings, outstanding of \$28,828,902. The City's debt represents obligations secured solely by certain equipment of the City.

City of Kings Mountain's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchases - direct placements & direct borrowings	<u>\$ 2,389,854</u>	<u>\$ 2,307,823</u>	<u>\$ 26,439,048</u>	<u>\$ 28,723,488</u>	<u>\$ 28,828,902</u>	<u>\$ 31,031,311</u>

The City of Kings Mountain's total debt decreased by \$2,202,409 during the current fiscal year. The key factor in this decrease was that installment purchase (direct placements) increases, related to governmental activities, was far less than retirements in both governmental activities and business-type activities.

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 \$111,705,107.

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 some 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 late August 2018, of its \$400 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 is 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 secured a wholesale agreement 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, 2020

Governmental Activities. The property tax rate remains unchanged at 43 cents per \$100 in assessed property value. The FY 19-20 General Fund budget increased roughly \$900,000 dollars over prior year's originally adopted budget due to increased medical costs, new positions added in the Police and Fire Department, COLA and wage and rate adjustments, and budgeted capital outlay for new equipment and vehicles. The City looked at all rates and fees and there were no significant increases in City fees in the 19-20 General Fund budget.

Business-Type Activities. The City's utility base rates, excluding electric, remained unchanged for the 19-20 budget year (gas, water, sewer, and storm water.) Any budgeted increases in revenues for these funds are based upon anticipated increases in volume of services provided (see note above re water volume for NTE facility). In the electric fund, the City did an across the board decrease in fees (roughly 10%) in March 2019 and carried that forward to the new budget year. The City was able to do this due to significant anticipated savings in purchased power as a result of switching suppliers. The City has seen a significant decrease in purchased power costs due to our NTE contract which began 1-1-19. Budget year 19-20 will represent the first full fiscal year under the new agreement.

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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 10,586,742	\$ 11,998,698	\$ 22,585,440	\$ 536,876	\$ 238,733
Taxes receivable, net	62,575	-	62,575	-	-
Accounts receivable, net	323,252	3,462,557	3,785,809	580	-
Due from other governments	820,386	-	820,386	-	8,667
Inventories	48,637	1,012,791	1,061,428	102,556	-
Prepaid items	-	-	-	6,772	-
Total current assets	11,841,592	16,474,046	28,315,638	646,784	247,400
Restricted assets:					
Cash and cash equivalents	356,189	578,473	934,662	-	-
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	4,246,122	7,244,945	11,491,067	222,989	-
Other capital assets, net of depreciation	6,063,668	57,476,890	63,540,558	14,540	-
Total capital assets	10,309,790	64,721,835	75,031,625	237,529	-
Total assets	22,507,571	81,774,354	104,281,925	884,313	247,400
Deferred Outflows of Resources:					
Pension deferrals	1,722,218	727,873	2,450,091	22,124	-
OPEB deferrals	185,930	85,037	270,967	-	-
Total deferred outflows of resources	1,908,148	812,910	2,721,058	22,124	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	942,067	1,122,116	2,064,183	254,567	6,500
Liabilities to be paid from restricted assets:					
Customer deposits	-	578,473	578,473	-	-
Long-term liabilities:					
Net pension liability - LGERS	2,027,484	910,898	2,938,382	16,132	-
Total pension liability - LEOSA	948,517	-	948,517	-	-
Total OPEB liability	6,769,812	3,096,270	9,866,082	-	-
Due within one year	831,572	1,998,976	2,830,548	-	-
Due in more than one year	1,913,758	24,610,383	26,524,141	-	-
Total liabilities	13,433,210	32,317,116	45,750,326	270,699	6,500
Deferred Inflows of Resources:					
OPEB deferrals	1,123,478	513,838	1,637,316	-	-
Pension deferrals	91,003	9,491	100,494	84	-
Total deferred inflows of resources	1,214,481	523,329	1,737,810	84	-
Net Position:					
Net investment in capital assets	7,919,936	38,282,787	46,202,723	237,529	-
Restricted for:					
Perpetual maintenance	30,774	-	30,774	-	-
Stabilization by state statute	1,052,638	-	1,052,638	-	8,667
Streets - Powell Bill	166,797	-	166,797	-	-
Public safety	282,322	-	282,322	-	-
Cultural and recreational	285,270	-	285,270	-	-
Working capital	-	-	-	58,433	-
Tourism promotion	-	-	-	-	232,233
Unrestricted	30,291	11,464,032	11,494,323	339,692	-
Total net position	\$ 9,768,028	\$ 49,746,819	\$ 59,514,847	\$ 635,654	\$ 240,900

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, 2019

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,588,198	\$ 162,608	\$ -	\$ -
Public safety	5,592,299	28,558	260,219	-
Transportation	1,506,372	-	347,170	-
Economic and physical development	1,260,361	134,181	567,773	-
Environmental protection	1,562,994	1,323,588	-	-
Culture and recreation	2,041,191	467,736	321,545	-
Interest expense	48,122	-	-	-
Total governmental activities	<u>14,599,537</u>	<u>2,116,671</u>	<u>1,496,707</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	6,748,795	6,865,446	-	467,234
Electric	10,931,645	14,195,450	-	-
Gas	5,000,372	5,344,623	-	-
Stormwater	448,145	435,942	-	-
Total business-type activities	<u>23,128,957</u>	<u>26,841,461</u>	<u>-</u>	<u>467,234</u>
Total primary government	<u>\$ 37,728,494</u>	<u>\$ 28,958,132</u>	<u>\$ 1,496,707</u>	<u>\$ 467,234</u>
Component Units:				
ABC Board	\$ 1,881,212	\$ 1,972,294	\$ -	\$ -
Tourism Development Authority Board	<u>113,218</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 1,994,430</u>	<u>\$ 1,972,294</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, 2019

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Units</u>	
	<u>Primary Government</u>				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>ABC Board</u>	<u>Tourism Development Authority Board</u>
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (2,425,590)	\$ -	\$ (2,425,590)		
Public safety	(5,303,522)	-	(5,303,522)		
Transportation	(1,159,202)	-	(1,159,202)		
Economic and physical development	(558,407)	-	(558,407)		
Environmental protection	(239,406)	-	(239,406)		
Culture and recreation	(1,251,910)	-	(1,251,910)		
Interest expense	(48,122)	-	(48,122)		
Total governmental activities	<u>(10,986,159)</u>	<u>-</u>	<u>(10,986,159)</u>		
Business-Type Activities:					
Water and sewer	-	583,885	583,885		
Electric	-	3,263,805	3,263,805		
Gas	-	344,251	344,251		
Stormwater	-	(12,203)	(12,203)		
Total business-type activities	<u>-</u>	<u>4,179,738</u>	<u>4,179,738</u>		
Total primary government	<u>(10,986,159)</u>	<u>4,179,738</u>	<u>(6,806,421)</u>		
Component Units:					
ABC Board				\$ 91,082	\$ -
Tourism Development Authority Board				-	(113,218)
Total component units				<u>91,082</u>	<u>(113,218)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	7,552,420	-	7,552,420	-	-
Local option sales tax	2,061,022	-	2,061,022	-	-
Payment in lieu of taxes	168,205	-	168,205	-	-
Franchise taxes	1,040,696	-	1,040,696	-	-
Other taxes and licenses	783,958	-	783,958	-	116,413
Unrestricted investment earnings	219,232	170,886	390,118	854	1,425
Miscellaneous	-	11,977	11,977	-	1,030
Total general revenues before transfers	<u>11,825,533</u>	<u>182,863</u>	<u>12,008,396</u>	<u>854</u>	<u>118,868</u>
Transfers	<u>2,279,757</u>	<u>(2,279,757)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>14,105,290</u>	<u>(2,096,894)</u>	<u>12,008,396</u>	<u>854</u>	<u>118,868</u>
Change in net position	3,119,131	2,082,844	5,201,975	91,936	5,650
Net Position:					
Beginning of year - July 1	<u>6,648,897</u>	<u>47,663,975</u>	<u>54,312,872</u>	<u>543,718</u>	<u>235,250</u>
End of year - June 30	<u>\$ 9,768,028</u>	<u>\$ 49,746,819</u>	<u>\$ 59,514,847</u>	<u>\$ 635,654</u>	<u>\$ 240,900</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Fund General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 7,980,349	\$ 424,920	\$ 8,405,269
Cash and cash equivalents, restricted	325,415	30,774	356,189
Taxes receivable, net	62,575	-	62,575
Accounts receivable, net	232,252	-	232,252
Due from other governments	812,716	7,670	820,386
Inventories	48,637	-	48,637
Total assets	<u>\$ 9,461,944</u>	<u>\$ 463,364</u>	<u>\$ 9,925,308</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 523,354</u>	<u>\$ 2,537</u>	<u>\$ 525,891</u>
Deferred Inflows of Resources:			
Property taxes receivable	<u>62,575</u>	<u>-</u>	<u>62,575</u>
Fund Balances:			
Non-spendable:			
Inventories	48,637	-	48,637
Perpetual maintenance	-	30,774	30,774
Restricted:			
Stabilization by state statute	1,044,968	7,670	1,052,638
Streets	166,797	-	166,797
Public safety	84,067	198,255	282,322
Cultural and recreational	61,142	224,128	285,270
Assigned	200,000	-	200,000
Unassigned	<u>7,270,404</u>	<u>-</u>	<u>7,270,404</u>
Total fund balances	<u>8,876,015</u>	<u>460,827</u>	<u>9,336,842</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,461,944</u>	<u>\$ 463,364</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.	10,309,790
The assets and liabilities of internal service funds are included in the Statement of Net Position.	1,893,473
Net pension liability - LGERS	(2,027,484)
Total pension liability - LEOSSA	(948,517)
Total OPEB liability	(6,769,812)
Deferred outflows of resources related to pensions are not reported in the funds.	1,722,218
Deferred outflows of resources related to OPEB are not reported in the funds.	185,930
Deferred inflows of resources related to pensions are not reported in the funds.	(91,003)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,123,478)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	62,575
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>(2,782,506)</u>
Net position of governmental activities	<u>\$ 9,768,028</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, 2019

	<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	\$ 7,554,436	\$ -	\$ 7,554,436
Other taxes and licenses	4,053,881	-	4,053,881
Restricted intergovernmental	868,207	592,037	1,460,244
Permits and fees	134,881	-	134,881
Sales and services	1,736,086	-	1,736,086
Donations	-	36,223	36,223
Investment earnings	215,152	4,080	219,232
Miscellaneous	245,944	-	245,944
Total revenues	<u>14,808,587</u>	<u>632,340</u>	<u>15,440,927</u>
Expenditures:			
Current:			
General government	4,142,088	-	4,142,088
Public safety	5,259,932	79,530	5,339,462
Transportation	1,753,087	-	1,753,087
Economic and physical development	903,371	502,070	1,405,441
Environmental protection	1,266,551	-	1,266,551
Culture and recreation	1,821,956	-	1,821,956
Debt service:			
Principal	578,123	-	578,123
Interest	42,946	-	42,946
Total expenditures	<u>15,768,054</u>	<u>581,600</u>	<u>16,349,654</u>
Revenues over (under) expenditures	<u>(959,467)</u>	<u>50,740</u>	<u>(908,727)</u>
Other Financing Sources (Uses):			
Transfers in	2,424,757	5,000	2,429,757
Transfers out	(5,000)	(145,000)	(150,000)
Issuance of debt	660,154	-	660,154
Total other financing sources (uses)	<u>3,079,911</u>	<u>(140,000)</u>	<u>2,939,911</u>
Net change in fund balances	2,120,444	(89,260)	2,031,184
Fund Balances:			
Beginning of year - July 1	<u>6,755,571</u>	<u>550,087</u>	<u>7,305,658</u>
End of year - June 30	<u>\$ 8,876,015</u>	<u>\$ 460,827</u>	<u>\$ 9,336,842</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, 2019**

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 \$ 2,031,184

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	\$ 1,935,314	
Disposals, gain	1,429	
Depreciation expense	<u>(1,423,467)</u>	513,276

Change in deferred inflows for tax revenues (2,016)

Contributions to the pension and OPEB plan in the current fiscal year are not included on the Statement of Activities. 621,903

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

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	(660,154)	
Repayment of debt principal	578,123	
OPEB plan expense	(252,895)	
Pension expense - LGERS	(760,804)	
Pension expense - LEOSSA	(53,855)	
Accrual of interest expense payable	(5,176)	
Accrual of compensated absences	<u>(27,573)</u>	(1,182,334)

Net revenue of internal service funds determined to be governmental-type 1,119,657

Total change in net position of governmental activities (Exhibit B) \$ 3,119,131

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, 2019

	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 7,220,000	\$ 7,220,000	\$ 7,554,436	\$ 334,436
Other taxes	3,862,500	3,862,500	4,053,881	191,381
Restricted intergovernmental	728,963	836,435	868,207	31,772
Permits and fees	175,000	175,000	134,881	(40,119)
Investment earnings	40,000	140,000	215,152	75,152
Sales and services	1,671,500	1,671,500	1,736,086	64,586
Miscellaneous	166,377	207,261	245,944	38,683
Total revenues	<u>13,864,340</u>	<u>14,112,696</u>	<u>14,808,587</u>	<u>695,891</u>
Expenditures:				
Current:				
General government	4,006,292	4,948,367	4,142,088	806,279
Public safety	5,394,717	5,717,717	5,259,932	457,785
Transportation	1,733,335	1,863,335	1,753,087	110,248
Economic and physical development	1,906,364	1,955,864	903,371	1,052,493
Environmental protection	1,250,901	1,364,401	1,266,551	97,850
Culture and recreation	2,060,777	2,098,588	1,821,956	276,632
Debt service:				
Principal retirement	578,123	578,123	578,123	-
Interest and fees	43,588	43,588	42,946	642
Total expenditures	<u>16,974,097</u>	<u>18,569,983</u>	<u>15,768,054</u>	<u>2,801,929</u>
Revenues over (under) expenditures	<u>(3,109,757)</u>	<u>(4,457,287)</u>	<u>(959,467)</u>	<u>3,497,820</u>
Other Financing Sources (Uses):				
Transfers in	2,274,757	2,424,757	2,424,757	-
Transfers out	(130,000)	(80,000)	(5,000)	75,000
Issuance of debt	965,000	1,025,075	660,154	(364,921)
Total other financing sources (uses)	<u>3,109,757</u>	<u>3,369,832</u>	<u>3,079,911</u>	<u>(289,921)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	-	(1,087,455)	2,120,444	3,207,899
Fund balance appropriated	-	1,087,455	-	1,087,455
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,120,444	<u>\$ 2,120,444</u>
Fund Balance:				
Beginning of year - July 1			<u>6,755,571</u>	
End of year - June 30			<u>\$ 8,876,015</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, 2019

	Business-Type Activities					Governmental
	Enterprise Funds				Activities	
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 6,663,580	\$ 3,053,612	\$ 2,098,164	\$ 183,342	\$ 11,998,698	\$ 2,181,473
Cash - restricted	388,629	127,064	62,780	-	578,473	-
Accounts receivable, net	623,592	2,518,297	272,079	48,589	3,462,557	91,000
Inventories	451,885	427,918	132,988	-	1,012,791	-
Total current assets	8,127,686	6,126,891	2,566,011	231,931	17,052,519	2,272,473
Non-current assets:						
Capital assets:						
Land and other non-depreciable assets	7,174,055	39,890	31,000	-	7,244,945	-
Other capital assets, net of depreciation	47,846,947	5,548,836	3,872,550	208,557	57,476,890	-
Total capital assets	55,021,002	5,588,726	3,903,550	208,557	64,721,835	-
Total assets	63,148,688	11,715,617	6,469,561	440,488	81,774,354	2,272,473
Deferred Outflows of Resources:						
Pension deferrals	328,720	211,317	117,399	70,437	727,873	-
OPEB deferrals	37,474	24,502	14,413	8,648	85,037	-
Total deferred outflows of resources	366,194	235,819	131,812	79,085	812,910	-
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	94,424	789,875	230,013	7,804	1,122,116	379,000
Liabilities to be paid from restricted assets:						
Customer deposits	388,629	127,064	62,780	-	578,473	-
Current portion of compensated absences	33,304	29,145	13,646	9,062	85,157	-
Current portion of long-term liabilities	1,608,930	107,873	178,554	18,462	1,913,819	-
Total current liabilities	2,125,287	1,053,957	484,993	35,328	3,699,565	379,000
Non-current liabilities:						
Net pension liability - LGERS	411,377	264,453	146,919	88,149	910,898	-
Notes payable	23,447,854	125,044	952,331	-	24,525,229	-
Total OPEB liability	1,364,458	892,146	524,791	314,875	3,096,270	-
Compensated absences	33,303	29,144	13,646	9,061	85,154	-
Total non-current liabilities	25,256,992	1,310,787	1,637,687	412,085	28,617,551	-
Total liabilities	27,382,279	2,364,744	2,122,680	447,413	32,317,116	379,000
Deferred Inflows of Resources:						
Pension deferrals	4,286	2,756	1,531	918	9,491	-
OPEB deferrals	226,437	148,055	87,091	52,255	513,838	-
Total deferred inflows of resources	230,723	150,811	88,622	53,173	523,329	-
Net Position:						
Net investment in capital assets	29,964,218	5,355,809	2,772,665	190,095	38,282,787	-
Unrestricted	5,937,662	4,080,072	1,617,406	(171,108)	11,464,032	1,893,473
Total net position	\$ 35,901,880	\$ 9,435,881	\$ 4,390,071	\$ 18,987	\$ 49,746,819	\$ 1,893,473

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, 2019

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 6,829,583	\$ 13,652,071	\$ 4,985,895	\$ 435,666	\$ 25,903,215	\$ 4,449,642
Miscellaneous revenues	35,863	543,379	358,728	276	938,246	-
Total operating revenues	6,865,446	14,195,450	5,344,623	435,942	26,841,461	4,449,642
Operating Expenses:						
Salaries and fringe benefits	1,653,564	1,864,898	930,979	326,149	4,775,590	-
Cost of merchandise sold	773,101	6,272,387	2,986,565	-	10,032,053	-
Other operating expenses	1,569,313	2,002,783	758,957	85,870	4,416,923	-
Depreciation	2,738,347	783,338	313,244	35,566	3,870,495	-
Excess policy fees	-	-	-	-	-	110,627
Administrative fees	-	-	-	-	-	195,930
Claims	-	-	-	-	-	3,027,678
Total operating expenses	6,734,325	10,923,406	4,989,745	447,585	23,095,061	3,334,235
Operating income (loss)	131,121	3,272,044	354,878	(11,643)	3,746,400	1,115,407
Non-Operating Revenues (Expenses):						
Interest income	89,498	48,785	30,171	2,432	170,886	4,250
Interest expense	(14,470)	(8,239)	(10,627)	(560)	(33,896)	-
Gain (loss) on disposal of capital assets	-	28,851	(16,874)	-	11,977	-
Total non-operating revenues (expenses)	75,028	69,397	2,670	1,872	148,967	4,250
Income (loss) before transfers and capital contributions	206,149	3,341,441	357,548	(9,771)	3,895,367	1,119,657
Transfers to other funds	-	(2,279,757)	-	-	(2,279,757)	-
Capital contributions	467,234	-	-	-	467,234	-
Total transfers and capital contributions	467,234	(2,279,757)	-	-	(1,812,523)	-
Change in net position	673,383	1,061,684	357,548	(9,771)	2,082,844	1,119,657
Net Position:						
Beginning of year - July 1	35,228,497	8,374,197	4,032,523	28,758	47,663,975	773,816
End of year - June 30	\$ 35,901,880	\$ 9,435,881	\$ 4,390,071	\$ 18,987	\$ 49,746,819	\$ 1,893,473

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, 2019

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 7,044,873	\$ 12,607,560	\$ 5,015,086	\$ 433,184	\$ 25,100,703	\$ 4,112,482
Cash paid for goods and services	(2,551,460)	(8,470,539)	(3,756,187)	(84,710)	(14,862,896)	(2,947,575)
Cash paid to employees for services	(1,569,824)	(1,814,510)	(901,136)	(306,669)	(4,592,139)	-
Cash received (paid) for customer deposits	325,708	7,920	1,705	-	335,333	-
Other operating revenues	35,863	543,379	358,728	276	938,246	-
Net cash provided (used) by operating activities	3,285,160	2,873,810	718,196	42,081	6,919,247	1,164,907
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(1,218,769)	(315,816)	(168,489)	-	(1,703,074)	-
Principal paid on bonds and equipment contracts	(1,861,540)	(201,831)	(187,193)	(33,876)	(2,284,440)	-
Proceeds from sale of capital assets	-	37,536	176	-	37,712	-
Interest expense	(16,970)	(8,239)	(11,128)	(1,060)	(37,397)	-
Net cash provided (used) by capital and related financing activities	(3,097,279)	(488,350)	(366,634)	(34,936)	(3,987,199)	-
Cash Flows from Non-Capital Financing Activities:						
Capital contributions	467,234	-	-	-	467,234	-
(Increase) decrease in due from other funds	-	10,000	50,000	-	60,000	-
Operating transfers	-	(2,279,757)	-	-	(2,279,757)	-
Net cash provided (used) by non-capital financing activities	467,234	(2,269,757)	50,000	-	(1,752,523)	-
Cash Flows from Investing Activities:						
Interest income	89,498	48,785	30,171	2,432	170,886	4,250
Net increase (decrease) in cash and cash equivalents	744,613	164,488	431,733	9,577	1,350,411	1,169,157
Cash and Cash Equivalents:						
Beginning of year - July 1	6,307,596	3,016,188	1,729,211	173,765	11,226,760	1,012,316
End of year - June 30	\$ 7,052,209	\$ 3,180,676	\$ 2,160,944	\$ 183,342	\$ 12,577,171	\$ 2,181,473
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 131,121	\$ 3,272,044	\$ 354,878	\$ (11,643)	\$ 3,746,400	\$ 1,115,407
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,738,347	783,338	313,244	35,566	3,870,495	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	215,290	(1,044,511)	29,191	(2,482)	(802,512)	(4,500)
Inventories	(55)	38,965	(12,919)	-	25,991	-
Deferred outflows of resources - pensions	(125,288)	(80,537)	(44,735)	(26,840)	(277,400)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(204,404)	(235,392)	2,428	2,838	(434,530)	54,000
Accrued OPEB liability	(40,452)	(26,449)	(15,559)	(9,335)	(91,795)	-
Customer deposits	325,708	7,920	1,705	-	335,333	-
Deferred inflows of resources - pensions	85,321	55,851	32,973	19,784	193,929	-
Net pension liability - LGERS	159,572	102,581	56,990	34,193	353,336	-
Net cash provided (used) by operating activities	\$ 3,285,160	\$ 2,873,810	\$ 718,196	\$ 42,081	\$ 6,919,247	\$ 1,164,907

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, 2019

	<u>Firefighter's Retirement Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 240,262
Liabilities:	
Intergovernmental payable	\$ 240,262

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, 2019

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, 2019

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 Funds

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.

CDBG Project Fund. This fund is used to account for Community Development Block Grant revenues received from the NC Department of Commerce to assist in downtown revitalization.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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 CDBG Project Fund, 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, 2019

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 valued at fair value.

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. 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 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, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

City of Kings Mountain Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 180,208
Public safety	84,067
Cultural and recreation	61,140

Nonmajor Funds:

Perpetual maintenance	30,774
Total governmental activities	<u>356,189</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	388,629
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Electric Fund:

Customer deposits	127,064
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Gas Fund:

Customer deposits	62,780
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Total business-type activities	<u>578,473</u>
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Total restricted cash	<u><u>\$ 934,662</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, 2018. 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, 2019

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, 2019

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, 2019

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, 2019

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, of \$166,797, 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. \$23,755 is restricted in the General Fund by fire museum contributions. \$198,255 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 \$61,142 restricted for future culture and recreation expenditures while the nonmajor funds have \$224,128 restricted for the same.

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.

Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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, 2019

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	\$ 8,876,015
Less:	
Inventories	48,637
Stabilization by state statute	<u>1,044,968</u>
Total available fund balance	<u><u>\$ 7,782,410</u></u>

Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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, 2019

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, 2019, the City's deposits had a carrying amount of \$12,792,286 and a bank balance of \$13,219,354. Of the bank balance, \$11,585,378 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 \$238,733 and the bank balance was \$248,732. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$453,445 and the bank balance was \$347,461. \$250,000 of the bank balance of the ABC Board was covered by federal depository insurance. The ABC Board had certificates of deposit totaling \$81,431 and petty cash funds of \$2,000.

At June 30, 2019, the City's petty cash funds totaled \$2,287.

Investments

At June 30, 2019, the City of Kings Mountain had \$10,965,791 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, 2019

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 345,116	\$ 125,943	\$ 812,716	\$ 1,283,775
Nonmajor - Emergency Telephone System	-	-	7,670	7,670
Nonmajor - internal service funds	91,000	-	-	91,000
Allowance for doubtful accounts	(112,864)	(63,368)	-	(176,232)
Total governmental activities	<u>\$ 323,252</u>	<u>\$ 62,575</u>	<u>\$ 820,386</u>	<u>\$ 1,206,213</u>
Business-Type Activities:				
Water and sewer	\$ 690,076	\$ -	\$ -	\$ 690,076
Electric	2,663,853	-	-	2,663,853
Gas	300,906	-	-	300,906
Stormwater	53,698	-	-	53,698
Allowance for doubtful accounts	(245,976)	-	-	(245,976)
Total business-type activities	<u>\$ 3,462,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,462,557</u>

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

Governmental Activities:	
Local option sales tax	\$ 491,232
Sales tax reimbursement	259,286
911 funds	7,670
Occupancy tax	8,802
Miscellaneous	53,396
Total	<u>\$ 820,386</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,777,198	\$ -	\$ -	\$ -	\$ 2,777,198
Construction in progress	<u>307,647</u>	<u>1,161,277</u>	<u>-</u>	<u>-</u>	<u>1,468,924</u>
Total non-depreciable capital assets	<u>3,084,845</u>	<u>1,161,277</u>	<u>-</u>	<u>-</u>	<u>4,246,122</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,631,469	14,734	-	-	10,646,203
Other improvements	2,521,100	29,073	-	-	2,550,173
Equipment	3,508,320	540,673	(95,861)	(6,418)	3,946,714
Vehicles	<u>6,484,340</u>	<u>189,557</u>	<u>(416,123)</u>	<u>30,734</u>	<u>6,288,508</u>
Total depreciable capital assets	<u>26,214,009</u>	<u>774,037</u>	<u>(511,984)</u>	<u>24,316</u>	<u>26,500,378</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,755,843	59,130	-	-	2,814,973
Buildings	9,304,675	361,685	-	-	9,666,360
Other improvements	563,119	124,515	-	-	687,634
Equipment	2,252,638	273,835	(88,605)	(6,418)	2,431,450
Vehicles	<u>4,626,065</u>	<u>604,302</u>	<u>(416,123)</u>	<u>22,049</u>	<u>4,836,293</u>
Total accumulated depreciation	<u>19,502,340</u>	<u>\$ 1,423,467</u>	<u>\$ (504,728)</u>	<u>\$ 15,631</u>	<u>20,436,710</u>
Total depreciable capital assets, net	<u>6,711,669</u>				<u>6,063,668</u>
Governmental activities capital assets, net	<u>\$ 9,796,514</u>				<u>\$ 10,309,790</u>

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

Governmental Activities:	
General government	\$ 161,719
Public safety	467,934
Transportation	177,599
Economic and physical development	5,322
Environmental protection	312,701
Cultural and recreational	<u>298,192</u>
Total depreciation expense	<u>\$ 1,423,467</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	549,192	672,884	-	(1,222,076)	-
Total non-depreciable capital assets	<u>7,723,247</u>	<u>672,884</u>	<u>-</u>	<u>(1,222,076)</u>	<u>7,174,055</u>
Depreciable Capital Assets:					
Buildings	14,522,183	13,300	-	-	14,535,483
Other improvements	53,650,931	110,740	-	1,086,756	54,848,427
Lines	29,847,375	-	-	135,320	29,982,695
Equipment	7,177,946	342,930	-	6,418	7,527,294
Vehicles	1,006,334	78,915	-	-	1,085,249
Total depreciable capital assets	<u>106,204,769</u>	<u>545,885</u>	<u>-</u>	<u>1,228,494</u>	<u>107,979,148</u>
Less Accumulated Depreciation:					
Buildings	12,450,179	159,117	-	-	12,609,296
Other improvements	34,835,248	1,166,438	-	-	36,001,686
Lines	4,258,274	1,085,031	-	-	5,343,305
Equipment	4,884,864	299,492	-	6,418	5,190,774
Vehicles	958,871	28,269	-	-	987,140
Total accumulated depreciation	<u>57,387,436</u>	<u>\$ 2,738,347</u>	<u>\$ -</u>	<u>\$ 6,418</u>	<u>60,132,201</u>
Total depreciable capital assets, net	<u>48,817,333</u>				<u>47,846,947</u>
Water and Sewer Fund					
capital assets, net	<u>56,540,580</u>				<u>55,021,002</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</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	141,803	-	-	1,344,654
Lines	5,924,404	27,253	-	-	5,951,657
Equipment	2,165,272	146,760	-	-	2,312,032
Vehicles	1,731,913	-	(87,339)	(30,734)	1,613,840
Total depreciable capital assets	13,339,597	315,816	(87,339)	(30,734)	13,537,340
Less Accumulated Depreciation:					
Buildings	1,458,894	79,503	-	-	1,538,397
Other improvements	708,568	88,544	-	-	797,112
Lines	3,310,084	214,943	-	-	3,525,027
Equipment	966,780	165,556	-	-	1,132,336
Vehicles	870,228	234,792	(87,339)	(22,049)	995,632
Total accumulated depreciation	7,314,554	\$ 783,338	\$ (87,339)	\$ (22,049)	7,988,504
Total depreciable capital assets, net	6,025,043				5,548,836
Electric Fund capital assets, net	6,064,933				5,588,726
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	\$ -	\$ -	\$ -	31,000
Total non-depreciable capital assets	31,000	-	-	-	31,000
Depreciable Capital Assets:					
Buildings	170,327	83,232	-	-	253,559
Lines	4,213,728	16,879	-	-	4,230,607
Equipment	1,692,165	68,378	(51,774)	-	1,708,769
Vehicles	333,092	-	-	-	333,092
Total depreciable capital assets	6,409,312	168,489	(51,774)	-	6,526,027
Less Accumulated Depreciation:					
Buildings	40,623	8,527	-	-	49,150
Lines	1,607,962	142,750	-	-	1,750,712
Equipment	517,208	117,863	(34,724)	-	600,347
Vehicles	209,164	44,104	-	-	253,268
Total accumulated depreciation	2,374,957	\$ 313,244	\$ (34,724)	\$ -	2,653,477
Total depreciable capital assets, net	4,034,355				3,872,550
Gas Fund capital assets, net	4,065,355				3,903,550

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	\$ -	\$ -	\$ -	23,907
Other improvements	110,569	-	-	-	110,569
Equipment	311,434	-	-	-	311,434
Vehicles	109,573	-	-	-	109,573
Total depreciable capital assets	<u>555,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,483</u>
Less Accumulated Depreciation:					
Buildings	4,237	1,195	-	-	5,432
Other improvements	6,879	5,528	-	-	12,407
Equipment	213,357	14,357	-	-	227,714
Vehicles	86,887	14,486	-	-	101,373
Total accumulated depreciation	<u>311,360</u>	<u>\$ 35,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>346,926</u>
Total depreciable capital assets, net	<u>244,123</u>				<u>208,557</u>
Stormwater Fund capital assets, net	<u>244,123</u>				<u>208,557</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	7,794,137				7,244,945
Depreciable capital assets, net of depreciation	<u>59,120,854</u>				<u>57,476,890</u>
Total business-type capital assets, net	<u>\$ 66,914,991</u>				<u>\$ 64,721,835</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,309,790	\$ 64,721,835
Long-term debt	<u>(2,389,854)</u>	<u>(26,439,048)</u>
Net investment in capital assets	<u>\$ 7,919,936</u>	<u>\$ 38,282,787</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

ABC Board

Activity for the ABC Board for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
Non-Depreciable Capital Assets:				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
CIP	40,228	103,886	-	144,114
Total non-depreciable capital assets	<u>119,103</u>	<u>103,886</u>	<u>-</u>	<u>222,989</u>
Depreciable Capital Assets:				
Buildings and improvements	216,257	-	-	216,257
Equipment	74,560	-	-	74,560
Total depreciable capital assets	<u>290,817</u>	<u>-</u>	<u>-</u>	<u>290,817</u>
Less Accumulated Depreciation:				
Buildings and improvements	216,257	-	-	216,257
Equipment	56,415	3,605	-	60,020
Total accumulated depreciation	<u>272,672</u>	<u>\$ 3,605</u>	<u>\$ -</u>	<u>276,277</u>
Total depreciable capital assets, net	<u>18,145</u>			<u>14,540</u>
ABC Board capital assets, net	<u>\$ 137,248</u>			<u>\$ 237,529</u>

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 321,864	\$ 201,490	\$ 37,176	\$ 560,530
Special revenue fund	2,537	-	-	2,537
Internal service funds	379,000	-	-	379,000
Total governmental activities	<u>\$ 703,401</u>	<u>\$ 201,490</u>	<u>\$ 37,176</u>	<u>\$ 942,067</u>
Business-Type Activities:				
Water and sewer	\$ 58,299	\$ 31,125	\$ 5,000	\$ 94,424
Electric	751,356	33,019	5,500	789,875
Gas	208,621	16,892	4,500	230,013
Stormwater	1,297	6,207	300	7,804
Total business-type activities	<u>\$ 1,019,573</u>	<u>\$ 87,243</u>	<u>\$ 15,300</u>	<u>\$ 1,122,116</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$660,622 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$2,938,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the City's proportion was 0.12386%, which was an increase of 0.00613% from its proportion measured as of June 30, 2017.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the City recognized pension expense of \$846,841. At June 30, 2019, 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	\$ 453,323	\$ 15,211
Changes of assumptions	779,733	-
Net difference between projected and actual earnings on pension plan investments	403,353	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	50,947	15,406
City contributions subsequent to the measurement date	<u>660,622</u>	<u>-</u>
Total	<u><u>\$ 2,347,978</u></u>	<u><u>\$ 30,617</u></u>

\$660,622 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, 2020. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 797,959
2021	515,786
2022	98,528
2023	244,466
2024	-
Thereafter	-
Total	<u><u>\$ 1,656,739</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2019

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, 2017 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2018 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, 2019

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 7,058,250</u>	<u>\$ 2,938,382</u>	<u>\$ (504,243)</u>

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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>33</u>
Total	<u>35</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2017 valuation. The total pension liability in the December 31, 2017 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	3.64 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 \$34,923 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, 2019**

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

At June 30, 2019, the City reported a total pension liability of \$948,517. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$71,639.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,929	\$ 28,819
Changes of assumptions	36,723	41,058
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>17,461</u>	<u>-</u>
Total	<u><u>\$ 102,113</u></u>	<u><u>\$ 69,877</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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 2,476
2021	2,476
2022	2,476
2023	4,119
2024	3,228
Thereafter	<u>-</u>
Total	<u><u>\$ 14,775</u></u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u>\$ 1,026,953</u>	<u>\$ 948,517</u>	<u>\$ 876,745</u>

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

	2019
Beginning balance	\$ 893,642
Service cost	41,154
Interest on the total pension liability	27,687
Differences between expected and actual experience in the measurement of the total pension liability	57,751
Changes of assumptions or other inputs	(36,794)
Benefit payments	<u>(34,923)</u>
Ending balance of the total pension liability	<u>\$ 948,517</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.16% at December 31, 2017 to 3.64% at December 31, 2018.

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, 2017 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, 2019

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	\$ 846,841	\$ 71,639	\$ 918,480
Pension liability	2,938,382	948,517	3,886,899
Proportionate share of the net pension liability	0.12386%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	453,323	47,929	501,252
Changes of assumptions	779,733	36,723	816,456
Net difference between projected and actual earnings on plan investments	403,353	-	403,353
Changes in proportion and differences between contributions and proportionate share of contributions	50,947	-	50,947
Benefit payments and administrative costs paid subsequent to the measurement date	<u>660,622</u>	<u>17,461</u>	<u>678,083</u>
Total deferred outflows of resources	<u>\$ 2,347,978</u>	<u>\$ 102,113</u>	<u>\$ 2,450,091</u>

Deferred of Inflows of Resources:

Differences between expected and actual experience	15,211	28,819	44,030
Changes of assumptions	-	41,058	41,058
Changes in proportion and differences between contributions and proportionate share of contributions	<u>15,406</u>	<u>-</u>	<u>15,406</u>
Total deferred inflows of resources	<u>\$ 30,617</u>	<u>\$ 69,877</u>	<u>\$ 100,494</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 \$90,852 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 \$446,780 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, 2019

Membership of the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	22	-
Active plan members	143	30
Total	165	30

Total OPEB Liability

The City's total OPEB liability of \$9,866,082 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 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	3.89 percent
Healthcare Cost Trend Rates	
Pre-Medicare	7.75 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Medicare	5.38 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2022

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, 2019

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at July 1, 2018	\$ 10,158,581
Changes for the year	
Service cost	475,071
Interest	357,432
Differences between expected and actual experience	(184,051)
Changes in assumptions or other inputs	(702,174)
Benefit payments	(238,777)
Net changes	(292,499)
Balances at June 30, 2019	<u>\$ 9,866,082</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on review of recent plan experience performed concurrently with the June 30, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB liability	\$ 11,766,431	\$ 9,866,082	\$ 8,379,334

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 8,184,364	\$ 9,866,082	\$ 12,087,132

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$609,245. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,281	\$ 163,348
Changes of assumptions	-	1,473,968
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>240,686</u>	<u>-</u>
Total	<u><u>\$ 270,967</u></u>	<u><u>\$ 1,637,316</u></u>

\$240,686 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
June 30	Amount
2020	\$ (223,257)
2021	(223,257)
2022	(223,257)
2023	(223,257)
2024	(223,257)
Thereafter	<u>(490,750)</u>
Total	<u><u>\$(1,607,035)</u></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 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 660,622
Benefit payments made for LEOSSA subsequent to measurement date	17,461
Difference between expected and actual experience - Pensions & OPEB	531,533
Changes of assumptions - Pensions	816,456
Benefit payments for OPEB subsequent to measurement date	240,686
Net difference between projected and actual - Pensions	403,353
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	50,947
Total	<u>\$ 2,721,058</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)	\$ -	\$ 62,575
Differences between expected and actual experience - Pensions & OPEB	207,378	-
Change in assumptions - Pensions & OPEB	1,515,026	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	15,406	-
Total	<u>\$ 1,737,810</u>	<u>\$ 62,575</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Unemployment Compensation

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

Risk Management

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

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

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	<u>2019</u>	<u>2018</u>
Unpaid claims, beginning	\$ 300,000	\$ 321,117
Incurred claims	2,961,787	3,673,495
Claim payments	<u>(2,935,787)</u>	<u>(3,694,612)</u>
Unpaid claims, ending	<u>\$ 326,000</u>	<u>\$ 300,000</u>

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

	<u>2019</u>	<u>2018</u>
Unpaid claims, beginning	\$ 25,000	\$ 25,024
Incurred claims	119,891	10,220
Claim payments	<u>(91,891)</u>	<u>(10,244)</u>
Unpaid claims, ending	<u>\$ 53,000</u>	<u>\$ 25,000</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, 2019, 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, 2019

Long-Term Obligations

Installment Purchases Agreements

The City currently only has installment purchase debt for direct placements and direct borrowings. The financing contracts are as follows:

Serviced by the Governmental Funds:

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	\$ 95,785
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	51,375
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	394,791
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	102,211
Home Trust Bank \$360,446 note payable in August 2018 for Tub Grinder, due in annual payments of \$78,683, including interest at 2.99% through August 2023	360,447
Home Trust Bank \$157,158 note payable in December 2018 for a Police Car, due in annual payments of \$34,306, including interest at 2.99% through December 2023	157,158
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	405,206
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	61,877
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	18,000
Home Trust Bank \$142,500 note payable in April 2019 for software, due in annual payments of \$31,118, including interest at 2.99% through April 2024	142,550
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	28,883
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	25,971
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	455,900
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	89,700
Total governmental activities	<u>\$ 2,389,854</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 20,064
NC DWSRF \$3,807,822 note payable in October 2014 for water and sewer projects, due in annual payments of \$262,175, interest free through May 2034	3,807,822
NC DWSRF \$9,678,172 note payable in June 2015 for water and sewer projects, due in annual payments of \$808,134, interest free through May 2035	9,678,172
NC DWSRF \$11,250,736 note payable in May 2016 for water and sewer projects, due in annual payments of \$670,532, interest free through May 2036	11,250,736
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>299,990</u>
Total Water and Sewer Fund	<u>25,056,784</u>

Electric Fund:

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	185,744
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	<u>47,173</u>
Total Electric Fund	<u>232,917</u>

Gas Fund:

Carolina Alliance Bank \$35,597 note payable in September 2015 for a standard cab truck, due in annual payments of \$7,374, including interest at 1.76% through September 2019	7,245
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	45,114
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>1,078,526</u>
Total Gas Fund	<u>1,130,885</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Stormwater Fund:

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	18,462
Total Stormwater Fund	18,462
Total business-type activities	\$ 26,439,048

Governmental-Type Activities:

The Town's outstanding note from direct placements related to governmental activities of \$95,785, from Home Trust Bank, is secured with the property acquired as collateral, a Swap Loader. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of \$51,375, from BB&T, is secured with the property acquired as collateral, a Knucleboom Loader Vehicle. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of \$394,791, from BB&T, is secured with the property acquired as collateral, a Fire Pumper Truck. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of \$102,211, from Home Trust Bank, is secured with the property acquired as collateral, a Rear Loader. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of \$360,447, from Home Trust Bank, is secured with the property acquired as collateral, a Tub Grinder. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of \$157,158, from Home Trust Bank, is secured with the property acquired as collateral, a Police Car. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town's outstanding note from direct placements related to governmental activities of \$405,206, from BB&T, is secured with the property acquired as collateral, a Municipal Building. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of \$61,877, from BB&T, is secured with the property acquired as collateral, Data Center Infrastructure. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of \$18,000, from Faunce Realty, is secured with the land acquired as collateral. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Faunce Realty.

The Town's outstanding note from direct placements related to governmental activities of \$142,550, from Home Trust Bank, is secured with the property acquired as collateral, Software. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of \$28,883, from Carolina Alliance Bank, is secured with the property acquired as collateral, a Tractor Loader Backhoe. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

The Town's outstanding note from direct placements related to governmental activities of \$25,971, from Carolina Alliance Bank, is secured with the property acquired as collateral, an Excavator. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

The Town's outstanding note from direct placements related to governmental activities of \$455,900, from Signature Public Funding Corp, is secured with the property acquired as collateral, Garbage Trucks. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The Town's outstanding note from direct placements related to governmental activities of \$89,700, from Carolina Alliance Bank, is secured with the property acquired as collateral, a Heavy Rescue Vehicle. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Business-Type Activities:

Water and Sewer Fund:

The Town's outstanding note from direct placements related to business-type activities of \$20,064, from Carolina Alliance Bank, is secured with the property acquired as collateral, a Regular Cab Truck and an Excavator. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

The Town's outstanding note from direct borrowings related to business-type activities of \$3,807,822, from NC DWSRF, is unsecured. There is no acceleration clause in the agreement. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The Town's outstanding note from direct borrowings related to business-type activities of \$9,678,172, from NC DWSRF, is unsecured. There is no acceleration clause in the agreement. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The Town's outstanding note from direct borrowings related to business-type activities of \$11,250,736, from NC DWSRF, is unsecured. There is no acceleration clause in the agreement. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The Town's outstanding note from direct placements related to business-type activities of \$299,990, from BB&T, is secured with the property acquired as collateral for the Spillway project. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral to BB&T.

Electric Fund:

The Town's outstanding note from direct placements related to business-type activities of \$185,744, from Signature Public Funding Corp, is secured with the property acquired as collateral, a Digger Derrick. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The Town's outstanding lease purchase from direct placements related to business-type activities of \$47,173, from Wells Fargo Equipment Finance Inc., is secured with the property acquired as collateral, a Hydraulic Articulating Aerial Device. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Wells Fargo Equipment, Inc.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Business-Type Activities (continued):

Gas Fund:

The Town's outstanding note from direct placements related to business-type activities of \$7,245, from Carolina Alliance Bank, is secured with the property acquired as collateral, a Standard Cab Truck. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

The Town's outstanding note from direct placements related to business-type activities of \$45,114, from Signature Public Funding Corp, is secured with the property acquired as collateral, an Altec Service Truck. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The Town's outstanding note from direct placements related to business-type activities of \$1,078,526, from Cater Bank & Trust, is secured with the property acquired as collateral for the NTE Gateway project. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

Stormwater Fund:

The Town's outstanding note from direct placements related to business-type activities of \$18,462, from Carolina Alliance Bank, is secured with the property acquired as collateral, a Real Loader Collection Vehicle. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

The future minimum payments of the notes payable related to direct placements and direct borrowings as of June 30, 2019 are as follows:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30				
2020	\$ 653,834	\$ 52,527	\$ 1,913,819	\$ 35,793
2021	527,776	39,181	1,825,660	27,831
2022	510,359	27,730	1,830,563	21,373
2023	353,062	16,488	1,755,538	14,814
2024	189,696	8,117	1,759,056	9,742
2025-2029	155,127	5,994	7,906,389	5,522
2030-2034	-	-	7,519,542	-
2035-2036	-	-	1,928,481	-
Total	<u>\$ 2,389,854</u>	<u>\$ 150,037</u>	<u>\$ 26,439,048</u>	<u>\$ 115,075</u>

At June 30, 2019, the City had a legal debt margin of approximately \$111,705,107.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases - direct placements	\$ 2,307,823	\$ 660,154	\$ (578,123)	\$ 2,389,854	\$ 653,834
Compensated absences	327,903	226,927	(199,354)	355,476	177,738
Net pension liability - LGERS	1,241,026	786,458	-	2,027,484	-
OPEB obligation	6,970,516	571,239	(771,943)	6,769,812	-
Total pension obligation - LEO	<u>893,642</u>	<u>126,592</u>	<u>(71,717)</u>	<u>948,517</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 11,740,910</u>	<u>\$ 2,371,370</u>	<u>\$ (1,621,137)</u>	<u>\$ 12,491,143</u>	<u>\$ 831,572</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases - direct placements & direct borrowings	\$ 26,918,324	\$ -	\$ (1,861,540)	\$ 25,056,784	\$ 1,608,930
Net pension liability - LGERS	251,805	159,572	-	411,377	-
OPEB obligation	1,404,910	115,133	(155,585)	1,364,458	-
Compensated absences	<u>62,020</u>	<u>42,553</u>	<u>(37,966)</u>	<u>66,607</u>	<u>33,304</u>
Total Water and Sewer Fund	<u>\$ 28,637,059</u>	<u>\$ 317,258</u>	<u>\$ (2,055,091)</u>	<u>\$ 26,899,226</u>	<u>\$ 1,642,234</u>
Electric Fund:					
Installment purchases - direct placements	\$ 434,748	\$ -	\$ (201,831)	\$ 232,917	\$ 107,873
Net pension liability - LGERS	161,872	102,581	-	264,453	-
OPEB obligation	918,595	75,280	(101,729)	892,146	-
Compensated absences	<u>59,347</u>	<u>64,537</u>	<u>(65,595)</u>	<u>58,289</u>	<u>29,145</u>
Total Electric Fund	<u>\$ 1,574,562</u>	<u>\$ 242,398</u>	<u>\$ (369,155)</u>	<u>\$ 1,447,805</u>	<u>\$ 137,018</u>
Gas Fund:					
Installment purchases - direct placements	\$ 1,318,078	\$ -	\$ (187,193)	\$ 1,130,885	\$ 178,554
Net pension liability - LGERS	89,929	56,990	-	146,919	-
OPEB obligation	540,350	44,282	(59,841)	524,791	-
Compensated absences	<u>27,118</u>	<u>24,139</u>	<u>(23,965)</u>	<u>27,292</u>	<u>13,646</u>
Total Gas Fund	<u>\$ 1,975,475</u>	<u>\$ 125,411</u>	<u>\$ (270,999)</u>	<u>\$ 1,829,887</u>	<u>\$ 192,200</u>
Stormwater Fund:					
Installment purchases - direct placements	\$ 52,338	\$ -	\$ (33,876)	\$ 18,462	\$ 18,462
Net pension liability - LGERS	53,956	34,193	-	88,149	-
OPEB obligation	324,210	26,569	(35,904)	314,875	-
Compensated absences	<u>16,445</u>	<u>7,645</u>	<u>(5,967)</u>	<u>18,123</u>	<u>9,062</u>
Total Stormwater Fund	<u>\$ 446,949</u>	<u>\$ 68,407</u>	<u>\$ (75,747)</u>	<u>\$ 439,609</u>	<u>\$ 27,524</u>
Total Business-Type Activities:					
Installment purchases - direct placements & direct borrowings	\$ 28,723,488	\$ -	\$ (2,284,440)	\$ 26,439,048	\$ 1,913,819
Net pension liability - LGERS	557,562	353,336	-	910,898	-
OPEB obligation	3,188,065	261,264	(353,059)	3,096,270	-
Compensated absences	<u>164,930</u>	<u>138,874</u>	<u>(133,493)</u>	<u>170,311</u>	<u>85,157</u>
Total business-type activities long-term liabilities	<u>\$ 32,634,045</u>	<u>\$ 753,474</u>	<u>\$ (2,770,992)</u>	<u>\$ 30,616,527</u>	<u>\$ 1,998,976</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 consist of the following:

From the Electric Fund to the General Fund for operating and capital expenditures	\$ 2,279,757
From the General Fund to the Cemetery Perpetual Care Fund for perpetual maintenance	5,000
From the Senior Center Capital Project Fund to the General Fund for the annual contribution of the Senior Center Expansion project and debt	145,000
From the Enterprise Fund Capital Project - Water Grant Projects to the Water Sewer Fund for debt service	<u>2,004,467</u>
Total	<u><u>\$ 4,434,224</u></u>

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 \$9,854 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, 2019. 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.

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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 THREE FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 893,642	\$ 837,142	\$ 798,699
Service cost	41,154	36,246	36,018
Interest on the total pension liability	27,687	31,862	28,401
Difference between expected and actual experience	57,751	(43,051)	-
Changes in assumptions or other inputs	(36,794)	54,859	(19,644)
Benefit payments	(34,923)	(23,416)	(6,332)
Ending balance of the total pension liability	<u>\$ 948,517</u>	<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 THREE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 948,517	\$ 893,642	\$ 837,142
Covered payroll	1,467,968	1,446,631	1,382,847
Total pension liability as a percentage of covered payroll	64.61%	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
LAST TWO FISCAL YEARS

	Other Post-Employment Benefits	
	2019	2018
Service cost	\$ 475,070	\$ 543,451
Interest	357,432	315,041
Differences between expected and actual experience	(184,050)	39,402
Changes in assumptions	(702,174)	(1,107,040)
Benefit payments	(238,777)	(196,028)
Net change in total OPEB liability	(292,499)	(405,174)
Total OPEB liability - beginning	10,158,581	10,563,755
Total OPEB liability - ending	\$ 9,866,082	\$ 10,158,581
Covered payroll	\$ 7,417,747	\$ 6,325,862
Total OPEB liability as a percentage of covered payroll	133.01%	160.59%

Notes to the required schedules:

Changes in Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2019	3.89%
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 SIX FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM						
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.12386%	0.11773%	0.12219%	0.11936%	0.11345%	0.10970%
Proportion of the net pension liability (asset) (\$)	\$ 2,938,382	\$ 1,798,588	\$ 2,593,281	\$ 535,681	\$ (669,066)	\$ 1,322,306
Covered payroll	\$ 8,090,102	\$ 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 payroll	36.32%	24.36%	36.27%	7.73%	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 SIX FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 660,622	\$ 617,811	\$ 545,783	\$ 483,200	\$ 493,511	\$ 471,343
Contributions in relation to the contractually required contribution	<u>660,622</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,368,291	\$ 8,090,102	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526
Contributions as a percentage of covered payroll	7.89%	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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 7,210,000	\$ 7,540,239	\$ 330,239	\$ 6,121,701
Penalties and interest	10,000	14,197	4,197	13,172
Total ad valorem taxes	7,220,000	7,554,436	334,436	6,134,873
Other Taxes:				
Local option sales tax	1,933,000	2,061,022	128,022	1,879,342
Hold-harmless sales tax	562,000	583,043	21,043	505,837
Utilities franchise tax	1,000,000	1,040,696	40,696	999,448
Payments in lieu of taxes	147,500	168,205	20,705	165,800
Miscellaneous	220,000	200,915	(19,085)	217,847
Total other taxes	3,862,500	4,053,881	191,381	3,768,274
Restricted Intergovernmental:				
Powell Bill allocation	310,000	306,739	(3,261)	310,494
Federal government grants	63,073	85,335	22,262	94,880
State government grants	113,862	113,650	(212)	142,486
Local government grants	349,500	362,483	12,983	424,006
Total restricted intergovernmental	836,435	868,207	31,772	971,866
Permits and Fees:				
Privilege licenses	-	700	700	669
General permits	175,000	134,181	(40,819)	187,829
Total permits and fees	175,000	134,881	(40,119)	188,498
Sales and Services:				
Lake authority income	361,500	411,332	49,832	404,848
Disposal fee revenue	1,020,000	1,025,260	5,260	1,025,171
Recycling fees	165,000	171,386	6,386	170,517
Cemetery income	115,000	119,425	4,425	139,775
Recreation	10,000	8,683	(1,317)	8,080
Total sales and services	1,671,500	1,736,086	64,586	1,748,391
Investment Earnings:				
Interest income (loss)	140,000	213,983	73,983	68,758
Interest income (loss) - Powell Bill	-	1,169	1,169	275
Total investment earnings	140,000	215,152	75,152	69,033

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Library	15,500	25,950	10,450	25,627
Sale of capital assets	20,000	24,584	4,584	25,175
Court costs and jail fees	3,500	3,330	(170)	2,924
Other revenues	168,261	192,080	23,819	173,129
Total miscellaneous	207,261	245,944	38,683	226,855
 Total revenues	 14,112,696	 14,808,587	 695,891	 13,107,790
 Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	945,683	897,811	47,872	550,025
Operating expenses	601,000	569,988	31,012	573,813
Charges to other funds	(92,000)	(92,000)	-	(75,374)
Total	1,454,683	1,375,799	78,884	1,048,464
 Administration and Finance:				
Salaries and employee benefits	915,250	872,428	42,822	888,981
Operating expenses	461,499	382,033	79,466	396,393
Charges to other funds	(681,766)	(681,766)	-	(641,810)
Capital outlay	510,075	142,550	367,525	-
Total	1,205,058	715,245	489,813	643,564
 Human Resources:				
Salaries and employee benefits	302,220	253,056	49,164	224,414
Operating expenses	101,050	65,103	35,947	38,631
Charges to other funds	(79,000)	(79,000)	-	(54,888)
Total	324,270	239,159	85,111	208,157
 Elections Board:				
Operating expenses	5,000	-	5,000	3,966
 Garage:				
Salaries and employee benefits	309,875	288,255	21,620	271,805
Operating expenses	41,309	30,441	10,868	20,009
Total	351,184	318,696	32,488	291,814

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Public Works:				
Salaries and employee benefits	263,215	252,603	10,612	268,355
Operating expenses	64,265	55,232	9,033	53,386
Capital outlay	877,500	868,727	8,773	317,807
Total	1,204,980	1,176,562	28,418	639,548
Information Technology:				
Salaries and employee benefits	225,315	205,758	19,557	163,462
Operating expenses	220,300	166,401	53,899	160,589
Charges to other departments	(111,755)	(111,755)	-	(87,707)
Capital outlay	69,332	56,223	13,109	47,336
Total	403,192	316,627	86,565	283,680
Total general government	4,948,367	4,142,088	806,279	3,119,193
Public Safety:				
Police:				
Salaries and employee benefits	2,966,590	2,876,224	90,366	2,527,824
Operating expenses	681,609	561,203	120,406	396,667
Capital outlay	181,451	180,345	1,106	-
Total	3,829,650	3,617,772	211,878	2,924,491
Fire:				
Salaries and employee benefits	1,218,585	1,130,862	87,723	871,900
Operating expenses	281,782	239,822	41,960	192,057
Capital outlay	15,000	14,734	266	482,526
Total	1,515,367	1,385,418	129,949	1,546,483
Codes and Inspections:				
Salaries and employee benefits	239,940	203,211	36,729	227,972
Operating expenses	111,400	37,025	74,375	45,624
Capital outlay	33,000	28,146	4,854	-
Charges to other departments	(11,640)	(11,640)	-	(1,260)
Total	372,700	256,742	115,958	272,336
Total public safety	5,717,717	5,259,932	457,785	4,743,310

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries and employee benefits	971,685	928,433	43,252	901,042
Operating expenses	296,150	285,494	10,656	205,884
Capital outlay	360,500	360,446	54	118,921
Total	1,628,335	1,574,373	53,962	1,225,847
Streets - Powell Bill:				
Operating expenses	183,600	127,314	56,286	102,607
Capital outlay	51,400	51,400	-	75,020
Total	235,000	178,714	56,286	177,627
Total transportation	1,863,335	1,753,087	110,248	1,403,474
Economic and Physical Development:				
Main Street:				
Salaries and employee benefits	74,505	29,435	45,070	86,086
Operating expenses	85,200	48,431	36,769	71,490
Total	159,705	77,866	81,839	157,576
Planning:				
Salaries and employee benefits	285,678	212,012	73,666	189,101
Operating expenses	1,360,481	463,493	896,988	1,327,355
Capital outlay	150,000	150,000	-	6,545
Total	1,796,159	825,505	970,654	1,523,001
Total economic and physical development:	1,955,864	903,371	1,052,493	1,680,577
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	528,800	485,549	43,251	441,486
Operating expenses	521,321	517,296	4,025	463,715
Capital outlay	-	-	-	690,888
Total	1,050,121	1,002,845	47,276	1,596,089

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Cemetery:				
Salaries and employee benefits	133,760	126,529	7,231	123,154
Operating expenses	29,400	28,760	640	22,755
Capital outlay	10,510	10,509	1	-
Total	173,670	165,798	7,872	145,909
Recycling:				
Salaries and employee benefits	92,010	76,086	15,924	73,215
Operating expenses	48,600	21,822	26,778	28,346
Total	140,610	97,908	42,702	101,561
Total environmental protection	1,364,401	1,266,551	97,850	1,843,559
Culture and Recreation:				
Library:				
Salaries and employee benefits	394,630	343,299	51,331	374,873
Operating expenses	309,785	253,622	56,163	311,385
Total	704,415	596,921	107,494	686,258
Senior Services:				
Salaries and employee benefits	368,430	325,067	43,363	320,655
Operating expenses	191,804	180,391	11,413	152,393
Capital outlay	38,495	7,640	30,855	22,724
Total	598,729	513,098	85,631	495,772
Special Events:				
Salaries and employee benefits	71,605	68,223	3,382	1,385
Operating expenses	215,825	187,972	27,853	140,266
Total	287,430	256,195	31,235	141,651
Lake Authority:				
Salaries and employee benefits	211,115	209,468	1,647	192,396
Operating expenses	95,399	76,287	19,112	92,174
Capital outlay	71,500	64,594	6,906	57,435
Total	378,014	350,349	27,665	342,005

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Tourism and Development:				
Operating expenses	130,000	105,393	24,607	127,651
Total culture and recreation	2,098,588	1,821,956	276,632	1,793,337
Debt Service:				
Principal retirement	578,123	578,123	-	490,501
Interest and fees	43,588	42,946	642	35,984
Total debt service	621,711	621,069	642	526,485
Total expenditures	18,569,983	15,768,054	2,801,929	15,109,935
Revenues over (under) expenditures	(4,457,287)	(959,467)	3,497,820	(2,002,145)
Other Financing Sources (Uses):				
Transfers from other funds	2,424,757	2,424,757	-	2,505,957
Transfers to other funds:				
Cemetery Fund	(5,000)	(5,000)	-	(3,500)
Enterprise Funds	(75,000)	-	75,000	-
Appropriated fund balance	1,087,455	-	(1,087,455)	-
Issuance of debt	1,025,075	660,154	(364,921)	809,799
Total other financing sources (uses)	4,457,287	3,079,911	(1,377,376)	3,312,256
Net change in fund balance	\$ -	2,120,444	\$ 2,120,444	1,310,111
Fund Balance:				
Beginning of year - July 1		6,755,571		5,445,460
End of year - June 30		\$ 8,876,015		\$ 6,755,571

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2019

	Special Revenue Fund	Capital Project Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Library Fund	Senior Center Capital Project Fund	Cemetery Care Fund	
Assets:					
Cash and cash equivalents	\$ 200,792	\$ 145,646	\$ 78,482	\$ -	\$ 424,920
Cash and cash equivalents, restricted	-	-	-	30,774	30,774
Due from other governments	7,670	-	-	-	7,670
Total assets	<u>\$ 208,462</u>	<u>\$ 145,646</u>	<u>\$ 78,482</u>	<u>\$ 30,774</u>	<u>\$ 463,364</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	<u>\$ 2,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,537</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	30,774	30,774
Restricted:					
Stabilization by state statute	7,670	-	-	-	7,670
Public safety	198,255	-	-	-	198,255
Senior Center project	-	-	78,482	-	78,482
Library project	-	145,646	-	-	145,646
Total fund balances	<u>205,925</u>	<u>145,646</u>	<u>78,482</u>	<u>30,774</u>	<u>460,827</u>
Total liabilities and fund balances	<u>\$ 208,462</u>	<u>\$ 145,646</u>	<u>\$ 78,482</u>	<u>\$ 30,774</u>	<u>\$ 463,364</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, 2019

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Telephone System Fund</u>	<u>CDBG Fund</u>	<u>Library Fund</u>	<u>Senior Center Capital Project Fund</u>	<u>Cemetery Care Fund</u>	
Revenues:						
Donations	\$ -	\$ -	\$ 28,523	\$ 7,700	\$ -	\$ 36,223
Restricted intergovernmental	92,037	500,000	-	-	-	592,037
Investment earnings	3,086	-	813	-	181	4,080
Total revenues	<u>95,123</u>	<u>500,000</u>	<u>29,336</u>	<u>7,700</u>	<u>181</u>	<u>632,340</u>
Expenditures:						
Current:						
Economic and physical development	-	500,000	-	-	2,070	502,070
Public safety	79,530	-	-	-	-	79,530
Total expenditures	<u>79,530</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>2,070</u>	<u>581,600</u>
Revenues over (under) expenditures	<u>15,593</u>	<u>-</u>	<u>29,336</u>	<u>7,700</u>	<u>(1,889)</u>	<u>50,740</u>
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	5,000	5,000
Transfers out	-	-	-	(145,000)	-	(145,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,000)</u>	<u>5,000</u>	<u>(140,000)</u>
Net change in fund balances	15,593	-	29,336	(137,300)	3,111	(89,260)
Fund Balances:						
Beginning of year - July 1	<u>190,332</u>	<u>-</u>	<u>116,310</u>	<u>215,782</u>	<u>27,663</u>	<u>550,087</u>
End of year - June 30	<u>\$ 205,925</u>	<u>\$ -</u>	<u>\$ 145,646</u>	<u>\$ 78,482</u>	<u>\$ 30,774</u>	<u>\$ 460,827</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, 2019

	2019		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 50,990	\$ 92,037	\$ (41,047)
Investment earnings	-	3,086	(3,086)
Total revenues	<u>50,990</u>	<u>95,123</u>	<u>(44,133)</u>
Expenditures:			
Telephone & furniture	58,500	53,233	5,267
Hardware maintenance	35,500	22,917	12,583
Training	5,000	3,380	1,620
Total expenditures	<u>99,000</u>	<u>79,530</u>	<u>19,470</u>
Revenues over (under) expenditures	(48,010)	15,593	(63,603)
Other Financing Sources (Uses):			
Appropriated fund balance	<u>48,010</u>	-	<u>48,010</u>
Net change in fund balance	<u>\$ -</u>	15,593	<u>\$ 15,593</u>
Fund Balance:			
Beginning of year - July 1		<u>190,332</u>	
End of year - June 30		<u>\$ 205,925</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CDBG PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Expenditures:				
Operating expenses	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</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, 2019**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 70,000	\$ 158,567	\$ 28,523	\$ 187,090
Investment earnings	-	1,743	813	2,556
Total revenues	<u>70,000</u>	<u>160,310</u>	<u>29,336</u>	<u>189,646</u>
Other Financing Sources (Uses):				
Transfers out	<u>(70,000)</u>	<u>(44,000)</u>	<u>-</u>	<u>(44,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 116,310</u>	29,336	<u>\$ 145,646</u>
Fund Balance:				
Beginning of year - July 1			<u>116,310</u>	
End of year - June 30			<u>\$ 145,646</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, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 215,782	\$ 215,782	\$ 7,700	\$ 223,482
Expenditures:				
General capital outlay	70,782	-	-	-
Revenues over (under) expenditures	145,000	215,782	7,700	223,482
Other Financing Sources (Uses):				
Transfers out	(145,000)	-	(145,000)	(145,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ 215,782</u>	(137,300)	<u>\$ 78,482</u>
Fund Balance:				
Beginning of year - July 1			<u>215,782</u>	
End of year - June 30			<u>\$ 78,482</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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 181	\$ 181	\$ 85
Expenditures:				
Current:				
Operating expenses	5,000	2,070	2,930	2,650
Revenues over (under) expenditures	(5,000)	(1,889)	(3,111)	(2,565)
Other Financing Sources (Uses):				
Transfers in (out)	5,000	5,000	-	3,500
Net change in fund balance	\$ -	3,111	\$ 3,111	935
Fund Balance:				
Beginning of year - July 1		27,663		26,728
End of year - June 30		\$ 30,774		\$ 27,663

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, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 5,665,000	\$ 6,829,583	\$ 1,164,583	\$ 5,416,014
Miscellaneous revenues	31,463	35,863	4,400	87,959
Total operating revenues	<u>5,696,463</u>	<u>6,865,446</u>	<u>1,168,983</u>	<u>5,503,973</u>
Non-operating revenues:				
Interest income (loss)	10,000	89,498	79,498	16,337
Other non-operating revenue	-	-	-	27,075
Total non-operating revenues	<u>10,000</u>	<u>89,498</u>	<u>79,498</u>	<u>43,412</u>
Total revenues	<u>5,706,463</u>	<u>6,954,944</u>	<u>1,248,481</u>	<u>5,547,385</u>
Expenditures:				
Administration:				
Salaries and employee benefits	264,915	243,093	21,822	236,316
Other operating expenditures	628,047	574,940	53,107	519,513
Capital outlay	20,000	20,740	(740)	-
Total administration	<u>912,962</u>	<u>838,773</u>	<u>74,189</u>	<u>755,829</u>
Plant:				
Salaries and employee benefits	317,220	289,089	28,131	291,281
Other operating expenditures	148,100	111,187	36,913	121,519
Capital outlay	282,000	207,205	74,795	314,000
Cost of merchandise sold	316,000	335,653	(19,653)	238,098
Total plant	<u>1,063,320</u>	<u>943,134</u>	<u>120,186</u>	<u>964,898</u>
System maintenance and extension:				
Salaries and employee benefits	410,635	372,193	38,442	377,038
Other operating expenditures	359,415	312,812	46,603	255,875
Capital outlay	120,000	100,086	19,914	64,422
Total system maintenance and extension	<u>890,050</u>	<u>785,091</u>	<u>104,959</u>	<u>697,335</u>
Waste water treatment:				
Salaries and employee benefits	401,580	370,699	30,881	351,071
Other operating expenditures	280,300	252,554	27,746	235,693
Capital outlay	60,000	51,178	8,822	-
Cost of merchandise sold	403,000	397,034	5,966	363,657
Total waste water treatment	<u>1,144,880</u>	<u>1,071,465</u>	<u>73,415</u>	<u>950,421</u>
Pump station maintenance:				
Salaries and employee benefits	390,580	294,750	95,830	301,277
Other operating expenditures	339,135	317,762	21,373	149,297
Capital outlay	78,500	76,675	1,825	-
Cost of merchandise sold	35,000	40,414	(5,414)	29,475
Total pump station maintenance	<u>843,215</u>	<u>729,601</u>	<u>113,614</u>	<u>480,049</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, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Debt Service:				
Principal retirement	1,861,540	1,861,540	-	2,066,165
LPA interest	10,496	16,970	(6,474)	31,649
Total debt service	1,872,036	1,878,510	(6,474)	2,097,814
Total expenditures	6,726,463	6,246,574	479,889	5,946,346
Revenues over (under) expenditures	(1,020,000)	708,370	1,728,370	(398,961)
Other Financing Sources (Uses):				
Transfers in	810,000	2,004,467	1,194,467	916,015
Transfers out	(95,000)	-	95,000	(505,741)
Sale of capital assets	5,000	-	(5,000)	16,031
Total other financing sources (uses)	720,000	2,004,467	1,284,467	426,305
Revenues and other financing sources over (under) expenditures and other financing uses	(300,000)	2,712,837	3,012,837	27,344
Appropriated net position	300,000	-	(300,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	2,712,837	\$ 2,712,837	27,344
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		467,234		3,160,515
Capital project transfers		(2,004,467)		(410,274)
Change in inventories		(58)		(66,434)
Capital outlay		455,884		378,423
Change in deferred outflows - OPEB		(367)		37,841
Change in deferred inflows - OPEB		(91,056)		(135,381)
Change in net pension liability		(159,572)		111,258
Change in deferred outflows - pensions		125,655		(114,333)
Change in deferred inflows - pensions		5,735		2,889
OPEB liability		40,452		56,035
Compensated absences		(4,587)		(3,288)
Accrued interest		2,500		3,000
Principal retirement		1,861,540		2,066,165
Loss on asset disposal		-		(4,324)
Depreciation expense		(2,738,347)		(2,191,400)
Change in net position		\$ 673,383		\$ 2,918,036

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, 2019

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 5,050,000	\$ 4,532,766	\$ 467,234	\$ 5,000,000
Expenditures:				
DEQ \$5M Grant-Force Main	1,200,000	1,027,941	-	1,027,941
DEQ \$5M Grant-I-85	119,000	27,076	71,900	98,976
DEQ \$5M Grant-AMI Smart Mtr	546,672	546,672	-	546,672
Dam Repair-Moss Lake	875,000	518,825	341,448	860,273
Dam Repair-City Lake	356,400	3,291	349,537	352,828
Total expenditures	<u>3,097,072</u>	<u>2,123,805</u>	<u>762,885</u>	<u>2,886,690</u>
Revenues over (under) expenditures	<u>1,952,928</u>	<u>2,408,961</u>	<u>(295,651)</u>	<u>2,113,310</u>
Other Financing Sources (Uses):				
Transfer to Water Sewer Fund	(3,184,328)	(1,165,243)	(2,004,467)	(3,169,710)
Transfer from Water Sewer Fund	<u>1,231,400</u>	<u>1,056,400</u>	<u>-</u>	<u>1,056,400</u>
Total other financing sources (uses)	<u>(1,952,928)</u>	<u>(108,843)</u>	<u>(2,004,467)</u>	<u>(2,113,310)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,300,118</u>	(2,300,118)	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>2,300,118</u>	
End of year - June 30			<u>\$ -</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, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 14,190,647	\$ 13,652,071	\$ (538,576)	\$ 14,078,447
Miscellaneous revenues	176,956	543,379	366,423	378,284
Total operating revenues	14,367,603	14,195,450	(172,153)	14,456,731
Non-operating revenues:				
Interest income	10,000	48,785	38,785	13,719
Total revenues	14,377,603	14,244,235	(133,368)	14,470,450
Expenditures:				
Meter reading:				
Salaries and employee benefits	162,725	155,994	6,731	158,802
Operating expenditures	9,610	8,988	622	8,348
Capital outlay	-	-	-	21,800
Total meter reading	172,335	164,982	7,353	188,950
System:				
Salaries and employee benefits	1,661,017	1,658,516	2,501	1,791,151
Other operating expenditures	2,192,521	2,032,760	159,761	2,374,472
Capital outlay	588,281	315,816	272,465	759,407
Cost of merchandise sold	8,335,000	6,272,387	2,062,613	7,991,964
Debt service - principal	201,831	201,831	-	432,587
Debt service - interest	8,454	8,239	215	9,880
Total system	12,987,104	10,489,549	2,497,555	13,359,461
Total expenditures	13,159,439	10,654,531	2,504,908	13,548,411
Revenues over (under) expenditures	1,218,164	3,589,704	2,371,540	922,039
Other Financing Sources (Uses):				
Appropriated net position	1,051,593	-	(1,051,593)	-
Sale of capital assets	-	37,536	37,536	23,425
Transfer from other fund:				
Gas Fund	10,000	-	(10,000)	150,000
Transfer to other fund:				
General Fund	(2,279,757)	(2,279,757)	-	(2,308,057)
Proceeds from issuance of debt	-	-	-	309,652
Total other financing sources (uses)	(1,218,164)	(2,242,221)	(1,024,057)	(1,824,980)

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, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Total</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	1,347,483	\$ <u>1,347,483</u>	(902,941)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		38,965		59,404
Capital outlay		315,816		759,407
Change in deferred outflows - OPEB		(240)		24,742
Change in deferred inflows - OPEB		(59,537)		(88,518)
Change in net pension liability		(102,581)		71,522
Change in deferred outflows - pensions		80,777		(73,499)
Change in deferred inflows - pensions		3,686		1,857
Proceeds from issuance of debt		-		(309,652)
Accrued interest		-		(500)
OPEB liability		26,449		36,638
Compensated absences		1,058		(1,042)
Loss on disposal of asset		(8,685)		-
Principal retirement		201,831		432,587
Depreciation expense		<u>(783,338)</u>		<u>(651,287)</u>
Change in net position		\$ <u>1,061,684</u>		\$ <u>(641,282)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - GAS FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 4,964,000	\$ 4,985,895	\$ 21,895	\$ 4,799,326
Miscellaneous revenues	380,000	358,728	(21,272)	714,749
Total operating revenues	5,344,000	5,344,623	623	5,514,075
Non-operating revenues:				
Interest income	2,800	30,171	27,371	4,510
Total revenues	5,346,800	5,374,794	27,994	5,518,585
Expenditures:				
Salaries and employee benefits	1,040,960	901,135	139,825	852,107
Other operating expenditures	791,118	746,037	45,081	711,955
Capital outlay	415,400	168,489	246,911	320,069
Cost of merchandise sold	3,025,000	2,986,565	38,435	2,767,159
Debt service - principal	187,193	187,193	-	354,257
Debt service - interest	27,129	11,128	16,001	15,490
Total expenditures	5,486,800	5,000,547	486,253	5,021,037
Revenues over (under) expenditures	(140,000)	374,247	514,247	497,548
Other Financing Sources (Uses):				
Proceeds from issuance of debt	90,000	-	(90,000)	75,208
Sales of capital assets	-	176	176	-
Transfer from other fund:				
General Fund	50,000	-	(50,000)	-
Transfer to other fund:				
Electric Fund	-	-	-	(150,000)
General Fund	-	-	-	(50,000)
Total other financing sources (uses)	140,000	176	(139,824)	(124,792)

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, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	374,423	\$ 374,423	372,756
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(12,919)		(3,292)
Proceeds from issuance of debt		-		(75,208)
Capital outlay		168,489		320,069
Change in deferred outflows - OPEB		(141)		14,554
Change in deferred inflows - OPEB		(35,021)		(52,070)
Change in net pension liability		(56,990)		39,735
Change in deferred outflows - pensions		44,876		(40,832)
Change in deferred inflows - pensions		2,048		1,032
Loss on disposal of asset		(17,050)		-
Accrued interest		500		1,000
OPEB liability		15,558		21,552
Compensated absences		(174)		(2,330)
Principal retirement		187,193		354,257
Depreciation expense		(313,244)		(279,369)
Change in net position		\$ 357,548		\$ 671,854

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, 2019

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 426,000	\$ 435,666	\$ 9,666	\$ 446,606
Miscellaneous revenues	-	276	276	2,000
Total operating revenues	426,000	435,942	9,942	448,606
Non-operating revenues:				
Interest income	-	2,432	2,432	508
Total revenues	426,000	438,374	12,374	449,114
Expenditures:				
Salaries and employee benefits	311,875	306,669	5,206	300,767
Other operating expenditures	119,359	100,870	18,489	65,884
Capital outlay	-	-	-	48,150
Debt service - principal	33,876	33,876	-	33,313
Debt service - interest	890	1,060	(170)	1,453
Charges to other funds	(15,000)	(15,000)	-	(31,500)
Total expenditures	451,000	427,475	23,525	418,067
Revenues over (under) expenditures	(25,000)	10,899	35,899	31,047
Other Financing Sources (Uses):				
Appropriated net position	25,000	-	(25,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	10,899	\$ 10,899	31,047
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Capital outlay		-		48,150
Change in deferred outflows - OPEB		(85)		8,733
Change in deferred inflows - OPEB		(21,013)		(31,242)
Change in net pension liability		(34,193)		23,840
Change in deferred outflows - pensions		26,925		(24,499)
Change in deferred inflows - pensions		1,229		619
Accrued interest		500		450
OPEB liability		9,335		12,931
Compensated absences		(1,678)		(2,944)
Principal retirement		33,876		33,313
Depreciation expense		(35,566)		(34,184)
Change in net position		\$ (9,771)		\$ 66,214

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

	Workers' Compensation Insurance	Health Insurance	Total
Assets:			
Cash and cash equivalents	\$ 229,198	\$ 1,952,275	\$ 2,181,473
Accounts receivable	-	91,000	91,000
Total assets	<u>229,198</u>	<u>2,043,275</u>	<u>2,272,473</u>
Liabilities:			
Accounts payable	<u>53,000</u>	<u>326,000</u>	<u>379,000</u>
Net Position:			
Unrestricted	<u>\$ 176,198</u>	<u>\$ 1,717,275</u>	<u>\$ 1,893,473</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, 2019

	Workers' Compensation Insurance	Health Insurance	Total
Operating Revenues:			
Charges for services	\$ 179,671	\$ 4,269,971	\$ 4,449,642
Operating Expenses:			
Excess policy fees	110,627	-	110,627
Administrative fees	2,500	193,430	195,930
Claims	91,891	2,935,787	3,027,678
Total operating expenses	205,018	3,129,217	3,334,235
Operating income (loss)	(25,347)	1,140,754	1,115,407
Non-Operating Revenues:			
Investment income	960	3,290	4,250
Change in net position	(24,387)	1,144,044	1,119,657
Net Position:			
Beginning of year - July 1	200,585	573,231	773,816
End of year - June 30	\$ 176,198	\$ 1,717,275	\$ 1,893,473

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Workers' Compensation Insurance	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 179,671	\$ 3,932,811	\$ 4,112,482
Cash paid for goods and services	<u>(177,018)</u>	<u>(2,770,557)</u>	<u>(2,947,575)</u>
Net cash provided (used) by operating activities	<u>2,653</u>	<u>1,162,254</u>	<u>1,164,907</u>
Cash Flows from Investing Activities:			
Interest income	<u>960</u>	<u>3,290</u>	<u>4,250</u>
Net increase (decrease) in cash and cash equivalents	3,613	1,165,544	1,169,157
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>225,585</u>	<u>786,731</u>	<u>1,012,316</u>
End of year - June 30	<u>\$ 229,198</u>	<u>\$ 1,952,275</u>	<u>\$ 2,181,473</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	\$ <u>(25,347)</u>	\$ <u>1,140,754</u>	\$ <u>1,115,407</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in operating accounts receivable	-	(4,500)	(4,500)
Increase (decrease) in operating accounts payable and accrued liabilities	<u>28,000</u>	<u>26,000</u>	<u>54,000</u>
Total adjustments	<u>28,000</u>	<u>21,500</u>	<u>49,500</u>
Net cash provided (used) by operating activities	<u>\$ 2,653</u>	<u>\$ 1,162,254</u>	<u>\$ 1,164,907</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, 2019

	Financial Plan	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services	\$ 179,750	\$ 179,671	\$ 79
Non-operating revenues:			
Interest income	300	960	(660)
Total revenues	<u>180,050</u>	<u>180,631</u>	<u>(581)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	115,000	110,627	4,373
Administrative fees	5,000	2,500	2,500
Claims	85,050	91,891	(6,841)
Total expenditures	<u>205,050</u>	<u>205,018</u>	<u>32</u>
Operating income (loss)	(25,000)	(24,387)	613
Other Financing Sources (Uses):			
Appropriated net position	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (24,387)</u>	<u>\$ (24,387)</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, 2019

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 4,050,000	\$ 4,269,971	\$ 219,971
Non-operating revenues:			
Interest income	-	3,290	3,290
Total revenues	<u>4,050,000</u>	<u>4,273,261</u>	<u>223,261</u>
Expenditures:			
Operating expenditures:			
Administrative fees	220,000	193,430	26,570
Claims	<u>3,830,000</u>	<u>2,935,787</u>	<u>894,213</u>
Total expenditures	<u>4,050,000</u>	<u>3,129,217</u>	<u>920,783</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,144,044</u>	<u>\$ 1,144,044</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Tourism Development Authority</u>
Assets:	
Cash and cash equivalents	\$ 238,733
Due from other governments	<u>8,667</u>
Total assets	<u>247,400</u>
Liabilities:	
Accounts payable	<u>6,500</u>
Net Position:	
Restricted:	
Stabilization by state statute	8,667
Tourism promotion	<u>232,233</u>
Total net position	<u><u>\$ 240,900</u></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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 130,000	\$ 116,413	\$ (13,587)
Non-operating revenues:			
Miscellaneous	1,000	1,030	30
Investment earnings	<u>250</u>	<u>1,425</u>	<u>1,175</u>
Total revenues	<u>131,250</u>	<u>118,868</u>	<u>(12,382)</u>
Expenditures:			
Current:			
Operating expenses	45,500	27,594	17,906
Cultural and recreation	<u>85,750</u>	<u>85,624</u>	<u>126</u>
Total expenditures	<u>131,250</u>	<u>113,218</u>	<u>18,032</u>
Net change in fund balance	<u>\$ -</u>	5,650	<u>\$ 5,650</u>
Fund Balance:			
Beginning of year - July 1		<u>235,250</u>	
End of year - June 30		<u>\$ 240,900</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Balance			Balance
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets:				
Cash and cash equivalents	\$ 233,533	\$ 12,969	\$ 6,240	\$ 240,262
Liabilities:				
Intergovernmental payable	\$ 233,533	\$ 12,969	\$ 6,240	\$ 240,262

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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, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 7,553,703	\$ 7,505,542	\$ 48,161
2017-2018	48,145	-	28,378	19,767
2016-2017	19,950	-	7,414	12,536
2015-2016	10,086	-	2,033	8,053
2014-2015	13,410	-	1,528	11,882
2013-2014	9,161	-	1,412	7,749
2012-2013	8,312	-	1,249	7,063
2011-2012	6,689	-	931	5,758
2010-2011	5,892	-	918	4,974
2009-2010	6,314	-	6,314	-
Total	<u>\$ 127,959</u>	<u>\$ 7,553,703</u>	<u>\$ 7,555,719</u>	125,943
Less: Allowance for uncollectible accounts				<u>(63,368)</u>
Ad valorem taxes receivable, net				<u>\$ 62,575</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 7,540,239
Reconciling items:				
Taxes written off				(6,314)
Miscellaneous adjustments				<u>21,794</u>
Total collections and credits				<u>\$ 7,555,719</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 1,756,675,116	\$ 0.43	\$ 7,553,703	\$ 7,220,030	\$ 333,673
Total property valuation	\$ 1,756,675,116				
Net Levy			7,553,703	7,220,030	333,673
Uncollected taxes at June 30, 2019			(48,161)	(48,161)	-
Current Year's Taxes Collected			\$ 7,505,542	\$ 7,171,869	\$ 333,673
Current Levy Collection Percentage			<u>99.36%</u>	<u>99.33%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 770,470,497	
Personal property				858,731,627	
Public service companies				127,472,992	
Total assessed valuation				<u>\$ 1,756,675,116</u>	
Tax rate per \$100					0.43
Levy (includes discoveries, releases, and abatements)				<u>\$ 7,553,703</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, 2019, 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 8, 2019. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 8, 2019

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Kings Mountain's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Kings Mountain's major state programs for the year ended June 30, 2019. 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, 2019.

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 8, 2019

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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

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 State Awards

None reported

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<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 Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant Program - Economic Development	14.228	15-E-2770	\$ 500,000	\$ -	\$ -
Total U.S. Dept. of Housing and Urban Development			500,000	-	-
<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	93.044	10-1776695	56,303	-	-
and Senior Centers			56,303	-	-
Total Aging Cluster:				-	-
Passed-through the N.C. DHHS Administration for Community Living:					
State Health Insurance Assistance Program	93.324	90SA0090-01-00	3,712	-	-
Medicare Enrollment Assistance Program	93.071	14AANCMSI	8,897	-	-
Total passed-through N.C.DHHS Administration for Community Living			12,609	-	-
<u>Institute of Museum and Library Services</u>					
Passed-through Division of State Library:					
Grants to States - LSTA	45.310	5313	16,422	-	-
Total U.S. Dept. of Health and Human Services			85,334	-	-
Total assistance - federal programs			585,334	-	-
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	-	467,234	-
<u>N.C. Department of Natural and Cultural Resources:</u>					
State Aid to Public Libraries					
			-	10,354	-
<u>N.C. Department of Transportation:</u>					
Powell Bill					
			-	235,507	-
<u>N.C. Department of Aging:</u>					
Senior Center General Purpose Grant					
			-	3,296	-
<u>N.C. Department of Commerce:</u>					
Revitalization and Economic Development - Patriots Park Amphitheater					
			-	100,000	-
Total assistance - State programs			-	816,391	-
Total assistance			\$ 585,334	\$ 816,391	\$ -

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, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of 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.