

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2022

Mayor

Scott Neisler

City Council

Mike Butler

Jimmy West

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Kings Mountain ABC Board, which represents 74%, 69% and 93%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors 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 the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kings Mountain's 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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit and the report of other auditors, 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 7, 2022, 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 7, 2022

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, 2022. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

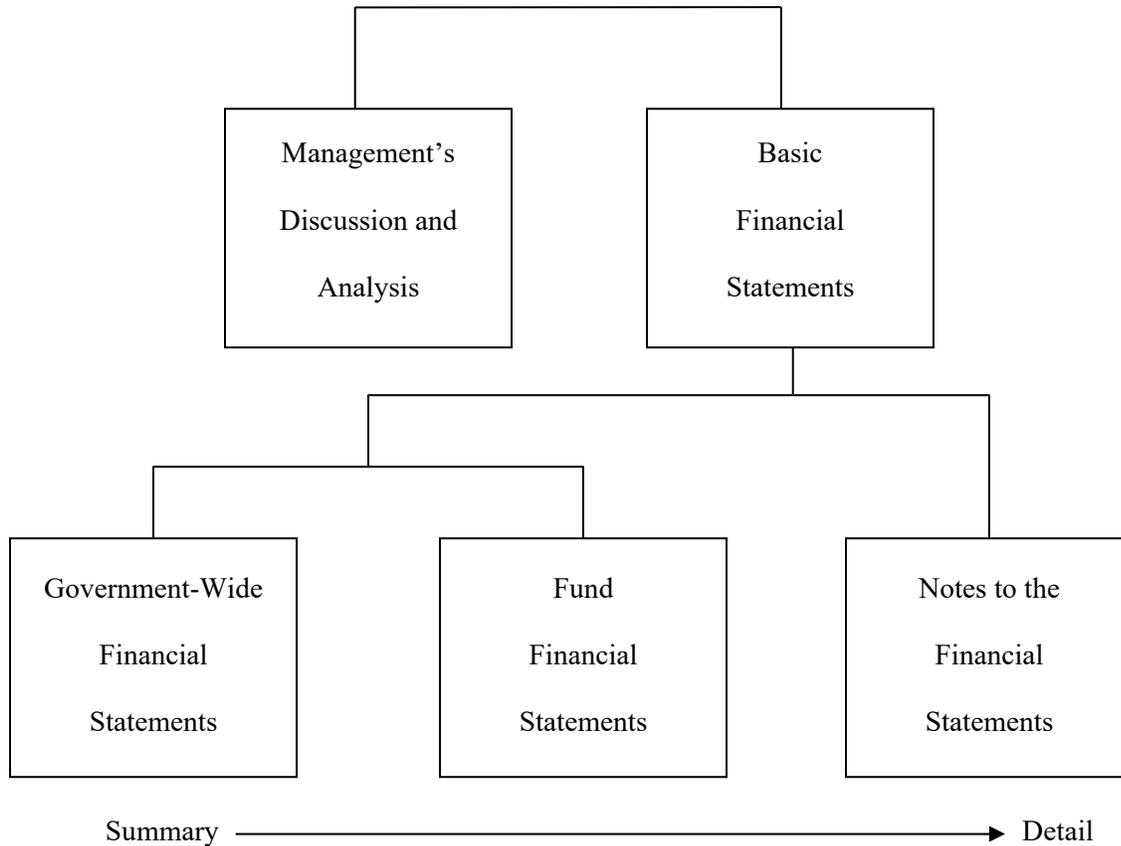
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$68,612,029 (*net position*). For the Kings Mountain Tourism Development Authority ("TDA"), the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$362,927.
- The government's total net position increased by \$2,352,677. The TDA's total net position increased by \$43,627.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$19,397,848, an increase of \$3,394,232 in comparison with the prior year. Approximately 25.67% of this amount, or \$4,978,873, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,824,184, or 61.29%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt decreased by \$2,441,279 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.
- During the fiscal year, the City implemented GASB Statement No. 87, *Leases*.

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 K) 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 a custodial 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 K 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	
	2022	2021	2022	2021	2022	2021
Assets:						
Current assets	\$ 23,682,137	\$ 20,516,002	\$ 16,036,387	\$ 19,046,124	\$ 39,718,524	\$ 39,562,126
Other assets	897,226	349,368	633,721	1,499,594	1,530,947	1,848,962
Capital assets, net	10,745,851	10,408,156	61,304,271	60,490,799	72,050,122	70,898,955
Total assets	<u>35,325,214</u>	<u>31,273,526</u>	<u>77,974,379</u>	<u>81,036,517</u>	<u>113,299,593</u>	<u>112,310,043</u>
Deferred Outflows of Resources	<u>5,155,334</u>	<u>4,944,514</u>	<u>1,534,306</u>	<u>1,566,506</u>	<u>6,689,640</u>	<u>6,511,020</u>
Liabilities:						
Long-term liabilities	16,197,828	18,335,329	26,031,237	28,150,623	42,229,065	46,485,952
Other liabilities	1,924,374	1,345,646	2,619,752	2,832,554	4,544,126	4,178,200
Total liabilities	<u>18,122,202</u>	<u>19,680,975</u>	<u>28,650,989</u>	<u>30,983,177</u>	<u>46,773,191</u>	<u>50,664,152</u>
Deferred Inflows of Resources	<u>3,416,117</u>	<u>1,401,423</u>	<u>1,187,896</u>	<u>496,136</u>	<u>4,604,013</u>	<u>1,897,559</u>
Net Position:						
Net investment in capital assets	8,966,426	7,841,471	40,235,508	37,433,548	49,201,934	45,275,019
Restricted	4,916,998	4,037,053	-	-	4,916,998	4,037,053
Unrestricted	5,058,805	3,257,118	9,434,292	13,690,162	14,493,097	16,947,280
Total net position	<u>\$ 18,942,229</u>	<u>\$ 15,135,642</u>	<u>\$ 49,669,800</u>	<u>\$ 51,123,710</u>	<u>\$ 68,612,029</u>	<u>\$ 66,259,352</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 \$68,612,029 as of June 30, 2022. However, the largest portion (72%) 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 \$4,916,998 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,493,097 is unrestricted.

At June 30, 2022, all of the TDA's net position is restricted for tourism activity, except for \$16,810, which is restricted for stabilization by state statute. Ending net position for the TDA was \$362,927.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,723,837	\$ 2,503,870	\$ 27,853,311	\$ 25,534,215	\$ 30,577,148	\$ 28,038,085
Operating grants and contributions	2,811,090	1,213,623	-	-	2,811,090	1,213,623
Capital grants and contributions	-	-	1,062,112	8,300	1,062,112	8,300
General revenues:						
Property taxes	7,977,014	7,892,627	-	-	7,977,014	7,892,627
Other taxes	5,526,566	5,335,041	-	-	5,526,566	5,335,041
Other	55,249	27,443	70,030	369,278	125,279	396,721
Total revenues	<u>19,093,756</u>	<u>16,972,604</u>	<u>28,985,453</u>	<u>25,911,793</u>	<u>48,079,209</u>	<u>42,884,397</u>
Expenses:						
General government	1,950,309	1,277,450	-	-	1,950,309	1,277,450
Public safety	7,172,992	8,144,667	-	-	7,172,992	8,144,667
Transportation	1,018,938	1,865,914	-	-	1,018,938	1,865,914
Environmental protection	1,658,248	1,938,321	-	-	1,658,248	1,938,321
Economic development	1,767,385	1,202,631	-	-	1,767,385	1,202,631
Culture and recreation	3,187,648	3,357,586	-	-	3,187,648	3,357,586
Interest expense	31,649	58,363	-	-	31,649	58,363
Water and sewer	-	-	7,950,053	7,554,276	7,950,053	7,554,276
Electric	-	-	14,629,677	10,182,271	14,629,677	10,182,271
Gas	-	-	5,892,093	4,218,284	5,892,093	4,218,284
Stormwater	-	-	467,540	264,295	467,540	264,295
Total expenses	<u>16,787,169</u>	<u>17,844,932</u>	<u>28,939,363</u>	<u>22,219,126</u>	<u>45,726,532</u>	<u>40,064,058</u>
Change in net position before transfers	2,306,587	(872,328)	46,090	3,692,667	2,352,677	2,820,339
Transfers	<u>1,500,000</u>	<u>3,530,000</u>	<u>(1,500,000)</u>	<u>(3,530,000)</u>	<u>-</u>	<u>-</u>
Change in net position	3,806,587	2,657,672	(1,453,910)	162,667	2,352,677	2,820,339
Net Position:						
Beginning of year - July 1	<u>15,135,642</u>	<u>12,477,970</u>	<u>51,123,710</u>	<u>50,961,043</u>	<u>66,259,352</u>	<u>63,439,013</u>
End of year - June 30	<u>\$ 18,942,229</u>	<u>\$ 15,135,642</u>	<u>\$ 49,669,800</u>	<u>\$ 51,123,710</u>	<u>\$ 68,612,029</u>	<u>\$ 66,259,352</u>

Governmental Activities. Governmental activities increased the City's net position by \$3,806,587. The key elements of this increase are as follows:

- Increases in total revenues: The City received and recognized as revenue, significantly more federal grant dollars (\$1.75M- ARPA)
- Overall, the City spent only 85% of amended budget in the General Fund.

Business-Type Activities. Business-type activities decreased the City's net position by \$1,453,910. Key elements of this decrease are as follows:

- Electric Fund income before transfers was down significantly (\$3.5M) due to significant increases in purchased power costs which were not passed along to customers in the form of increased electric rates. Subsequent to the fiscal year ended June 30, 2022, rates have been increased significantly to account for increased purchased power costs.

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 \$10,201,336, while total fund balance reached \$11,669,757. 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 63.65 percent of total General Fund expenditures, while total fund balance represents 72.81 percent of that same amount.

At June 30, 2022, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$19,397,848 with a net increase of \$3,394,232. 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 \$665,000. With respect to actual versus final amended budget, revenues had a positive variance of approximately \$930,000 due to property tax revenues, other tax revenues (sales tax), and sales and service (sanitation) revenues being more than budgeted. This was due in part to conservatism in budgeting. Expenditures had a positive variance of approximately \$2,816,000. The major components of this positive variance are as follows:

- Actual expenditures related to payroll, particularly for public safety functions and public works/streets were significantly less than budgeted due to numerous unfilled positions during the course of the fiscal year.
- Emphasis to curb expenditures by all responsible department heads and members of management across all General Fund departments, especially in light of continuing inflationary pressures. Capital outlay in some cases was delayed until future years and spending was closely scrutinized. Overall, the City only spent 85% of total budget in the General Fund.

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 \$5,888,853. The amount of unrestricted net position for the Electric Fund was \$2,127,494, for the Gas Fund was \$1,381,515, and for the Stormwater Fund was \$36,430. The total changes in net position for the four funds were \$145,157, \$(2,149,759), \$553,164, and \$(2,472), 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, 2022 totals \$72,050,122 (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:

- Total additions of \$1.53M for governmental-type activities, the largest being an infrastructure project of roughly \$665,000 (Streetscape). The City also made investments in the Library, Senior Center, and City Hall totaling roughly \$300,000. The remainder was spent on various equipment and vehicles.
- Business-type Activities-Construction in the Water and Sewer Fund of several major upgrades to water/sewer lines \$1.3M, Electric Substation project \$1.6M, Gas infrastructure projects \$1.2M

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,788,797	\$ 2,788,797	\$ 7,244,945	\$ 7,244,945	\$ 10,033,742	\$ 10,033,742
Infrastructure	142,980	167,607	-	-	142,980	167,607
Buildings	90,851	319,366	2,186,046	2,439,106	2,276,897	2,758,472
Other improvements	4,165,402	4,042,652	16,761,628	17,801,274	20,927,030	21,843,926
Equipment	2,057,679	1,981,907	3,483,099	3,887,125	5,540,778	5,869,032
Vehicles	681,321	988,397	719,029	772,310	1,400,350	1,760,707
Lines	-	-	27,003,061	28,221,309	27,003,061	28,221,309
Construction in progress	818,821	119,430	3,906,463	124,730	4,725,284	244,160
Total	\$ 10,745,851	\$ 10,408,156	\$ 61,304,271	\$ 60,490,799	\$ 72,050,122	\$ 70,898,955

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, 2022, the City of Kings Mountain had total installment purchase debt, for direct placements and direct borrowings, outstanding of \$23,182,657. The City’s debt represents obligations secured solely by certain equipment of the City.

City of Kings Mountain's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Installment purchases - direct placements & direct borrowings	\$ 1,779,571	\$ 2,566,685	\$ 21,403,086	\$ 23,057,251	\$ 23,182,657	\$ 25,623,936

The City of Kings Mountain's total debt decreased by \$2,441,279 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 \$125,300,000.

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

Economic Factors and Next Year's Budgets and Rates

The City continues to experience 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 City's Gas and Electric Funds continue to see major increases in the cost of electricity and gas purchased for resale which has resulted in increased Gas and Electric rates.

The City continues to monitor developments regarding potential impacts regarding the Twin Kings Casino and the potential for development of the surrounding area. At this time, it is anticipated that any significant financial impacts are most likely several budget years in the future

Budget Highlights for the Fiscal Year Ending June 30, 2023

As a result of the current economic conditions/future projected outlook, we budgeted conservatively. We plan to do budget amendments throughout the year to "release" additional capital as the economic situation improves or at least becomes more clear.

Governmental Activities. The property tax rate remains unchanged at 43 cents per \$100 in assessed property value. The FY 22-23 General Fund budget increased roughly \$2.3M dollars over prior year's originally adopted budget. Approximately \$900,000 of this increase was in recurring costs, the rest (\$1.4M), was in non-recurring/capital outlay amounts. As mentioned above, we plan to amend the budget as necessary given economic factors and need. No new positions were added, a wage and rate study was implemented across the entire government, and a 5% COLA/bonus was budgeted as part of the originally adopted budget. The City looked at all rates and fees and there were no significant increases in City fees in the 22-23 General Fund budget.

Business-Type Activities. The City's utility base rates remained relatively unchanged for the 22-23 budget year (gas, water, sewer, and storm water.) Note Gas charges to our customers adjust monthly based upon our actual purchased gas costs so the total bills to the customers reflect current costs of natural gas. In the Electric Fund we have had to increase our PPA (a supplemental per KWH charge) to account for our significant increase in purchased power costs given the current state of the energy market. Again, these increases were unavoidable given our sustained increased cost of purchased power. We do anticipate some increases in Electric volumes and budgeted all the other utilities, from a volume perspective, flat.

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

BASIC FINANCIAL STATEMENTS

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 22,117,157	\$ 12,464,987	\$ 34,582,144	\$ 375,397	\$ 349,617
Taxes receivable, net	64,337	-	64,337	-	-
Accounts receivable, net	237,122	2,626,688	2,863,810	9,914	-
Lease receivable	25,170	-	25,170	-	-
Due from other governments	1,176,476	-	1,176,476	-	16,810
Inventories	61,875	944,712	1,006,587	146,354	-
Prepaid items	-	-	-	6,839	-
Total current assets	<u>23,682,137</u>	<u>16,036,387</u>	<u>39,718,524</u>	<u>538,504</u>	<u>366,427</u>
Restricted assets:					
Cash and cash equivalents	<u>857,071</u>	<u>630,584</u>	<u>1,487,655</u>	<u>82,556</u>	<u>-</u>
Non-current assets:					
Right to use lease assets, net of amortization	<u>40,155</u>	<u>3,137</u>	<u>43,292</u>	<u>-</u>	<u>-</u>
Capital assets:					
Land, non-depreciable improvements, and construction in progress	3,607,618	11,151,408	14,759,026	78,875	-
Other capital assets, net of depreciation	<u>7,138,233</u>	<u>50,152,863</u>	<u>57,291,096</u>	<u>352,539</u>	<u>-</u>
Total capital assets	<u>10,745,851</u>	<u>61,304,271</u>	<u>72,050,122</u>	<u>431,414</u>	<u>-</u>
Total assets	<u>35,325,214</u>	<u>77,974,379</u>	<u>113,299,593</u>	<u>1,052,474</u>	<u>366,427</u>
Deferred Outflows of Resources:					
Pension deferrals	2,779,116	819,997	3,599,113	32,685	-
OPEB deferrals	<u>2,376,218</u>	<u>714,309</u>	<u>3,090,527</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>5,155,334</u>	<u>1,534,306</u>	<u>6,689,640</u>	<u>32,685</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,479,925	2,323,459	3,803,384	262,925	3,500
Advance from grantor	444,449	-	444,449	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	296,293	296,293	-	-
Long-term liabilities:					
Net pension liability - LGERS	1,452,467	528,170	1,980,637	10,428	-
Total pension liability - LEOSSA	1,685,091	-	1,685,091	-	-
Total OPEB liability	10,772,194	3,917,161	14,689,355	-	-
Due within one year	884,409	2,006,277	2,890,686	3,833	-
Due in more than one year	<u>1,403,667</u>	<u>19,579,629</u>	<u>20,983,296</u>	<u>1,089</u>	<u>-</u>
Total liabilities	<u>18,122,202</u>	<u>28,650,989</u>	<u>46,773,191</u>	<u>278,275</u>	<u>3,500</u>
Deferred Inflows of Resources:					
Leases	26,052	-	26,052	-	-
OPEB deferrals	1,127,564	410,023	1,537,587	-	-
Pension deferrals	<u>2,262,501</u>	<u>777,873</u>	<u>3,040,374</u>	<u>14,899</u>	<u>-</u>
Total deferred inflows of resources	<u>3,416,117</u>	<u>1,187,896</u>	<u>4,604,013</u>	<u>14,899</u>	<u>-</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Net Position:					
Net investment in capital assets	8,966,426	40,235,508	49,201,934	431,414	-
Restricted for:					
Perpetual maintenance	23,111	-	23,111	-	-
Stabilization by state statute	1,412,716	-	1,412,716	-	16,810
Streets - Powell Bill	245,099	-	245,099	-	-
Public safety	160,257	-	160,257	-	-
Cultural and recreational	210,052	-	210,052	-	-
Economic and physical development	2,865,763	-	2,865,763	-	-
Working capital	-	-	-	77,410	-
Capital improvements	-	-	-	82,556	-
Tourism promotion	-	-	-	-	346,117
Unrestricted	5,058,805	9,434,292	14,493,097	200,605	-
Total net position	<u>\$ 18,942,229</u>	<u>\$ 49,669,800</u>	<u>\$ 68,612,029</u>	<u>\$ 791,985</u>	<u>\$ 362,927</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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,950,309	\$ 220,581	\$ -	\$ -
Public safety	7,172,992	15,662	2,076,311	-
Transportation	1,018,938	-	396,141	-
Economic and physical development	1,767,385	281,304	114,256	-
Environmental protection	1,658,248	1,698,901	-	-
Culture and recreation	3,187,648	507,389	224,382	-
Interest expense	31,649	-	-	-
Total governmental activities	<u>16,787,169</u>	<u>2,723,837</u>	<u>2,811,090</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	7,950,053	7,021,868	-	1,062,112
Electric	14,629,677	14,498,908	-	-
Gas	5,892,093	5,867,798	-	-
Stormwater	467,540	464,737	-	-
Total business-type activities	<u>28,939,363</u>	<u>27,853,311</u>	<u>-</u>	<u>1,062,112</u>
Total primary government	<u>\$ 45,726,532</u>	<u>\$ 30,577,148</u>	<u>\$ 2,811,090</u>	<u>\$ 1,062,112</u>
Component Units:				
ABC Board	\$ 2,462,631	\$ 2,608,690	\$ -	\$ -
Tourism Development Authority Board	165,564	-	-	-
Total component units	<u>\$ 2,628,195</u>	<u>\$ 2,608,690</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, 2022

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Units</u>	
	<u>Primary Government</u>			<u>ABC Board</u>	<u>Tourism Development Authority Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>		
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (1,729,728)	\$ -	\$ (1,729,728)		
Public safety	(5,081,019)	-	(5,081,019)		
Transportation	(622,797)	-	(622,797)		
Economic and physical development	(1,371,825)	-	(1,371,825)		
Environmental protection	40,653	-	40,653		
Culture and recreation	(2,455,877)	-	(2,455,877)		
Interest expense	(31,649)	-	(31,649)		
Total governmental activities	<u>(11,252,242)</u>	<u>-</u>	<u>(11,252,242)</u>		
Business-Type Activities:					
Water and sewer	-	133,927	133,927		
Electric	-	(130,769)	(130,769)		
Gas	-	(24,295)	(24,295)		
Stormwater	-	(2,803)	(2,803)		
Total business-type activities	<u>-</u>	<u>(23,940)</u>	<u>(23,940)</u>		
Total primary government	<u>(11,252,242)</u>	<u>(23,940)</u>	<u>(11,276,182)</u>		
Component Units:					
ABC Board				\$ 146,059	\$ -
Tourism Development Authority Board				<u>-</u>	<u>(165,564)</u>
Total component units				<u>146,059</u>	<u>(165,564)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	7,977,014	-	7,977,014	-	-
Local option sales tax	2,933,079	-	2,933,079	-	-
Payment in lieu of taxes	419,078	-	419,078	-	-
Franchise taxes	1,019,612	-	1,019,612	-	-
Other taxes and licenses	1,154,797	-	1,154,797	-	207,480
Unrestricted investment earnings	55,249	18,797	74,046	621	331
Miscellaneous	-	51,233	51,233	-	1,380
Total general revenues before transfers	<u>13,558,829</u>	<u>70,030</u>	<u>13,628,859</u>	<u>621</u>	<u>209,191</u>
Transfers	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>15,058,829</u>	<u>(1,429,970)</u>	<u>13,628,859</u>	<u>621</u>	<u>209,191</u>
Change in net position	3,806,587	(1,453,910)	2,352,677	146,680	43,627
Net Position:					
Beginning of year - July 1	<u>15,135,642</u>	<u>51,123,710</u>	<u>66,259,352</u>	<u>645,305</u>	<u>319,300</u>
End of year - June 30	<u>\$ 18,942,229</u>	<u>\$ 49,669,800</u>	<u>\$ 68,612,029</u>	<u>\$ 791,985</u>	<u>\$ 362,927</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 10,769,995	\$ 7,704,430	\$ 18,474,425
Cash and cash equivalents, restricted	389,382	467,689	857,071
Taxes receivable, net	64,337	-	64,337
Accounts receivable, net	237,122	-	237,122
Lease receivable	25,170	-	25,170
Due from other governments	1,170,306	6,170	1,176,476
Inventories	61,875	-	61,875
Total assets	<u>\$ 12,718,187</u>	<u>\$ 8,178,289</u>	<u>\$ 20,896,476</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 958,041	\$ 5,749	\$ 963,790
Advance from grantors	-	444,449	444,449
Total liabilities	<u>958,041</u>	<u>450,198</u>	<u>1,408,239</u>
Deferred Inflows of Resources:			
Leases	26,052	-	26,052
Property taxes receivable	64,337	-	64,337
Total deferred inflows of resources	<u>90,389</u>	<u>-</u>	<u>90,389</u>
Fund Balances:			
Non-spendable:			
Inventories	61,875	-	61,875
Perpetual maintenance	-	23,111	23,111
Restricted:			
Stabilization by state statute	1,406,546	6,170	1,412,716
Streets	245,099	-	245,099
Public safety	84,067	76,190	160,257
Cultural and recreational	47,986	162,066	210,052
Economic and physical development	-	2,865,763	2,865,763
Committed:			
General government	-	4,594,791	4,594,791
Unassigned	9,824,184	-	9,824,184
Total fund balances	<u>11,669,757</u>	<u>7,728,091</u>	<u>19,397,848</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,718,187</u>	<u>\$ 8,178,289</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.	10,745,851
The assets and liabilities of internal service funds are included in the Statement of Net Position.	3,146,597
Right to use leased assets, net of accumulated amortization, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	40,155
Net pension liability - LGERS	(1,452,467)
Total pension liability - LEOSSA	(1,685,091)
Total OPEB liability	(10,772,194)
Deferred outflows of resources related to pensions are not reported in the funds.	2,779,116
Deferred outflows of resources related to OPEB are not reported in the funds.	2,376,218
Deferred inflows of resources related to pensions are not reported in the funds.	(2,262,501)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,127,564)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	64,337
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>(2,308,076)</u>
Net position of governmental activities	<u>\$ 18,942,229</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, 2022

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 6,924,772	\$ 1,037,590	\$ 7,962,362
Other taxes and licenses	5,526,566	-	5,526,566
Restricted intergovernmental	987,083	1,824,007	2,811,090
Permits and fees	282,163	-	282,163
Sales and services	2,190,257	-	2,190,257
Investment earnings	45,920	9,329	55,249
Miscellaneous	251,417	-	251,417
Total revenues	<u>16,208,178</u>	<u>2,870,926</u>	<u>19,079,104</u>
Expenditures:			
Current:			
General government	1,777,627	-	1,777,627
Public safety	6,705,635	155,762	6,861,397
Transportation	1,485,142	-	1,485,142
Economic and physical development	690,278	1,059,387	1,749,665
Environmental protection	1,342,233	-	1,342,233
Culture and recreation	3,175,054	-	3,175,054
Debt service:			
Principal	805,245	-	805,245
Interest	46,649	-	46,649
Total expenditures	<u>16,027,863</u>	<u>1,215,149</u>	<u>17,243,012</u>
Revenues over (under) expenditures	<u>180,315</u>	<u>1,655,777</u>	<u>1,836,092</u>
Other Financing Sources (Uses):			
Transfers in	2,749,968	1,751,837	4,501,805
Transfers out	(1,251,837)	(1,749,968)	(3,001,805)
Lease liability issued	58,140	-	58,140
Total other financing sources (uses)	<u>1,556,271</u>	<u>1,869</u>	<u>1,558,140</u>
Net change in fund balances	1,736,586	1,657,646	3,394,232
Fund Balances:			
Beginning of year - July 1	<u>9,933,171</u>	<u>6,070,445</u>	<u>16,003,616</u>
End of year - June 30	<u>\$ 11,669,757</u>	<u>\$ 7,728,091</u>	<u>\$ 19,397,848</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, 2022

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	\$ 3,394,232
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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	\$ 1,534,238	
Depreciation expense	<u>(1,196,543)</u>	
		337,695
Change in deferred inflows for tax revenues		14,652

Right to use leased asset capital outlay expenditures which were capitalized		58,140
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Amortization expense for intangible assets		(17,985)
--	--	----------

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:

Repayment of debt principal and lease liabilities	<u>805,245</u>	805,245
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The issuance of long-term debt is reported as revenue in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.		(58,140)
---	--	----------

OPEB plan expense		(392,004)
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Pension expense - LGERS		143,534
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Pension expense - LEOSSA		(146,536)
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Accrual of interest expense payable		15,000
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Accrual of compensated absences		7,580
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Net revenue of internal service funds determined to be governmental-type		<u>(354,826)</u>
--	--	------------------

Total change in net position of governmental activities (Exhibit B)		<u>\$ 3,806,587</u>
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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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 7,110,000	\$ 6,860,000	\$ 6,924,772	\$ 64,772
Other taxes	5,082,500	5,192,500	5,526,566	334,066
Restricted intergovernmental	846,200	945,336	987,083	41,747
Permits and fees	185,000	185,000	282,163	97,163
Investment earnings	35,250	35,250	45,920	10,670
Sales and services	1,897,500	1,897,500	2,190,257	292,757
Miscellaneous	159,444	162,444	251,417	88,973
Total revenues	<u>15,315,894</u>	<u>15,278,030</u>	<u>16,208,178</u>	<u>930,148</u>
Expenditures:				
Current:				
General government	2,554,695	2,584,723	1,777,627	807,096
Public safety	7,474,522	7,622,234	6,666,057	956,177
Transportation	1,764,575	1,774,574	1,485,142	289,432
Economic and physical development	885,977	884,815	690,278	194,537
Environmental protection	1,432,951	1,463,948	1,342,233	121,715
Culture and recreation	3,178,524	3,621,688	3,175,054	446,634
Debt service:				
Principal retirement	633,377	805,245	805,245	-
Interest and fees	214,023	46,753	46,649	104
Total expenditures	<u>18,138,644</u>	<u>18,803,980</u>	<u>15,988,285</u>	<u>2,815,695</u>
Revenues over (under) expenditures	<u>(2,822,750)</u>	<u>(3,525,950)</u>	<u>219,893</u>	<u>3,745,843</u>
Other Financing Sources (Uses):				
Transfers in	2,692,500	3,492,500	2,749,968	(742,532)
Transfers out	(5,000)	(1,357,000)	(1,251,837)	105,163
Lease liability issued	-	40,000	18,562	(21,438)
Total other financing sources (uses)	<u>2,687,500</u>	<u>2,175,500</u>	<u>1,516,693</u>	<u>(658,807)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(135,250)</u>	<u>(1,350,450)</u>	<u>1,736,586</u>	<u>3,087,036</u>
Fund balance appropriated	<u>135,250</u>	<u>1,350,450</u>	<u>-</u>	<u>1,350,450</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,736,586</u>	<u>\$ 1,736,586</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of lease standard				
Lease liability issued			39,578	
Capital outlay			(39,578)	
Fund Balance:				
Beginning of year - July 1			<u>9,933,171</u>	
End of year - June 30			<u>\$ 11,669,757</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, 2022

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 7,288,181	\$ 2,927,349	\$ 1,937,493	\$ 311,964	\$ 12,464,987	\$ 3,642,732
Cash - restricted	77,530	488,289	64,565	200	630,584	-
Accounts receivable, net	653,102	1,408,094	525,317	40,175	2,626,688	-
Inventories	405,462	387,000	152,250	-	944,712	-
Total current assets	<u>8,424,275</u>	<u>5,210,732</u>	<u>2,679,625</u>	<u>352,339</u>	<u>16,666,971</u>	<u>3,642,732</u>
Non-current assets:						
Right to use asset	-	3,137	-	-	3,137	-
Capital assets:						
Land and other non-depreciable assets	8,472,535	1,682,434	996,439	-	11,151,408	-
Other capital assets, net of depreciation	41,691,455	4,891,449	3,419,419	150,540	50,152,863	-
Total capital assets	<u>50,163,990</u>	<u>6,573,883</u>	<u>4,415,858</u>	<u>150,540</u>	<u>61,304,271</u>	<u>-</u>
Total assets	<u>58,588,265</u>	<u>11,787,752</u>	<u>7,095,483</u>	<u>502,879</u>	<u>77,974,379</u>	<u>3,642,732</u>
Deferred Outflows of Resources:						
Pension deferrals	395,356	219,642	146,428	58,571	819,997	-
OPEB deferrals	344,399	191,333	127,555	51,022	714,309	-
Total deferred outflows of resources	<u>739,755</u>	<u>410,975</u>	<u>273,983</u>	<u>109,593</u>	<u>1,534,306</u>	<u>-</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	413,630	1,428,313	469,263	12,253	2,323,459	496,135
Liabilities to be paid from restricted assets:						
Customer deposits	77,530	153,998	64,565	200	296,293	-
Current portion of compensated absences	33,998	34,355	16,166	5,339	89,858	-
Current portion of long-term liabilities	1,582,627	151,984	181,808	-	1,916,419	-
Total current liabilities	<u>2,107,785</u>	<u>1,768,650</u>	<u>731,802</u>	<u>17,792</u>	<u>4,626,029</u>	<u>496,135</u>
Non-current liabilities:						
Net pension liability - LGERS	254,654	141,474	94,316	37,726	528,170	-
Long-term liabilities	18,737,414	288,933	463,425	-	19,489,772	-
Total OPEB liability	1,888,631	1,049,240	699,493	279,797	3,917,161	-
Compensated absences	33,998	34,355	16,166	5,338	89,857	-
Total non-current liabilities	<u>20,914,697</u>	<u>1,514,002</u>	<u>1,273,400</u>	<u>322,861</u>	<u>24,024,960</u>	<u>-</u>
Total liabilities	<u>23,022,482</u>	<u>3,282,652</u>	<u>2,005,202</u>	<u>340,653</u>	<u>28,650,989</u>	<u>496,135</u>
Deferred Inflows of Resources:						
Pension deferrals	375,046	208,359	138,906	55,562	777,873	-
OPEB deferrals	197,690	109,828	73,218	29,287	410,023	-
Total deferred inflows of resources	<u>572,736</u>	<u>318,187</u>	<u>212,124</u>	<u>84,849</u>	<u>1,187,896</u>	<u>-</u>
Net Position:						
Net investment in capital assets	29,843,949	6,470,394	3,770,625	150,540	40,235,508	-
Unrestricted	5,888,853	2,127,494	1,381,515	36,430	9,434,292	3,146,597
Total net position	<u>\$ 35,732,802</u>	<u>\$ 8,597,888</u>	<u>\$ 5,152,140</u>	<u>\$ 186,970</u>	<u>\$ 49,669,800</u>	<u>\$ 3,146,597</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Service Funds
Operating Revenues:						
Charges for services	\$ 6,971,385	\$ 14,020,654	\$ 5,555,354	\$ 463,400	\$ 27,010,793	\$ 3,341,714
Miscellaneous revenues	50,483	478,254	312,444	1,337	842,518	-
Total operating revenues	<u>7,021,868</u>	<u>14,498,908</u>	<u>5,867,798</u>	<u>464,737</u>	<u>27,853,311</u>	<u>3,341,714</u>
Operating Expenses:						
Salaries and fringe benefits	1,885,347	1,467,518	982,755	312,887	4,648,507	-
Cost of merchandise sold	808,810	10,285,382	3,761,372	-	14,855,564	-
Other operating expenses	2,324,762	2,196,116	833,588	132,812	5,487,278	-
Depreciation and amortization	2,918,472	676,314	297,695	21,841	3,914,322	-
Excess policy fees	-	-	-	-	-	361,359
Administrative fees	-	-	-	-	-	218,501
Claims	-	-	-	-	-	<u>3,120,849</u>
Total operating expenses	<u>7,937,391</u>	<u>14,625,330</u>	<u>5,875,410</u>	<u>467,540</u>	<u>28,905,671</u>	<u>3,700,709</u>
Operating income (loss)	<u>(915,523)</u>	<u>(126,422)</u>	<u>(7,612)</u>	<u>(2,803)</u>	<u>(1,052,360)</u>	<u>(358,995)</u>
Non-Operating Revenues (Expenses):						
Interest income	9,997	6,010	2,459	331	18,797	4,169
Interest expense	(12,662)	(4,347)	(16,683)	-	(33,692)	-
Income from sale of capital assets previously disposed of	1,233	50,000	-	-	51,233	-
Total non-operating revenues (expenses)	<u>(1,432)</u>	<u>51,663</u>	<u>(14,224)</u>	<u>331</u>	<u>36,338</u>	<u>4,169</u>
Income (loss) before transfers and capital contributions	<u>(916,955)</u>	<u>(74,759)</u>	<u>(21,836)</u>	<u>(2,472)</u>	<u>(1,016,022)</u>	<u>(354,826)</u>
Transfers from other funds	-	-	575,000	-	575,000	-
Transfers to other funds	-	(2,075,000)	-	-	(2,075,000)	-
Capital contributions	1,062,112	-	-	-	1,062,112	-
Total transfers and capital contributions	<u>1,062,112</u>	<u>(2,075,000)</u>	<u>575,000</u>	<u>-</u>	<u>(437,888)</u>	<u>-</u>
Change in net position	145,157	(2,149,759)	553,164	(2,472)	(1,453,910)	(354,826)
Net Position:						
Beginning of year - July 1	<u>35,587,645</u>	<u>10,747,647</u>	<u>4,598,976</u>	<u>189,442</u>	<u>51,123,710</u>	<u>3,501,423</u>
End of year - June 30	<u>\$ 35,732,802</u>	<u>\$ 8,597,888</u>	<u>\$ 5,152,140</u>	<u>\$ 186,970</u>	<u>\$ 49,669,800</u>	<u>\$ 3,146,597</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 7,032,067	\$ 13,823,936	\$ 5,269,238	\$ 468,437	\$ 26,593,678	\$ 3,341,714
Cash paid for goods and services	(4,087,694)	(11,883,302)	(4,353,779)	(133,555)	(20,458,330)	(3,605,594)
Cash paid to employees for services	(1,766,291)	(1,401,187)	(930,553)	(294,842)	(4,392,873)	-
Cash received (paid) for customer deposits	8,970	(8,691)	(3,780)	-	(3,501)	-
Other operating revenues	50,483	478,254	312,444	1,338	842,519	-
Net cash provided (used) by operating activities	<u>1,237,535</u>	<u>1,009,010</u>	<u>293,570</u>	<u>41,378</u>	<u>2,581,493</u>	<u>(263,880)</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(1,718,219)	(1,937,366)	(1,070,518)	-	(4,726,103)	-
Developer Contribution	1,062,112	-	-	-	1,062,112	-
Principal paid on bonds and equipment contracts	(1,582,627)	(214,153)	(193,399)	-	(1,990,179)	-
Proceeds from issuance of debt	-	334,291	-	-	334,291	-
Proceeds from sale of capital assets previously disposed of	1,233	50,000	-	-	51,233	-
Interest expense	(4,662)	(6,347)	(16,683)	-	(27,692)	-
Net cash provided (used) by capital and related financing activities	<u>(2,242,163)</u>	<u>(1,773,575)</u>	<u>(1,280,600)</u>	<u>-</u>	<u>(5,296,338)</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:						
Operating transfers	-	(2,075,000)	575,000	-	(1,500,000)	-
Cash Flows from Investing Activities:						
Interest income	9,997	6,010	2,459	331	18,797	4,169
Net increase (decrease) in cash and cash equivalents	(994,631)	(2,833,555)	(409,571)	41,709	(4,196,048)	(259,711)
Cash and Cash Equivalents:						
Beginning of year - July 1	<u>8,360,342</u>	<u>6,249,193</u>	<u>2,411,629</u>	<u>270,455</u>	<u>17,291,619</u>	<u>3,902,443</u>
End of year - June 30	<u>\$ 7,365,711</u>	<u>\$ 3,415,638</u>	<u>\$ 2,002,058</u>	<u>\$ 312,164</u>	<u>\$ 13,095,571</u>	<u>\$ 3,642,732</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ (915,523)	\$ (126,422)	\$ (7,612)	\$ (2,803)	\$ (1,052,360)	\$ (358,995)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and Amortization	2,918,472	676,314	297,695	21,841	3,914,322	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	60,683	(196,718)	(286,116)	5,037	(417,114)	-
Inventories	55,725	49,257	(5,161)	-	99,821	-
Deferred outflows of resources - pensions	15,525	8,625	5,750	2,300	32,200	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(1,006,566)	550,950	255,666	(48)	(199,998)	95,115
Accrued OPEB liability	124,686	69,270	46,180	18,472	258,608	-
Customer deposits	8,970	(8,691)	(3,780)	200	(3,301)	-
Deferred inflows of resources - pensions	333,527	185,294	123,528	49,411	691,760	-
Net pension liability - LGERS	(357,964)	(198,869)	(132,580)	(53,032)	(742,445)	-
Net cash provided (used) by operating activities	<u>\$ 1,237,535</u>	<u>\$ 1,009,010</u>	<u>\$ 293,570</u>	<u>\$ 41,378</u>	<u>\$ 2,581,493</u>	<u>\$ (263,880)</u>
Supplemental Disclosures of Non-Cash Activities:						
Right to use asset acquired in exchange for a lease liability	\$ -	\$ 4,828	\$ -	\$ -	\$ 4,828	\$ -

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, 2022**

	<u>Custodial Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>250,726</u>
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	\$ <u>250,726</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Custodial Fund</u>
Additions	
Investment income	\$ 12,076
Deductions:	
Benefit payments	<u>5,200</u>
Net increase (decrease) in fiduciary net position	6,876
Net position - beginning	<u>243,850</u>
Net position - ending	<u>\$ 250,726</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

1. Summary of Significant Accounting Policies

The accounting policies of the City of 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, but to include all relevant information required by generally accepted accounting principles as supplementary information in the City's Annual Financial Report.

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, 2022

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.

American Rescue Plan Act Fund. This fund is used to account for federal funds received from the American Rescue Plan Act.

Economic Incentive Fund. This fund is used to account for property tax revenues subject to refund as incentive grants to various recipients.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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.

Governmental Capital Reserve Fund. This fund accounts for financial resources to be used for future capital needs of the City.

State and Local Grants Capital Projects Fund. This fund accounts for financial resources received from various state and local grants for capital needs of the City.

General Capital Projects Fund. This fund accounts for financial resources to be used for capital needs of the City.

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. Two Water and Sewer Capital Projects Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Project Funds have been included in the supplemental information.

Electric Utility Fund. This fund is used to account for the City's electric operations. An Electric Capital Project Fund has been consolidated into the Electric Fund for financial reporting purposes. The budgetary comparison for the Electric Capital Project Fund has been included in the supplemental information.

Gas Fund. This fund is used to account for the City's gas operations. A Gas Capital Project Fund has been consolidated into the Gas Fund for financial reporting purposes. The budgetary comparison for the Gas Capital Project Fund has been included in the supplemental information.

Nonmajor

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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.

Custodial Fund

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. Custodial funds are used to account for assets the City holds on behalf of others that meet certain criteria. The City maintains the following custodial fund: the Firefighter's Retirement Fund, which accounts for the City's Firefighter's Supplemental Retirement and Relief Plan.

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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, Economic Incentive Fund, the enterprise funds, and the Cemetery Care Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the American Rescue Plan Act Fund, Governmental Capital Reserve Fund, General Capital Project Fund, State and Local Grants Capital Project Fund, Library Fund, and the Senior Center Capital Project Fund. 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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.

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)(8)] 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, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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. Unspent grant proceeds are restricted for their intended purpose. Unspent debt proceeds are restricted for the intended use of the debt issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Kings Mountain Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 262,360
Public safety	84,067
Cultural and recreation	42,955

Nonmajor Funds:

Perpetual maintenance	23,111
Unspent grant proceeds	444,578
Total governmental activities	<u>857,071</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits	77,530
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Electric Fund:

Unspent debt proceeds	334,291
Customer deposits	153,998

Stormwater Fund:

Customer deposits	200
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Gas Fund:

Customer deposits	64,565
Total business-type activities	<u>630,584</u>

Total restricted cash	<u><u>\$ 1,487,655</u></u>
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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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, 2021. 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.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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

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

Right-to-Use Assets

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The City 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 assets that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category – property taxes receivable, pension deferrals, leases, and OPEB deferrals.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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.

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.

Reimbursements for Pandemic-Related Expenditures

In fiscal year 2020/2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City was allocated \$3,499,935 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,749,968 was received in July 2021. The second installment was received in July 2022. City staff and the Board have elected to use \$1,749,968 of the ARPA funds for revenue replacement. The City plans on using the rest of the funds for revenue replacement in fiscal year 2023. The

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

\$1,749,968 used for revenue replacement was transferred to the General Fund from the ARPA Fund. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds has been established and met.

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.

Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Streets – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount, of \$245,099, 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, sum of \$84,067. \$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. \$76,190 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 \$47,986 restricted for future culture and recreation expenditures while the nonmajor funds have \$162,066 restricted for the same.

Restricted for Economic and Physical Development – portion of fund balance that is restricted for incentive grants for economic and physical development passed from the city to the various recipients. The nonmajor funds have \$2,865,763 restricted.

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.

Committed for General Government – portion of fund balance that is committed for future capital projects and needs within the City. The nonmajor funds have \$4,594,791 committed.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City of Kings Mountain intends to use for specific purposes. The City's governing body has the authority to assign fund balance.

Unassigned Fund Balance

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

The City of Kings Mountain has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-City funds, and City funds. For

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

The 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	\$ 11,669,757
Less:	
Inventories	61,875
Stabilization by state statute	<u>1,406,546</u>
Total available fund balance	<u>\$ 10,201,336</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 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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, 2022, the City's deposits had a carrying amount of \$11,634,399 and a bank balance of \$11,837,313. Of the bank balance, \$8,189,886 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 \$349,617 and the bank balance was \$330,352. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$373,397 and the bank balance was \$367,682. \$250,000 of the bank balance of the ABC Board was covered by federal depository insurance. The ABC Board had certificates of deposit totaling \$82,556 and petty cash funds of \$2,000.

At June 30, 2022, the City's petty cash funds totaled \$2,480.

Investments

At June 30, 2022, the City of Kings Mountain had \$24,683,646 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody Investor Services. The Government Portfolio is reported at fair value. The City has no policy regarding credit risk.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2022 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 303,145	\$127,705	\$ 1,170,306	\$ 1,601,156
Nonmajor - emergency telephone system	-	-	6,170	6,170
Allowance for doubtful accounts	<u>(66,023)</u>	<u>(63,368)</u>	<u>-</u>	<u>(129,391)</u>
Total governmental activities	<u>\$ 237,122</u>	<u>\$ 64,337</u>	<u>\$ 1,176,476</u>	<u>\$ 1,477,935</u>
Business-Type Activities:				
Water and sewer	\$ 744,498	\$ -	\$ -	\$ 744,498
Electric	1,587,025	-	-	1,587,025
Gas	549,301	-	-	549,301
Stormwater	64,800	-	-	64,800
Allowance for doubtful accounts	<u>(318,936)</u>	<u>-</u>	<u>-</u>	<u>(318,936)</u>
Total business-type activities	<u>\$ 2,626,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,626,688</u>

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

Governmental Activities:	
Local option sales tax	\$ 676,664
Sales tax reimbursement	434,650
DMV MV taxes	41,662
911 funds	6,170
Occupancy tax	<u>17,330</u>
Total	<u>\$ 1,176,476</u>

The Tourism Development Authority's receivables consist of occupancy taxes from local hotels of \$16,810 due from the City of Kings Mountain. Management expects all accounts receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

Lease Receivable

In February 2011, the City entered into a lease with a wireless carrier. Under the lease, the wireless carrier pays the City \$2,311 per month through June 2023 in exchange for using the City's land to place a wireless cell tower on. There are no variable lease components under this lease agreement. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2%, which is the stated rate in the agreement.

In fiscal year 2022, the City recognized \$26,053 of lease revenue and \$796 of interest revenue under the lease.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Capital Assets

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

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,788,797	\$ -	\$ -	\$ -	\$ 2,788,797
Construction in progress	119,430	699,391	-	-	818,821
Total non-depreciable capital assets	<u>2,908,227</u>	<u>699,391</u>	<u>-</u>	<u>-</u>	<u>3,607,618</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,631,469	-	-	-	10,631,469
Other improvements	4,942,346	286,678	-	-	5,229,024
Equipment	4,686,634	406,291	-	-	5,092,925
Vehicles	6,768,946	141,878	(247,160)	(12,315)	6,651,349
Total depreciable capital assets	<u>30,098,175</u>	<u>834,847</u>	<u>(247,160)</u>	<u>(12,315)</u>	<u>30,673,547</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,901,173	24,627	-	-	2,925,800
Buildings	10,312,103	228,515	-	-	10,540,618
Other improvements	899,694	163,928	-	-	1,063,622
Equipment	2,704,727	330,519	-	-	3,035,246
Vehicles	5,780,549	448,954	(247,160)	(12,315)	5,970,028
Total accumulated depreciation	<u>22,598,246</u>	<u>\$ 1,196,543</u>	<u>\$ (247,160)</u>	<u>\$ (12,315)</u>	<u>23,535,314</u>
Total depreciable capital assets, net	<u>7,499,929</u>				<u>7,138,233</u>
Governmental activities capital assets, net	<u>\$ 10,408,156</u>				<u>\$ 10,745,851</u>

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

Governmental Activities:	
General government	\$ 136,573
Public safety	389,594
Transportation	149,983
Economic and physical development	4,494
Environmental protection	264,076
Cultural and recreational	251,823
Total depreciation expense	<u>\$ 1,196,543</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	8,300	1,290,180	-	-	1,298,480
Total non-depreciable capital assets	<u>7,182,355</u>	<u>1,290,180</u>	<u>-</u>	<u>-</u>	<u>8,472,535</u>
Depreciable Capital Assets:					
Buildings	14,550,217	-	-	-	14,550,217
Other improvements	55,217,417	175,652	-	-	55,393,069
Lines	31,120,557	-	-	-	31,120,557
Equipment	7,889,091	119,526	(11,345)	-	7,997,272
Vehicles	1,068,505	132,861	-	29,051	1,230,417
Total depreciable capital assets	<u>109,845,787</u>	<u>428,039</u>	<u>(11,345)</u>	<u>29,051</u>	<u>110,291,532</u>
Less Accumulated Depreciation:					
Buildings	12,931,570	160,878	-	-	13,092,448
Other improvements	38,418,782	1,221,402	-	-	39,640,184
Lines	7,514,294	1,118,211	-	-	8,632,505
Equipment	5,852,753	364,840	(11,345)	-	6,206,248
Vehicles	946,500	53,141	-	29,051	1,028,692
Total accumulated depreciation	<u>65,663,899</u>	<u>\$ 2,918,472</u>	<u>\$ (11,345)</u>	<u>\$ 29,051</u>	<u>68,600,077</u>
Total depreciable capital assets, net	<u>44,181,888</u>				<u>41,691,455</u>
Water and Sewer Fund capital assets, net	<u>51,364,243</u>				<u>50,163,990</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 39,890	\$ -	\$ -	\$ -	39,890
Construction in progress	-	1,642,544	-	-	1,642,544
Total non-depreciable capital assets	<u>39,890</u>	<u>1,642,544</u>	<u>-</u>	<u>-</u>	<u>1,682,434</u>
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	1,791,623	66,740	-	-	1,858,363
Lines	6,310,019	169,459	-	-	6,479,478
Equipment	2,303,185	10,000	-	-	2,313,185
Vehicles	2,058,427	48,623	(10,092)	5,173	2,102,131
Total depreciable capital assets	<u>14,778,411</u>	<u>294,822</u>	<u>(10,092)</u>	<u>5,173</u>	<u>15,068,314</u>
Less Accumulated Depreciation:					
Buildings	1,697,623	79,504	-	-	1,777,127
Other improvements	906,938	59,441	-	-	966,379
Lines	3,963,474	164,914	-	-	4,128,388
Equipment	1,433,751	166,925	-	-	1,600,676
Vehicles	1,505,375	203,839	(10,092)	5,173	1,704,295
Total accumulated depreciation	<u>9,507,161</u>	<u>\$ 674,623</u>	<u>\$ (10,092)</u>	<u>\$ 5,173</u>	<u>10,176,865</u>
Total depreciable capital assets, net	<u>5,271,250</u>				<u>4,891,449</u>
Electric Fund capital assets, net	<u>5,311,140</u>				<u>6,573,883</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	\$ -	\$ -	\$ -	31,000
Construction in progress	116,430	849,009	-	-	965,439
Total non-depreciable capital assets	<u>147,430</u>	<u>849,009</u>	<u>-</u>	<u>-</u>	<u>996,439</u>
Depreciable Capital Assets:					
Buildings	253,559	-	-	-	253,559
Lines	4,282,466	25,000	-	-	4,307,466
Equipment	1,784,843	139,773	-	-	1,924,616
Vehicles	370,989	56,736	-	(21,909)	405,816
Total depreciable capital assets	<u>6,691,857</u>	<u>221,509</u>	<u>-</u>	<u>(21,909)</u>	<u>6,891,457</u>
Less Accumulated Depreciation:					
Buildings	74,541	12,678	-	-	87,219
Lines	2,013,965	129,582	-	-	2,143,547
Equipment	834,009	120,914	-	-	954,923
Vehicles	273,737	34,521	-	(21,909)	286,349
Total accumulated depreciation	<u>3,196,252</u>	<u>\$ 297,695</u>	<u>\$ -</u>	<u>\$ (21,909)</u>	<u>3,472,038</u>
Total depreciable capital assets, net	<u>3,495,605</u>				<u>3,419,419</u>
Gas Fund capital assets, net	<u>3,643,035</u>				<u>4,415,858</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	\$ -	\$ -	\$ -	23,907
Other improvements	125,780	-	-	-	125,780
Equipment	311,434	-	-	-	311,434
Vehicles	113,754	-	-	-	113,754
Total depreciable capital assets	<u>574,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574,875</u>
Less Accumulated Depreciation:					
Buildings	7,826	1,195	-	-	9,021
Other improvements	24,448	6,289	-	-	30,737
Equipment	256,467	14,357	-	-	270,824
Vehicles	113,753	-	-	-	113,753
Total accumulated depreciation	<u>402,494</u>	<u>\$ 21,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>424,335</u>
Total depreciable capital assets, net	<u>172,381</u>				<u>150,540</u>
Stormwater Fund capital assets, net	<u>172,381</u>				<u>150,540</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	7,369,675				11,151,408
Depreciable capital assets, net of depreciation	<u>53,121,124</u>				<u>50,152,863</u>
Total business-type capital assets, net	<u>\$ 60,490,799</u>				<u>\$ 61,304,271</u>

Net Investment in Capital Assets

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,745,851	\$ 61,304,271
Long-term debt	(1,779,571)	(21,403,086)
Add unspent debt proceeds	-	334,291
Add right to use assets, net of amortization	40,155	3,137
Less lease liability	<u>(40,009)</u>	<u>(3,105)</u>
Net investment in capital assets	<u>\$ 8,966,426</u>	<u>\$ 40,235,508</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Construction Commitments

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

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Streetscape	\$ 818,821	\$ 844,371
Lift Station KM Blvd	1,062,112	1,565,000
Electric projects	1,642,544	1,121,000
Gas projects	849,009	985,000

ABC Board

Activity for the ABC Board for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Non-Depreciable Capital Assets:				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
Depreciable Capital Assets:				
Buildings and improvements	521,933	-	-	521,933
Equipment	84,268	46,423	(18,033)	112,658
Total depreciable capital assets	<u>606,201</u>	<u>46,423</u>	<u>(18,033)</u>	<u>634,591</u>
Less Accumulated Depreciation:				
Buildings and improvements	228,183	7,642	-	235,825
Equipment	59,315	4,945	(18,033)	46,227
Total accumulated depreciation	<u>287,498</u>	<u>\$ 12,587</u>	<u>\$ (18,033)</u>	<u>282,052</u>
Total depreciable capital assets, net	<u>318,703</u>			<u>352,539</u>
ABC Board capital assets, net	<u>\$ 397,578</u>			<u>\$ 431,414</u>

Right-to-Use Leased Assets

The City has recorded seventeen right-to-use leased assets. The assets are right-to-use assets for leased equipment and vehicles. The related leases are discussed in the lease's subsection of the liabilities section of this note. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Governmental Activities:				
Right-to-Use Assets				
Leased vehicles	\$ -	\$ 14,595	\$ -	\$ 14,595
Leased equipment	<u>-</u>	<u>43,545</u>	<u>-</u>	<u>43,545</u>
Total depreciable capital assets	<u>-</u>	<u>58,140</u>	<u>-</u>	<u>58,140</u>
Less Accumulated Amortization For:				
Leased vehicles	-	3,671	-	3,671
Leased equipment	<u>-</u>	<u>14,314</u>	<u>-</u>	<u>14,314</u>
Total accumulated amortization	<u>-</u>	<u>\$ 17,985</u>	<u>\$ -</u>	<u>17,985</u>
Right-to-use assets, net	<u>\$ -</u>			<u>\$ 40,155</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Business-Type Activities:				
Right-to-Use Assets				
Leased equipment	\$ -	\$ 4,828	\$ -	\$ 4,828
Less Accumulated Amortization For:				
Leased equipment	<u>-</u>	<u>1,691</u>	<u>-</u>	<u>1,691</u>
Total accumulated amortization	<u>-</u>	<u>\$ 1,691</u>	<u>\$ -</u>	<u>1,691</u>
Right to use assets, net	<u>\$ -</u>			<u>\$ 3,137</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

B. Liabilities

Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>TDA</u>	<u>Total</u>
Governmental Activities:					
General	\$ 597,034	\$ 344,197	\$ 20,000	\$ 16,810	\$ 978,041
Special revenue fund	5,749	-	-	-	5,749
Internal service funds	496,135	-	-	-	496,135
Total governmental activities	<u>\$ 1,098,918</u>	<u>\$ 344,197</u>	<u>\$ 20,000</u>	<u>\$ 16,810</u>	<u>\$ 1,479,925</u>
Business-Type Activities:					
Water and sewer	\$ 345,666	\$ 56,964	\$ 11,000	\$ -	\$ 413,630
Electric	1,385,642	39,671	3,000	-	1,428,313
Gas	434,251	32,012	3,000	-	469,263
Stormwater	2,305	9,948	-	-	12,253
Total business-type activities	<u>\$ 2,167,864</u>	<u>\$ 138,595</u>	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ 2,323,459</u>

As of June 30, 2022, the Tourism Development Authority's payables consisted of vendor payables.

Pension Plan Obligations

Local Governmental 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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.

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, 2022, was 12.100% of compensation for law enforcement officers and 11.350% 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 \$1,084,276 for the year ended June 30, 2022.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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

At June 30, 2022, the City reported a liability of \$1,980,637 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, (measurement date) the City's proportion was 0.12915%, which was a decrease of 0.004190% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$882,957. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 630,113	\$ -
Changes of assumptions	1,244,346	-
Net difference between projected and actual earnings on pension plan investments	-	2,829,737
Changes in proportion and differences between employer contributions and proportionate share of contributions	116,256	87,290
City contributions subsequent to the measurement date	<u>1,084,276</u>	<u>-</u>
Total	<u>\$ 3,074,991</u>	<u>\$ 2,917,027</u>

\$1,084,276 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	Amount
2023	\$ 218,108
2024	(36,372)
2025	(242,131)
2026	(865,917)
2027	-
Thereafter	-
Total	<u>\$ (926,312)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation, with the exception of the discount rate were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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%
Opportunistic Fixed Income	7.0%	6.0%
Inflation sensitive	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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 6.50%, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	<u>\$ 7,688,677</u>	<u>\$ 1,980,637</u>	<u>\$ (2,716,744)</u>

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

Law Enforcement Officers Special Separation Allowance

Plan Description. The City 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>32</u>
Total	<u><u>34</u></u>

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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back 3 years for all ages.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
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Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-Median Teachers Mortality Table for Employees are used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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 \$44,622 as benefits came due for the reporting period.

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

At June 30, 2022, the City reported a total pension liability of \$1,685,091. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$219,696.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 126,586	\$ 74,587
Changes of assumptions	352,914	48,760
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>44,622</u>	<u>-</u>
Total	<u>\$ 524,122</u>	<u>\$ 123,347</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
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\$44,622 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2023	\$ 104,322
2024	103,431
2025	98,565
2026	64,759
2027	(14,924)
Thereafter	-
Total	\$ 356,153

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 2.25 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 1,824,217	\$ 1,685,091	\$ 1,557,779

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

	2022
Beginning balance	\$ 1,737,355
Service cost	83,917
Interest on the total pension liability	33,100
Differences between expected and actual experience in the measurement of the total pension liability	(81,457)
Changes of assumptions or other inputs	(43,202)
Benefit payments	(44,622)
Ending balance of the total pension liability	\$ 1,685,091

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 1.93% at December 31, 2020, to 2.25% at December 31, 2021.

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

The actuarial assumptions used in the December 31, 2020 valuation was based on the results of an actuarial experience study, completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 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	\$ 882,957	\$ 219,696	\$ 1,102,653
Pension liability	1,980,637	1,685,091	3,665,728
Proportionate share of the net pension liability	0.12915%	n/a	-
 Deferred of Outflows of Resources:			
Differences between expected and actual experience	\$ 630,113	\$ 126,586	\$ 756,699
Changes of assumptions	1,244,346	352,914	1,597,260
Changes in proportion and differences between contributions and proportionate share of contributions	116,256	-	116,256
Benefit payments and administrative costs paid subsequent to the measurement date	1,084,276	44,622	1,128,898
Total deferred outflows of resources	\$ 3,074,991	\$ 524,122	\$ 3,599,113
 Deferred of Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 74,587	\$ 74,587
Changes of assumptions	-	48,760	48,760
Net difference between projected and actual earnings on plan investments	2,829,737	-	2,829,737
Changes in proportion and differences between contributions and proportionate share of contributions	87,290	-	87,290
Total deferred inflows of resources	\$ 2,917,027	\$ 123,347	\$ 3,040,374

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 \$122,034 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 \$497,902 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 be considered a full-time permanent employee that was employed with the City immediately prior to retirement and retire (under early, normal or disabled retirement conditions) from the North Carolina Local Governmental Employees' Retirement System (NCLGERS) must meet one of the following conditions in order to participate in the City's Group Health Plan upon retirement: if hired prior to January 29, 1997, the employee must have twenty (20) years of consecutive services; or if hired on or after January 29, 1997, the employee must have twenty-five (25) years of consecutive services. Volunteer Firefighters, Elected Officials, and part-time employees and those not meeting the eligibility conditions above may not participate in the City's Group Health Plan upon retirement. The City will provide employee only medical coverage under the Bronze plan at no cost to the retiree. Should a retiree choose a different plan, the retiree must pay the premium shown below at the first of every month. At Medicare eligibility age, the City will convert medical coverage to a Medicare Supplement policy, Plan F. Pre-Medicare health care and prescription drugs benefits are only provided in the City's Group Health Plan. Dental and vision coverage is available at the retiree's expense under COBRA with coverage ceasing when retiree is no longer eligible – normally 18

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**NOTES TO THE FINANCIAL STATEMENTS
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months. At Medicare eligibility age, the City will convert medical coverage to a Medicare Supplement policy, Plan F. Dependent coverage is not available. 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.

Membership of the plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	36	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	165	30
Total	201	30

Total OPEB Liability

The City's total OPEB liability of \$14,689,355 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Real Wage Growth	0.75 percent
Wage Inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.25 - 8.41 percent
Firefighters	3.25 - 8.15 percent
Law enforcement officers	3.25 - 7.90 percent
Discount rate	2.16 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2020 decreasing to an ultimate rate of 4.50 percent by 2030
Medicare	5.25 percent for 2020 decreasing to an

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
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Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 13,719,576
Changes for the year	
Service cost	738,305
Interest	316,717
Differences between expected and actual experience	(4,030)
Changes in assumptions or other inputs	173,790
Benefit payments	(255,003)
Net changes	969,779
Balance at June 30, 2022	\$ 14,689,355

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019, 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, 2020, valuation were based on review of recent plan experience performed concurrently with the June 30, 2020, valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 17,839,680	\$ 14,689,355	\$ 12,289,855

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**NOTES TO THE FINANCIAL STATEMENTS
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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	\$ 11,924,566	\$ 14,689,355	\$ 18,450,604

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$1,152,344. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 82,957	\$ 684,963
Changes of assumptions	2,595,704	852,624
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>411,866</u>	<u>-</u>
Total	<u>\$ 3,090,527</u>	<u>\$ 1,537,587</u>

\$411,866 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$ 97,322
2024	97,322
2025	97,322
2026	141,806
2027	231,858
Thereafter	<u>475,444</u>
Total	<u>\$ 1,141,074</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Other Employment Benefits

The City has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the officer's 12 highest months' salary in a row during the 24 months prior to the officer's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions.

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

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year (LGERS)	\$ 1,084,276
Benefit payments made for LEOSSA subsequent to measurement date	44,622
Difference between expected and actual experience - Pensions & OPEB	839,656
Changes of assumptions - Pensions	1,597,260
Benefit payments for OPEB subsequent to measurement date	411,866
Changes of assumptions - OPEB	2,595,704
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	116,256
Total	<u>\$ 6,689,640</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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Deferred inflows of resources at year-end are comprised of the following:

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Deferred Inflows:		
Taxes receivable, net (General Fund)	\$ -	\$ 64,337
Differences between expected and actual experience -		
Pensions & OPEB	759,550	-
Change in assumptions - Pensions & OPEB	901,384	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	2,917,027	-
Leases	26,052	26,052
Total	<u>\$ 4,604,013</u>	<u>\$ 90,389</u>

Unemployment Compensation

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

Risk Management

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

The City's insurance program consists of general liability coverage of \$1,000,000 per occurrence and \$2,000,000 general aggregate and a per occurrence deductible of \$1,000; auto liability coverage of \$1,000,000 per occurrence and a per occurrence of \$1,000; law enforcement liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 per occurrence deductible; public officials liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; employment practices liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; umbrella liability coverage limit of \$1,000,000 with a \$10,000 self-insured retention; employee dishonesty coverage limit of \$250,000 with a per occurrence deductible of \$2,500; property coverage blanket limit of \$77,811,141 with a \$10,000 per occurrence deductible; flood coverage limit of \$1,000,000 with a \$25,000 minimum per occurrence deductible; earth quake coverage limit of \$1,000,000 with a \$25,000 per occurrence deductible; equipment breakdown limit of \$4,500,000 with a \$500

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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).

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

	2022	2021
Unpaid claims, beginning	\$ 300,000	\$ 250,000
Incurred claims	2,916,668	2,940,823
Claim payments	(2,841,668)	(2,890,823)
Unpaid claims, ending	\$ 375,000	\$ 300,000

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

	2022	2021
Unpaid claims, beginning	\$ 100,000	\$ 53,000
Incurred claims	295,431	290,085
Claim payments	(279,182)	(243,085)
Unpaid claims, ending	\$ 116,249	\$ 100,000

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 has 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, 2022, 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, 2022

Long-Term Obligations

Leases

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

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

Governmental Activities

On July 1, 2021, the City of Kings Mountain entered into a 5-month lease as lessee for the use of a Copier C2012047. An initial lease liability was recorded in the amount of \$2,045. As of June 30, 2022, the value of the lease liability is \$0. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$411. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$2,045 with accumulated amortization of \$2,045 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 16-month lease as lessee for the use of a Copier C2018050. An initial lease liability was recorded in the amount of \$1,297. As of June 30, 2022, the value of the lease liability is \$327. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$82. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$1,297 with accumulated amortization of \$973 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 16-month lease as lessee for the use of a Copier C2018051. An initial lease liability was recorded in the amount of \$1,297. As of June 30, 2022, the value of the lease liability is \$327. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$82. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$1,297 with accumulated amortization of \$973 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 21-month lease as lessee for the use of a Copier C2018107. An initial lease liability was recorded in the amount of \$2,104. As of June 30, 2022, the value of the lease liability is \$911. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$102. The lease has an interest rate of 2.0%.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$2,104 with accumulated amortization of \$1,202 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 21-month lease as lessee for the use of a Copier C2018115. An initial lease liability was recorded in the amount of \$1,938. As of June 30, 2022, the value of the lease liability is \$888. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$89. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$1,938 with accumulated amortization of \$1,057 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 29-month lease as lessee for the use of a Copier C2019021. An initial lease liability was recorded in the amount of \$3,562. As of June 30, 2022, the value of the lease liability is \$2,105. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$125. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$3,562 with accumulated amortization of \$1,474 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 6-month lease as lessee for the use of a 2018 Toyota C2019106. An initial lease liability was recorded in the amount of \$2,647. As of June 30, 2022, the value of the lease liability is \$0. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$443. The lease has an interest rate of 2.0%. The vehicle estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$2,647 with accumulated amortization of \$2,647 is included with vehicle on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 38-month lease as lessee for the use of a Copier C2020013. An initial lease liability was recorded in the amount of \$5,077. As of June 30, 2022, the value of the lease liability is \$3,508. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$138. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$5,077 with accumulated amortization of \$1,603 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 48-month lease as lessee for the use of a Postage C2020092. An initial lease liability was recorded in the amount of \$9,599. As of June 30, 2022, the value of the lease liability is \$7,271. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$208. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$9,599 with accumulated amortization of \$2,400 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 53-month lease as lessee for the use of a Copier C2021014. An initial lease liability was recorded in the amount of \$3,503. As of June 30, 2022, the value of the lease liability is \$2,732. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$69. The lease has an interest rate of

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$3,503 with accumulated amortization of \$793 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 59-month lease as lessee for the use of a Copier C2021080. An initial lease liability was recorded in the amount of \$3,881. As of June 30, 2022, the value of the lease liability is \$3,117. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$69. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$3,881 with accumulated amortization of \$789 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 48-month lease as lessee for the use of a Copier C2021099. An initial lease liability was recorded in the amount of \$2,627. As of June 30, 2022, the value of the lease liability is \$1,990. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$57. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$2,627 with accumulated amortization of \$657 is included with equipment on the Lease Class Activities Table found below.

On April 1, 2022, the City of Kings Mountain entered into a 60-month lease as lessee for the use of a Copier C2022076. An initial lease liability was recorded in the amount of \$3,480. As of June 30, 2022, the value of the lease liability is \$3,314. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$61. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$3,480 with accumulated amortization of \$174 is included with equipment on the Lease Class Activities Table found below.

On April 1, 2022, the City of Kings Mountain entered into a 60-Month lease as Lessee for the use of a Copier C2022090. An initial lease liability was recorded in the amount of \$3,480. As of June 30, 2022, the value of the lease liability is \$3,314. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$61. The lease has an interest rate of 2.0%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$3,480 with accumulated amortization of \$174 is included with Equipment on the Lease Class activities table found below.

On March 21, 2022, the City of Kings Mountain entered into a 35-month lease as lessee for the use of a 2022 Toyota Police Vehicle. An initial lease liability was recorded in the amount of \$11,602. As of June 30, 2022, the value of the lease liability is \$10,205. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$346.60. The lease has an interest rate of 3.0%. The vehicle estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$11,602 with accumulated amortization of \$1,023 is included with vehicle on the Lease Class Activities Table found below.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Business-Type

On July 1, 2021, the City of Kings Mountain entered into a 24-month lease as lessee for the use of a Copier C2018129. An initial lease liability was recorded in the amount of \$1,936. As of June 30, 2022, the value of the lease liability is \$976. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$82. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$1,936 with accumulated amortization of \$968 is included with equipment on the Lease Class Activities Table found below.

On July 1, 2021, the City of Kings Mountain entered into a 48-month lease as lessee for the use of a Copier C2020114. An initial lease liability was recorded in the amount of \$2,892. As of June 30, 2022, the value of the lease liability is \$2,187. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$62. The lease has an interest rate of 2.0%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2022 of \$2,892 with accumulated amortization of \$723 is included with equipment on the Lease Class Activities Table found below.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending	Governmental Activities			Business-Type Activities						
	June 30	Principal	Interest	Total	Principal	Interest	Total			
2023	\$	15,409	\$	690	\$	1,688	\$	51	\$	1,739
2024		12,314		433		711		23		734
2025		8,620		172		706		7		713
2026		2,568		48		-		-		-
2027		1,098		10		-		-		-
Total	\$	40,009	\$	1,353	\$	3,105	\$	81	\$	3,186

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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	\$ 24,673
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	253,736
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	26,332
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	150,579
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	65,654
Community First National Bank \$253,133 note payable in September 2020 for equipment, due in annual payments of \$39,556, including interest at 2.76% through September 2026	182,381
Home Trust Bank \$390,081 note payable in October 2021 for servers, due in annual payments of \$86,320, including interest at 2.99% through October 2025	299,754
Home Trust Bank \$510,075 note payable in April 2019 for software, due in annual payments of \$31,118, including interest at 2.99% through April 2024	307,110
Home Trust Bank \$127,530 note payable in October 2021 for IT connectivity, due in annual payments of \$28,875, including interest at 2.99% through October 2025	90,432
Home Trust Bank \$325,183 note payable in October 2021 for Garbage Truck, due in annual payments of \$67,200, including interest at 2.99% through October 2025	261,560
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	<u>117,360</u>
Total governmental activities	<u>\$ 1,779,571</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Serviced by the Enterprise Funds:

Water and Sewer Fund:

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	\$ 3,071,218
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	7,863,515
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	9,265,312
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>119,996</u>
Total Water and Sewer Fund	<u>20,320,041</u>

Electric Fund:

Home Trust Bank \$154,065 note payable in November 2019 for digger derrick, due in annual payments of \$39,600, plus interest at 1.994% through November 2023	38,891
SunTrust Equipment Finance & Leasing \$263,747 in November 2019 for hydraulic equipment, due in annual payments of \$46,168, including interest at 2.005% through November 2025	133,130
Home Trust Bank \$334,291 in June 2022 for a line truck, due in annual payments of \$68,500, including interest at 1.34% through June 2026	<u>265,791</u>
Total Electric Fund	<u>437,812</u>

Gas Fund:

SunTrust Bank \$91,781 note payable in November 2019 for a 2020 F350 truck, due in annual payments of \$16,066, including interest at 2.05% through November 2025	46,328
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>598,905</u>
Total Gas Fund	<u>645,233</u>
Total business-type activities	<u>\$ 21,403,086</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Governmental-Type Activities:

The City's outstanding note from direct placements related to governmental activities of \$24,673, 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 City's outstanding note from direct placements related to governmental activities of \$253,736, 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 City's outstanding note from direct placements related to governmental activities of \$26,332, 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 City's outstanding note from direct placements related to governmental activities of \$150,579, 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 City's outstanding note from direct placements related to governmental activities of \$65,654, 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.

The City's outstanding note from direct placements related to governmental activities of \$307,110, 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 City's outstanding note from direct placements related to governmental activities of \$299,754, from Home Trust Bank, is secured with the property acquired as collateral, servers. 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 City's outstanding note from direct placements related to governmental activities of \$90,432, from Home Trust Bank, is secured with the property acquired as collateral, connectivity. 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, 2022

Governmental-Type Activities (continued):

The City's outstanding note from direct placements related to governmental activities of \$261,560, from Home Trust Bank, is secured with the property acquired as collateral, garbage truck. 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 City's outstanding note from direct placements related to governmental activities of \$182,381, from Community FNB, 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 City's outstanding note from direct placements related to governmental activities of \$117,360, 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.

Business-Type Activities:

Water and Sewer Fund:

The City's outstanding note from direct borrowings related to business-type activities of \$3,071,218, 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 City's outstanding note from direct borrowings related to business-type activities of \$7,863,515, 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 City's outstanding note from direct borrowings related to business-type activities of \$9,265,312, 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 City's outstanding note from direct placements related to business-type activities of \$119,996, 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Business-Type Activities (continued):

Electric Fund:

The City's outstanding note from direct placements related to business-type activities of \$38,891, from Home Trust Bank, 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 City's outstanding lease purchase from direct placements related to business-type activities of \$133,130, from SunTrust Bank, 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.

Gas Fund:

The City's outstanding note from direct placements related to business-type activities of \$46,328, from SunTrust Bank, is secured with the property acquired as collateral, an F350 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 City's outstanding note from direct placements related to business-type activities of \$598,905, 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.

The future minimum payments of the notes payable related to direct placements and direct borrowings as of June 30, 2022 are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
June 30				
2023	\$ 634,752	\$ 31,976	\$ 1,914,731	\$ 20,083
2024	476,431	23,561	1,877,713	15,139
2025	347,443	13,265	1,823,379	7,920
2026	211,366	5,950	1,677,731	2,145
2027	109,579	2,076	1,522,629	-
2028-2032	-	-	7,613,143	-
2033-2037	-	-	4,973,760	-
Total	\$ 1,779,571	\$ 76,828	\$ 21,403,086	\$ 45,287

At June 30, 2022, the City had a legal debt margin of \$125,300,000.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases - direct placements	\$ 2,566,685	\$ -	\$ (787,114)	\$ 1,779,571	\$ 634,752
Lease liabilities		58,140	(18,131)	40,009	15,409
Compensated absences	476,076	207,617	(215,197)	468,496	234,248
Net pension liability - LGERS	3,494,191	-	(2,041,724)	1,452,467	-
OPEB obligation	10,061,022	901,129	(189,957)	10,772,194	-
Total pension obligation - LEO	<u>1,737,355</u>	<u>117,017</u>	<u>(169,281)</u>	<u>1,685,091</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 18,335,329</u>	<u>\$ 1,283,903</u>	<u>\$ (3,421,404)</u>	<u>\$ 16,197,828</u>	<u>\$ 884,409</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases - direct placements & direct borrowings	\$ 21,902,668	\$ -	\$ (1,582,627)	\$ 20,320,041	\$ 1,582,627
Net pension liability - LGERS	612,618	-	(357,964)	254,654	-
OPEB obligation	1,763,945	157,990	(33,304)	1,888,631	-
Compensated absences	<u>64,714</u>	<u>35,515</u>	<u>(32,233)</u>	<u>67,996</u>	<u>33,998</u>
Total Water and Sewer Fund	<u>\$ 24,343,945</u>	<u>\$ 193,505</u>	<u>\$ (2,006,128)</u>	<u>\$ 22,531,322</u>	<u>\$ 1,616,625</u>
Electric Fund:					
Installment purchases - direct placements	\$ 315,951	\$ 334,291	\$ (212,430)	\$ 437,812	\$ 150,296
Leases liabilities	-	4,828	(1,723)	3,105	1,688
Net pension liability - LGERS	340,343	-	(198,869)	141,474	-
OPEB obligation	979,970	87,772	(18,502)	1,049,240	-
Compensated absences	<u>66,699</u>	<u>52,715</u>	<u>(50,704)</u>	<u>68,710</u>	<u>34,355</u>
Total Electric Fund	<u>\$ 1,702,963</u>	<u>\$ 479,606</u>	<u>\$ (482,228)</u>	<u>\$ 1,700,341</u>	<u>\$ 186,339</u>
Gas Fund:					
Installment purchases - direct placements	\$ 838,632	\$ -	\$ (193,399)	\$ 645,233	\$ 181,808
Net pension liability - LGERS	226,896	-	(132,580)	94,316	-
OPEB obligation	653,313	58,515	(12,335)	699,493	-
Compensated absences	<u>23,008</u>	<u>32,966</u>	<u>(23,642)</u>	<u>32,332</u>	<u>16,166</u>
Total Gas Fund	<u>\$ 1,741,849</u>	<u>\$ 91,481</u>	<u>\$ (361,956)</u>	<u>\$ 1,471,374</u>	<u>\$ 197,974</u>
Stormwater Fund:					
Net pension liability - LGERS	\$ 90,758	\$ -	\$ (53,032)	\$ 37,726	\$ -
OPEB obligation	261,325	23,406	(4,934)	279,797	-
Compensated absences	<u>9,783</u>	<u>10,533</u>	<u>(9,639)</u>	<u>10,677</u>	<u>5,339</u>
Total Stormwater Fund	<u>\$ 361,866</u>	<u>\$ 33,939</u>	<u>\$ (67,605)</u>	<u>\$ 328,200</u>	<u>\$ 5,339</u>
Total Business-Type Activities:					
Installment purchases - direct placements & direct borrowings	\$ 23,057,251	\$ 334,291	\$ (1,988,456)	\$ 21,403,086	\$ 1,914,731
Lease liabilities	-	4,828	(1,723)	3,105	1,688
Net pension liability - LGERS	1,270,615	-	(742,445)	528,170	-
OPEB obligation	3,658,553	327,683	(69,075)	3,917,161	-
Compensated absences	<u>164,204</u>	<u>131,729</u>	<u>(116,218)</u>	<u>179,715</u>	<u>89,858</u>
Total business-type activities long-term liabilities	<u>\$ 28,150,623</u>	<u>\$ 798,531</u>	<u>\$ (2,917,917)</u>	<u>\$ 26,031,237</u>	<u>\$ 2,006,277</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

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, 2022 consist of the following:

From the Electric Fund to the General Fund for operating and capital expenditures	\$ 1,000,000
From the Electric Fund to the Gas Fund for future capital expenditures	575,000
From the Electric Fund to Capital Reserve Fund for capital expenditures	500,000
From the ARPAA Fund to the General Fund for allowable expenditures	1,749,968
From the General Fund to the Emergency Telephone System Fund to cover prior year disallowed costs by E911 Board	1,837
From the General Fund to the Governmental Capital Project Fund for capital expenditures	850,000
From the General Fund to the Governmental Capital Reserve Fund for capital expenditures	<u>400,000</u>
Total	<u><u>\$ 5,566,805</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 \$5,200 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, 2022. Under state law the local Board of Trustees for the fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their departments.

5. Related Party Transactions

The City and the TDA engaged in the following transactions during the year ended June 30, 2022. Accounts Receivable due to the TDA from the City in the amount of \$16,810, Occupancy Tax Revenue of \$207,480 from the City to the TDA. The City and the ABC Board engaged in the following transactions during the year ended June 30, 2022. Profit distribution to the City of Kings Mountain in the amount of \$73,790.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

6. Subsequent Event

In October 2022 the City obtained \$6.996M in installment purchase financing from Truist Bank for Gas and Electric Infrastructure projects. The loan, bearing interest at 3.12 percent is payable in 30 semi-annual installments, beginning in September 2023. The loan is secured by the assets being constructed/acquired.

7. Change in Accounting Principle

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

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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 SIX FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,737,355	\$ 1,023,349	\$ 948,517	\$ 893,642	\$ 837,142	\$ 798,699
Service cost	83,917	51,406	38,233	41,154	36,246	36,018
Interest on the total pension liability	33,100	32,792	33,890	27,687	31,862	28,401
Difference between expected and actual experience	(81,457)	159,829	8,128	57,751	(43,051)	-
Changes in assumptions or other inputs	(43,202)	504,902	29,504	(36,794)	54,859	(19,644)
Benefit payments	(44,622)	(34,923)	(34,923)	(34,923)	(23,416)	(6,332)
Ending balance of the total pension liability	<u>\$ 1,685,091</u>	<u>\$ 1,737,355</u>	<u>\$ 1,023,349</u>	<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 EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance						
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,685,091	\$ 1,737,355	\$ 1,023,349	\$ 948,517	\$ 893,642	\$ 837,142
Covered employee payroll	1,913,714	1,865,535	1,493,529	1,467,968	1,446,631	1,382,847
Total pension liability as a percentage of covered employee payroll	88.05%	93.13%	68.52%	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 FIVE FISCAL YEARS

	Other Post-Employment Benefits				
	2022	2021	2020	2019	2018
Service cost	\$ 738,305	\$ 510,940	\$ 455,663	\$ 475,070	\$ 543,451
Interest	316,717	407,064	378,099	357,432	315,041
Differences between expected and actual experience	(4,030)	(753,145)	100,157	(184,050)	39,402
Changes in assumptions	173,790	2,548,170	725,903	(702,174)	(1,107,040)
Benefit payments	(255,002)	(223,921)	(295,437)	(238,777)	(196,028)
Net change in total OPEB liability	969,780	2,489,108	1,364,385	(292,499)	(405,174)
Total OPEB liability - beginning	13,719,575	11,230,467	9,866,082	10,158,581	10,563,755
Total OPEB liability - ending	<u>\$14,689,355</u>	<u>\$ 13,719,575</u>	<u>\$ 11,230,467</u>	<u>\$ 9,866,082</u>	<u>\$ 10,158,581</u>
Covered employee payroll	\$ 8,837,115	\$ 8,837,115	\$ 7,417,747	\$ 7,417,747	\$ 6,325,862
Total OPEB liability as a percentage of covered employee payroll	166.22%	155.25%	151.40%	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
2022	2.16%
2021	2.21%
2020	3.50%
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 NINE FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2022	2021	2020	2019	2018
Proportion of the net pension liability (asset) (%)	0.12915%	0.13334%	0.12123%	0.12386%	0.11773%
Proportion of the net pension liability (asset) (\$)	\$1,980,637	\$4,764,806	\$3,310,698	\$2,938,382	\$1,798,588
Covered payroll	\$9,234,171	\$9,200,402	\$8,368,291	\$8,090,102	\$7,383,647
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	21.45%	51.79%	39.56%	36.32%	24.36%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

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

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

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 NINE FISCAL YEARS***

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,084,276	\$ 952,213	\$ 839,297	\$ 660,622	\$ 617,811
Contributions in relation to the contractually required contribution	<u>1,084,276</u>	<u>952,213</u>	<u>839,297</u>	<u>660,622</u>	<u>617,811</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,401,670	\$ 9,234,171	\$ 9,200,402	\$ 8,368,291	\$ 8,090,102
Contributions as a percentage of covered payroll	11.53%	10.31%	9.12%	7.89%	7.64%

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 NINE FISCAL YEARS**

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

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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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 6,850,000	\$ 6,903,500	\$ 53,500	\$ 6,871,261
Penalties and interest	10,000	21,272	11,272	16,107
Total ad valorem taxes	<u>6,860,000</u>	<u>6,924,772</u>	<u>64,772</u>	<u>6,887,368</u>
Other Taxes:				
Local option sales tax	2,674,000	2,933,079	259,079	2,703,930
Hold-harmless sales tax	756,000	867,991	111,991	763,344
Utilities franchise tax	1,060,000	1,019,612	(40,388)	1,025,445
Payments in lieu of taxes	412,500	419,078	6,578	632,803
Miscellaneous	290,000	286,806	(3,194)	209,519
Total other taxes	<u>5,192,500</u>	<u>5,526,566</u>	<u>334,066</u>	<u>5,335,041</u>
Restricted Intergovernmental:				
Powell Bill allocation	295,000	350,490	55,490	294,176
Federal government grants	77,516	86,989	9,473	359,839
State government grants	73,620	62,173	(11,447)	57,948
Local government grants	499,200	487,431	(11,769)	433,425
Total restricted intergovernmental	<u>945,336</u>	<u>987,083</u>	<u>41,747</u>	<u>1,145,388</u>
Permits and Fees:				
Privilege licenses	-	859	859	435
General permits	185,000	281,304	96,304	337,524
Total permits and fees	<u>185,000</u>	<u>282,163</u>	<u>97,163</u>	<u>337,959</u>
Sales and Services:				
Lake authority income	372,500	417,087	44,587	383,796
Disposal fee revenue	1,410,000	1,534,177	124,177	1,430,869
Cemetery income	105,000	156,215	51,215	136,865
Lease revenue	-	26,053	26,053	-
Recreation	10,000	56,725	46,725	9,500
Total sales and services	<u>1,897,500</u>	<u>2,190,257</u>	<u>292,757</u>	<u>1,961,030</u>
Investment Earnings:				
Interest income (loss)	35,000	45,592	10,592	20,477
Interest income (loss) - Powell Bill	250	328	78	333
Total investment earnings	<u>35,250</u>	<u>45,920</u>	<u>10,670</u>	<u>20,810</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Library	3,500	15,014	11,514	10,866
Sale of capital assets	25,000	33,181	8,181	16,944
Court costs and jail fees	3,000	3,015	15	3,053
Interest on lease receivable	-	796	796	-
Other revenues	130,944	199,411	68,467	174,018
Total miscellaneous	162,444	251,417	88,973	204,881
Total revenues	15,278,030	16,208,178	930,148	15,892,477
Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	460,118	386,045	74,073	657,810
Operating expenses	182,500	136,545	45,955	159,503
Charges to other funds	(135,000)	(130,387)	(4,613)	(130,387)
Total	507,618	392,203	115,415	686,926
Administration and Finance:				
Salaries and employee benefits	1,206,388	1,000,737	205,651	1,041,130
Operating expenses	663,600	424,361	239,239	598,443
Charges to other funds	(1,337,225)	(1,279,061)	(58,164)	(1,289,719)
Capital outlay	200,000	195,016	4,984	267,083
Total	732,763	341,053	391,710	616,937
Human Resources:				
Salaries and employee benefits	330,600	303,111	27,489	273,772
Operating expenses	130,500	119,887	10,613	63,551
Charges to other funds	(107,775)	(104,093)	(3,682)	(98,871)
Total	353,325	318,905	34,420	238,452
Elections Board:				
Operating expenses	5,000	-	5,000	-
Garage:				
Salaries and employee benefits	332,500	229,453	103,047	316,348
Operating expenses	50,533	56,475	(5,942)	45,086
Total	383,033	285,928	97,105	361,434

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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Public Works:				
Salaries and employee benefits	242,300	223,519	18,781	204,912
Operating expenses	74,094	47,708	26,386	48,400
Capital outlay	25,000	10,420	14,580	148,159
Total	341,394	281,647	59,747	401,471
Information Technology:				
Salaries and employee benefits	253,450	238,808	14,642	222,192
Operating expenses	251,140	160,541	90,599	169,386
Charges to other departments	(250,000)	(241,458)	(8,542)	(191,023)
Capital outlay	7,000	-	7,000	580,761
Total	261,590	157,891	103,699	781,316
Total general government	2,584,723	1,777,627	807,096	3,086,536
Public Safety:				
Police:				
Salaries and employee benefits	4,118,000	3,540,714	577,286	3,449,097
Operating expenses	793,477	702,737	90,740	639,937
Capital outlay	168,188	134,776	33,412	110,040
Total	5,079,665	4,378,227	701,438	4,199,074
Fire:				
Salaries and employee benefits	1,696,044	1,625,211	70,833	1,479,801
Operating expenses	332,782	236,725	96,057	243,395
Capital outlay	40,000	40,506	(506)	281,233
Total	2,068,826	1,902,442	166,384	2,004,429
Codes and Inspections:				
Salaries and employee benefits	325,381	321,381	4,000	302,412
Operating expenses	148,362	64,007	84,355	63,281
Total	473,743	385,388	88,355	365,693
Total public safety	7,622,234	6,666,057	956,177	6,569,196

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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries and employee benefits	1,208,125	944,521	263,604	817,996
Operating expenses	220,949	202,994	17,955	195,330
Capital outlay	35,000	35,369	(369)	-
Total	1,464,074	1,182,884	281,190	1,013,326
Streets - Powell Bill:				
Operating expenses	310,500	302,258	8,242	266,757
Total transportation	1,774,574	1,485,142	289,432	1,280,083
Economic and Physical Development:				
Main Street:				
Salaries and employee benefits	68,500	25,792	42,708	80,600
Operating expenses	69,900	40,171	29,729	53,616
Total	138,400	65,963	72,437	134,216
Planning:				
Salaries and employee benefits	372,288	329,835	42,453	325,550
Operating expenses	374,127	294,480	79,647	371,099
Capital outlay	-	-	-	119,430
Total	746,415	624,315	122,100	816,079
Total economic and physical development:	884,815	690,278	194,537	950,295
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	631,150	469,903	161,247	580,019
Operating expenses	635,608	697,990	(62,382)	614,540
Capital outlay	-	-	-	325,183
Total	1,266,758	1,167,893	98,865	1,519,742
Cemetery:				
Salaries and employee benefits	152,900	143,352	9,548	136,173
Operating expenses	33,290	21,338	11,952	22,137
Capital outlay	11,000	9,650	1,350	-
Total	197,190	174,340	22,850	158,310
Total environmental protection	1,463,948	1,342,233	121,715	1,678,052

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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>2022</u>		<u>Variance</u>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Over/Under</u>	<u>Actual</u>
Culture and Recreation:				
Library:				
Salaries and employee benefits	511,050	420,628	90,422	427,952
Operating expenses	277,679	235,208	42,471	251,756
Capital outlay	195,236	185,422	9,814	205,700
Total	<u>983,965</u>	<u>841,258</u>	<u>142,707</u>	<u>885,408</u>
Parks and Recreation:				
Operating expenses	653,138	638,731	14,407	521,750
Capital outlay	-	-	-	79,579
Total	<u>653,138</u>	<u>638,731</u>	<u>14,407</u>	<u>601,329</u>
Senior Services:				
Salaries and employee benefits	435,640	413,651	21,989	396,923
Operating expenses	284,739	226,935	57,804	234,595
Capital outlay	75,000	69,449	5,551	-
Total	<u>795,379</u>	<u>710,035</u>	<u>85,344</u>	<u>631,518</u>
Special Events:				
Salaries and employee benefits	170,800	160,925	9,875	152,544
Operating expenses	339,913	316,537	23,376	202,587
Capital outlay	50,000	54,745	(4,745)	6,562
Total	<u>560,713</u>	<u>532,207</u>	<u>28,506</u>	<u>361,693</u>
Lake Authority:				
Salaries and employee benefits	231,950	191,872	40,078	240,685
Operating expenses	129,043	56,216	72,827	92,156
Capital outlay	57,500	3,480	54,020	-
Total	<u>418,493</u>	<u>251,568</u>	<u>166,925</u>	<u>332,841</u>
Tourism and Development:				
Operating expenses	210,000	201,255	8,745	125,095
Total culture and recreation	<u>3,621,688</u>	<u>3,175,054</u>	<u>446,634</u>	<u>2,937,884</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement and lease liability payments	805,245	805,245	-	633,377
Interest and fees	46,753	46,649	104	53,363
Total debt service	851,998	851,894	104	686,740
Total expenditures	18,803,980	15,988,285	2,815,695	17,188,786
Revenues over (under) expenditures	(3,525,950)	219,893	3,745,843	(1,296,309)
Other Financing Sources (Uses):				
Transfers from other funds:				
Electric Fund	1,000,000	1,000,000	-	3,030,000
Governmental Capital Reserve Fund	742,500	-	(742,500)	500,000
ARPA Fund	1,750,000	1,749,968	(32)	-
Library Capital Project Fund	-	-	-	100,000
Transfers to other funds:				
Governmental Capital Reserve Fund	(500,000)	(400,000)	100,000	(1,000,000)
Emergency Telephone Special Revenue Fund	(2,000)	(1,837)	163	(4,827)
Cemetery Fund	(5,000)	-	5,000	-
Capital Project Fund	(850,000)	(850,000)	-	(1,500,000)
Appropriated fund balance	1,350,450	-	(1,350,450)	-
Workers' Compensation Fund	-	-	-	(500,000)
Issuance of debt	-	-	-	1,346,052
Lease liability issued	40,000	18,562	(21,438)	-
Total other financing sources (uses)	3,525,950	1,516,693	(2,009,257)	1,971,225
Net change in fund balance	\$ -	1,736,586	\$ 1,736,586	674,916
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of lease standard				
Lease liability issued		39,578		-
Capital outlay		(39,578)		-
Fund Balance:				
Beginning of year - July 1		9,933,171		9,258,255
End of year - June 30		\$ 11,669,757		\$ 9,933,171

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	Special Revenue Funds			Capital Project Funds	
	Emergency Telephone System Fund	American Rescue Plan Act Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund
Assets:					
Cash and cash equivalents	\$ 81,939	1,267	\$ 2,865,763	\$ 82,716	\$ 79,350
Cash and cash equivalents, restricted	-	-	-	-	-
Due from other governments	6,170	-	-	-	-
Total assets	<u>\$ 88,109</u>	<u>\$ 1,267</u>	<u>\$ 2,865,763</u>	<u>\$ 82,716</u>	<u>\$ 79,350</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 5,749	\$ -	\$ -	\$ -	\$ -
Advance from grantors	-	-	-	-	-
Total liabilities	<u>5,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	-	-
Restricted:					
Stabilization by state statute	6,170	-	-	-	-
Public safety	76,190	-	-	-	-
Senior Center project	-	-	-	-	79,350
Economic Development	-	-	2,865,763	-	-
Library project	-	-	-	82,716	-
Committed:					
General government	-	1,267	-	-	-
Total fund balances	<u>82,360</u>	<u>1,267</u>	<u>2,865,763</u>	<u>82,716</u>	<u>79,350</u>
Total liabilities and fund balances	<u>\$ 88,109</u>	<u>\$ 1,267</u>	<u>\$ 2,865,763</u>	<u>\$ 82,716</u>	<u>\$ 79,350</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	Capital Project Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Governmental Capital Reserve Fund	State and Local Grant Capital Projects Fund	General Capital Projects Fund	Cemetery Care Fund	
Assets:					
Cash and cash equivalents	\$ 2,905,565	\$ -	\$ 1,687,830	\$ -	\$ 7,704,430
Cash and cash equivalents, restricted	-	444,578	-	23,111	467,689
Due from other governments	-	-	-	-	6,170
Total assets	<u>\$ 2,905,565</u>	<u>\$ 444,578</u>	<u>\$ 1,687,830</u>	<u>\$ 23,111</u>	<u>\$ 8,178,289</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 5,749
Advance from grantors	-	444,449	-	-	444,449
Total liabilities	<u>-</u>	<u>444,449</u>	<u>-</u>	<u>-</u>	<u>450,198</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	23,111	23,111
Restricted:					
Stabilization by state statute	-	-	-	-	6,170
Public safety	-	-	-	-	76,190
Senior Center project	-	-	-	-	79,350
Economic Development	-	-	-	-	2,865,763
Library project	-	-	-	-	82,716
Committed:					
General government	<u>2,905,565</u>	<u>129</u>	<u>1,687,830</u>	<u>-</u>	<u>4,594,791</u>
Total fund balances	<u>2,905,565</u>	<u>129</u>	<u>1,687,830</u>	<u>23,111</u>	<u>7,728,091</u>
Total liabilities and fund balances	<u>\$ 2,905,565</u>	<u>\$ 444,578</u>	<u>\$ 1,687,830</u>	<u>\$ 23,111</u>	<u>\$ 8,178,289</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, 2022

	Special Revenue Funds			Capital Project Funds	
	Emergency Telephone System Fund	American Rescue Plan Act Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ 1,037,590	\$ -	\$ -
Restricted intergovernmental	74,039	1,749,968	-	-	-
Investment earnings	178	1,267	3,103	77	93
Total revenues	<u>74,217</u>	<u>1,751,235</u>	<u>1,040,693</u>	<u>77</u>	<u>93</u>
Expenditures:					
Current:					
Economic and physical development	-	-	391,287	-	-
Public safety	155,762	-	-	-	-
Total expenditures	<u>155,762</u>	<u>-</u>	<u>391,287</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(81,545)</u>	<u>1,751,235</u>	<u>649,406</u>	<u>77</u>	<u>93</u>
Other Financing Sources (Uses):					
Transfers in	1,837	-	-	-	-
Transfers out	-	(1,749,968)	-	-	-
Total other financing sources (uses)	<u>1,837</u>	<u>(1,749,968)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(79,708)	1,267	649,406	77	93
Fund Balances:					
Beginning of year - July 1	<u>162,068</u>	<u>-</u>	<u>2,216,357</u>	<u>82,639</u>	<u>79,257</u>
End of year - June 30	<u>\$ 82,360</u>	<u>\$ 1,267</u>	<u>\$ 2,865,763</u>	<u>\$ 82,716</u>	<u>\$ 79,350</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, 2022

	Capital Project Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Governmental Capital Reserve Fund	State and Local Grant Capital Projects Fund	General Capital Projects Fund	Cemetery Care Fund	
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,037,590
Restricted intergovernmental	-	-	-	-	1,824,007
Investment earnings	2,681	129	1,775	26	9,329
Total revenues	<u>2,681</u>	<u>129</u>	<u>1,775</u>	<u>26</u>	<u>2,870,926</u>
Expenditures:					
Current:					
Economic and physical development	-	-	664,430	3,670	1,059,387
Public safety	-	-	-	-	155,762
Total expenditures	<u>-</u>	<u>-</u>	<u>664,430</u>	<u>3,670</u>	<u>1,215,149</u>
Revenues over (under) expenditures	<u>2,681</u>	<u>129</u>	<u>(662,655)</u>	<u>(3,644)</u>	<u>1,655,777</u>
Other Financing Sources (Uses):					
Transfers in	900,000	-	850,000	-	1,751,837
Transfers out	-	-	-	-	(1,749,968)
Total other financing sources (uses)	<u>900,000</u>	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>1,869</u>
Net change in fund balances	902,681	129	187,345	(3,644)	1,657,646
Fund Balances:					
Beginning of year - July 1	<u>2,002,884</u>	<u>-</u>	<u>1,500,485</u>	<u>26,755</u>	<u>6,070,445</u>
End of year - June 30	<u>\$ 2,905,565</u>	<u>\$ 129</u>	<u>\$ 1,687,830</u>	<u>\$ 23,111</u>	<u>\$ 7,728,091</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, 2022**

	2022		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental	\$ 80,000	\$ 74,039	\$ (5,961)
Investment earnings	-	178	178
Total revenues	<u>80,000</u>	<u>74,217</u>	<u>(5,783)</u>
Expenditures:			
Telephone & furniture	45,000	20,316	24,684
Capital outlay	174,302	130,975	43,327
Training	10,000	4,471	5,529
Total expenditures	<u>229,302</u>	<u>155,762</u>	<u>73,540</u>
Revenues over (under) expenditures	<u>(149,302)</u>	<u>(81,545)</u>	<u>67,757</u>
Other Financing Sources (Uses):			
Transfers in (out)	-	1,837	1,837
Appropriated fund balance	<u>149,302</u>	-	<u>(149,302)</u>
Net change in fund balance	<u>\$ -</u>	<u>(79,708)</u>	<u>\$ (79,708)</u>
Fund Balance:			
Beginning of year - July 1		<u>162,068</u>	
End of year - June 30		<u>\$ 82,360</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
ARPA Grant	\$ 3,499,935	\$ -	\$ 1,749,968	\$ 1,749,968
Investment earnings	<u>-</u>	<u>-</u>	<u>1,267</u>	<u>1,267</u>
Total revenues	<u>3,499,935</u>	<u>-</u>	<u>1,751,235</u>	<u>1,751,235</u>
Revenues over (under) expenditures	3,499,935	-	1,751,235	1,751,235
Other Financing Sources (Uses):				
Transfers in (out)	<u>(3,499,935)</u>	<u>-</u>	<u>(1,749,968)</u>	<u>(1,749,968)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,267	<u>\$ 1,267</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 1,267</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ECONOMIC INCENTIVE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 1,015,000	\$ 1,037,590	\$ 22,590
Investment earnings	-	3,103	3,103
Total revenues	<u>1,015,000</u>	<u>1,040,693</u>	<u>25,693</u>
Expenditures:			
Economic development	<u>1,015,000</u>	<u>391,287</u>	<u>623,713</u>
Net change in fund balance	<u>\$ -</u>	649,406	<u>\$ 649,406</u>
Fund Balance:			
Beginning of year - July 1		<u>2,216,357</u>	
End of year - June 30		<u>\$ 2,865,763</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, 2022

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 180,000	\$ 223,090	\$ -	\$ 223,090
Investment earnings	-	3,549	77	3,626
Total revenues	<u>180,000</u>	<u>226,639</u>	<u>77</u>	<u>226,716</u>
Revenues over (under) expenditures	180,000	226,639	77	226,716
Other Financing Sources (Uses):				
Transfers out	<u>(180,000)</u>	<u>(144,000)</u>	<u>-</u>	<u>(144,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 82,639</u>	77	<u>\$ 82,716</u>
Fund Balance:				
Beginning of year - July 1			<u>82,639</u>	
End of year - June 30			<u>\$ 82,716</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, 2022**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 215,782	\$ 223,497	\$ -	\$ 223,497
Investment earnings	-	760	93	853
Total revenues	<u>215,782</u>	<u>224,257</u>	<u>93</u>	<u>224,350</u>
Expenditures:				
General capital outlay	<u>70,782</u>	-	-	-
Revenues over (under) expenditures	145,000	224,257	93	224,350
Other Financing Sources (Uses):				
Transfers out	<u>(145,000)</u>	<u>(145,000)</u>	-	<u>(145,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 79,257</u>	93	<u>\$ 79,350</u>
Fund Balance:				
Beginning of year - July 1			<u>79,257</u>	
End of year - June 30			<u>\$ 79,350</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**GOVERNMENTAL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 2,884	\$ 2,681	\$ 5,565
Other Financing Sources (Uses):				
Transfers out	(3,000,000)	(500,000)	-	(500,000)
Transfers in	<u>3,000,000</u>	<u>2,500,000</u>	<u>900,000</u>	<u>3,400,000</u>
Total other financing sources (uses)	<u>-</u>	<u>2,000,000</u>	<u>900,000</u>	<u>2,900,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,002,884</u>	902,681	<u>\$ 2,905,565</u>
Fund Balance:				
Beginning of year - July 1			<u>2,002,884</u>	
End of year - June 30			<u>\$ 2,905,565</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATE AND LOCAL GRANT PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Ncdps Moss Lake Grant	\$ 250,000	\$ -	\$ -	\$ -
SCIF Streetscape Grant	100,000	-	-	-
SCIF Gateway Trail Grant	50,000	-	-	-
T-Mobile Library Grant	45,000	-	-	-
Investment earnings	-	-	129	129
Total revenues	<u>445,000</u>	<u>-</u>	<u>129</u>	<u>129</u>
Expenditures:				
Capital outlay:				
Ncdps Moss Lake Grant	250,000	-	-	-
SCIF Streetscape Grant	100,000	-	-	-
SCIF Gateway Trail Grant	50,000	-	-	-
T-Mobile Library Grant	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>445,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	129	<u>\$ 129</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 129</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 485	\$ 1,775	\$ 2,260
Expenditures:				
Streetscape Phase II	<u>2,350,000</u>	<u>-</u>	<u>664,430</u>	<u>664,430</u>
Revenues over (under) expenditures	(2,350,000)	485	(662,655)	(662,170)
Other Financing Sources (Uses):				
Transfers in	<u>2,350,000</u>	<u>1,500,000</u>	<u>850,000</u>	<u>2,350,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,500,485</u>	187,345	<u>\$ 1,687,830</u>
Fund Balance:				
Beginning of year - July 1			<u>1,500,485</u>	
End of year - June 30			<u>\$ 1,687,830</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, 2022

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

	2022			2021
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 26	\$ 26	\$ 37
Expenditures:				
Current:				
Operating expenses	5,000	3,670	1,330	4,206
Revenues over (under) expenditures	(5,000)	(3,644)	1,356	(4,169)
Other Financing Sources (Uses):				
Transfers in (out)	5,000	-	(5,000)	-
Net change in fund balance	\$ -	(3,644)	\$ (3,644)	(4,169)
Fund Balance:				
Beginning of year - July 1		26,755		30,924
End of year - June 30		\$ 23,111		\$ 26,755

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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		Variance Over/Under	2021
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 7,015,000	\$ 6,971,385	\$ (43,615)	\$ 6,949,452
Miscellaneous revenues	27,000	50,483	23,483	33,162
Total operating revenues	7,042,000	7,021,868	(20,132)	6,982,614
Non-operating revenues:				
Interest income (loss)	15,000	8,723	(6,277)	15,370
Total revenues	7,057,000	7,030,591	(26,409)	6,997,984
Expenditures:				
Administration:				
Salaries and employee benefits	280,825	277,499	3,326	268,772
Other operating expenditures	1,303,341	1,101,800	201,541	1,069,592
Capital outlay	275,000	-	275,000	4,703
Total administration	1,859,166	1,379,299	479,867	1,343,067
Plant:				
Salaries and employee benefits	313,600	320,158	(6,558)	307,468
Other operating expenditures	221,245	112,425	108,820	137,206
Capital outlay	510,000	105,622	404,378	-
Cost of merchandise sold	454,625	445,317	9,308	374,245
Total plant	1,499,470	983,522	515,948	818,919
System maintenance and extension:				
Salaries and employee benefits	440,125	376,833	63,292	390,805
Other operating expenditures	495,050	479,063	15,987	363,492
Capital outlay	949,000	218,894	730,106	1,081,966
Total system maintenance and extension	1,884,175	1,074,790	809,385	1,836,263
Waste water treatment:				
Salaries and employee benefits	420,100	403,904	16,196	390,376
Other operating expenditures	437,333	329,655	107,678	294,761
Capital outlay	70,000	8,425	61,575	24,477
Cost of merchandise sold	374,125	324,531	49,594	305,898
Total waste water treatment	1,301,558	1,066,515	235,043	1,015,512
Pump station maintenance:				
Salaries and employee benefits	408,938	387,897	21,041	384,544
Other operating expenditures	313,205	356,144	(42,939)	291,017
Capital outlay	645,000	166,919	478,081	-
Cost of merchandise sold	37,925	38,962	(1,037)	59,756
Total pump station maintenance	1,405,068	949,922	455,146	735,317

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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		2021	
	Budget	Actual	Variance Over/Under	Total
Debt Service:				
Principal retirement	1,582,627	1,582,627	-	1,582,627
LPA interest	5,372	4,662	710	6,216
Total debt service	1,587,999	1,587,289	710	1,588,843
Total expenditures	9,537,436	7,041,337	2,496,099	7,337,921
Revenues over (under) expenditures	(2,480,436)	(10,746)	2,469,690	(339,937)
Other Financing Sources (Uses):				
Transfers out	(1,300,000)	(1,300,000)	-	-
Sale of capital assets previously disposed	5,000	1,233	(3,767)	323,109
Proceeds from debt	480,000	-	(480,000)	-
Capital Contribution	100,000	-	(100,000)	-
Total other financing sources (uses)	(715,000)	(1,298,767)	(583,767)	323,109
Revenues and other financing sources over (under) expenditures and other financing uses	(3,195,436)	(1,309,513)	1,885,923	(16,828)
Appropriated net position	3,195,436	-	(3,195,436)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(1,309,513)	\$ (1,309,513)	(16,828)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		1,274		-
Project Expense not capitalized		(1,400)		-
Capital project transfers		1,300,000		-
Change in inventories		55,725		7,314
Capital outlay		499,860		1,111,146
Change in deferred outflows - OPEB		(56,208)		273,103
Change in deferred inflows - OPEB		39,956		(42,715)
Change in net pension liability		357,964		(149,116)
Change in deferred outflows - pensions		40,684		66,641
Change in deferred inflows - pensions		(373,484)		1,207
OPEB liability		(124,686)		(210,796)
Compensated absences		(3,282)		2,774
Capital contributions		1,062,112		8,300
Accrued interest		(8,000)		700
Principal retirement		1,582,627		1,582,627
Depreciation expense		(2,918,472)		(2,859,240)
Change in net position		\$ 145,157		\$ (224,883)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - PROJECT SOUTH WATER SEWER
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 39,000,000	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay construction	34,753,000	-	-	-
Capital outlay engineering and admin	3,554,000	-	156,247	156,247
Capital outlay easement and land purchase	<u>693,000</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
Total expenditures	<u>39,000,000</u>	<u>-</u>	<u>157,647</u>	<u>157,647</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(157,647)	<u>\$ (157,647)</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ (157,647)</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Developer contribution	\$ 1,200,000	\$ 8,300	\$ 1,062,112	\$ 1,070,412
Investment earnings	-	124	1,274	1,398
Total revenues	<u>1,200,000</u>	<u>8,424</u>	<u>1,063,386</u>	<u>1,071,810</u>
Expenditures:				
Kings Mountain Blvd Lift Station	<u>2,500,000</u>	<u>8,300</u>	<u>1,062,112</u>	<u>1,070,412</u>
Revenues over (under) expenditures	(1,300,000)	124	1,274	1,398
Other Financing Sources (Uses):				
Transfer from Water Sewer Fund	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>	<u>1,300,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 124</u>	1,301,274	<u>\$ 1,301,398</u>
Fund Balance:				
Beginning of year - July 1			<u>124</u>	
End of year - June 30			<u>\$ 1,301,398</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, 2022
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 13,891,497	\$ 14,020,654	\$ 129,157	\$ 12,781,443
Miscellaneous revenues	511,707	478,254	(33,453)	985,392
Total operating revenues	14,403,204	14,498,908	95,704	13,766,835
Non-operating revenues:				
Interest income	75,000	6,010	(68,990)	12,280
Total revenues	14,478,204	14,504,918	26,714	13,779,115
Expenditures:				
Meter reading:				
Salaries and employee benefits	178,473	115,957	62,516	134,660
Operating expenditures	8,660	7,467	1,193	70,668
Capital outlay	25,000	20,525	4,475	-
Total meter reading	212,133	143,949	68,184	205,328
System:				
Salaries and employee benefits	1,375,369	1,285,231	90,138	1,326,885
Other operating expenditures	2,335,861	2,237,906	97,955	1,728,463
Capital outlay	571,437	274,297	297,140	662,334
Cost of merchandise sold	10,300,000	10,285,387	14,613	6,253,785
Debt service - principal and lease payments	214,153	214,153	-	141,136
Debt service - interest	8,051	6,342	1,709	9,068
Total system	14,804,871	14,303,316	501,555	10,121,671
Total expenditures	15,017,004	14,447,265	569,739	10,326,999
Revenues over (under) expenditures	(538,800)	57,653	596,453	3,452,116

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, 2022
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Total
Other Financing Sources (Uses):				
Appropriated net position	5,108,800	-	(5,108,800)	-
Sale of capital assets	-	50,000	50,000	-
Transfer from other fund:				
Gas Fund	115,000	-	(115,000)	-
Transfer to other fund:				
General Fund	(1,000,000)	(1,000,000)	-	(3,030,000)
Electric Capital Project Fund	(2,945,000)	(2,945,000)	-	-
Governmental Capital Reserve Fund	(500,000)	(500,000)	-	(500,000)
Gas Fund	(575,000)	(575,000)	-	-
Proceeds from issuance of debt	335,000	334,291	(709)	-
Total other financing sources (uses)	<u>538,800</u>	<u>(4,635,709)</u>	<u>(5,174,509)</u>	<u>(3,530,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	(4,578,056)	\$ <u>(4,578,056)</u>	(77,884)

**Reconciliation From Budgetary Basis
(Modified Accrual) To Full Accrual:**

Change in inventories	49,257	(20,126)
Lease liability issued	(4,828)	-
Right to use leased asset	4,828	-
Capital project transfers	2,945,000	-
Capital outlay	294,822	662,334
Change in deferred outflows - OPEB	(31,227)	139,191
Change in deferred inflows - OPEB	22,198	(4,571)
Change in net pension liability	198,869	(42,382)
Change in deferred outflows - pensions	22,602	11,880
Change in deferred inflows - pensions	(207,491)	912
Proceeds from issuance of debt	(334,291)	-
Accrued interest	2,000	2,000
OPEB liability	(69,270)	35,551
Compensated absences	(2,011)	(2,408)
Principal retirement and lease payments	214,153	141,136
Depreciation and amortization	<u>(676,314)</u>	<u>(778,789)</u>
Change in net position	\$ <u>(2,149,759)</u>	\$ <u>66,844</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - ELECTRIC PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Expenditures:				
Delivery	\$ 3,015,000	\$ -	\$ 90,128	\$ 90,128
Substation	4,600,000	-	1,530,762	1,530,762
Distribution	<u>1,405,000</u>	-	<u>21,654</u>	<u>21,654</u>
Total expenditures	<u>9,020,000</u>	<u>-</u>	<u>1,642,544</u>	<u>1,642,544</u>
Revenues over (under) expenditures	<u>(9,020,000)</u>	<u>-</u>	<u>(1,642,544)</u>	<u>(1,642,544)</u>
Other Financing Sources (Uses):				
Transfer to Electric Fund	(3,000,000)	-	-	-
Proceeds from long-term debt	9,020,000	-	-	-
Transfer from Electric Fund	<u>3,000,000</u>	-	<u>2,945,000</u>	<u>2,945,000</u>
Total other financing sources (uses)	<u>9,020,000</u>	<u>-</u>	<u>2,945,000</u>	<u>2,945,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,302,456	<u>\$ 1,302,456</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 1,302,456</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, 2022
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 5,237,600	\$ 5,555,354	\$ 317,754	\$ 3,964,223
Miscellaneous revenues	360,196	312,444	(47,752)	372,220
Total operating revenues	<u>5,597,796</u>	<u>5,867,798</u>	<u>270,002</u>	<u>4,336,443</u>
Non-operating revenues:				
Interest income	<u>24,000</u>	<u>2,459</u>	<u>(21,541)</u>	<u>4,209</u>
Total revenues	<u>5,621,796</u>	<u>5,870,257</u>	<u>248,461</u>	<u>4,340,652</u>
Expenditures:				
Salaries and employee benefits	1,165,848	930,552	235,296	884,371
Other operating expenditures	927,135	828,427	98,708	768,520
Capital outlay	332,945	221,509	111,436	165,507
Cost of merchandise sold	3,775,000	3,761,372	13,628	2,239,460
Debt service - principal	193,399	193,399	-	189,434
Debt service - interest	<u>16,685</u>	<u>16,683</u>	<u>2</u>	<u>20,648</u>
Total expenditures	<u>6,411,012</u>	<u>5,951,942</u>	<u>459,070</u>	<u>4,267,940</u>
Revenues over (under) expenditures	<u>(789,216)</u>	<u>(81,685)</u>	<u>707,531</u>	<u>72,712</u>
Other Financing Sources (Uses):				
Appropriated net position	679,216	-	(679,216)	-
Sales of capital assets	25,000	-	(25,000)	13,940
Transfer from other fund:				
Electric Fund	575,000	575,000	-	-
Transfer to other fund:				
Gas Capital Project Fund	<u>(490,000)</u>	<u>(490,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>789,216</u>	<u>85,000</u>	<u>(704,216)</u>	<u>13,940</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, 2022

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	3,315	\$ 3,315	86,652
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(5,161)		(9,295)
Capital project transfers		490,000		-
Capital outlay		221,509		165,507
Change in deferred outflows - OPEB		(20,818)		99,333
Change in deferred inflows - OPEB		14,799		(13,044)
Change in net pension liability		132,580		(61,361)
Change in deferred outflows - pensions		15,067		28,493
Change in deferred inflows - pensions		(138,327)		410
Accrued interest		-		2,000
OPEB liability		(46,180)		(55,948)
Compensated absences		(9,324)		(290)
Principal retirement		193,399		189,434
Depreciation expense		(297,695)		(295,583)
Change in net position		\$ 553,164		\$ 136,308

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - GAS PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Capital Outlay-185 Connector	\$ 1,425,000	\$ -	\$ 669,269	\$ 669,269
Capital Outlay-Gate Station	<u>575,000</u>	<u>-</u>	<u>179,740</u>	<u>179,740</u>
Total expenditures	<u>2,000,000</u>	<u>-</u>	<u>849,009</u>	<u>849,009</u>
Revenues over (under) expenditures	<u>(2,000,000)</u>	<u>-</u>	<u>(849,009)</u>	<u>(849,009)</u>
Other Financing Sources (Uses):				
Transfer to Gas Fund	(490,000)	-	-	-
Transfer from Gas Fund	490,000	-	490,000	490,000
Proceeds from issuance of debt	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>-</u>	<u>490,000</u>	<u>490,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(359,009)	<u>\$ (359,009)</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ (359,009)</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	2022			2021
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 460,000	\$ 463,400	\$ 3,400	\$ 448,323
Miscellaneous revenues	-	1,337	1,337	-
Total operating revenues	<u>460,000</u>	<u>464,737</u>	<u>4,737</u>	<u>448,323</u>
Non-operating revenues:				
Interest income	-	331	331	370
Total revenues	<u>460,000</u>	<u>465,068</u>	<u>5,068</u>	<u>448,693</u>
Expenditures:				
Salaries and employee benefits	303,500	294,841	8,659	253,200
Other operating expenditures	115,590	132,812	(17,222)	130,682
Capital outlay	21,660	-	21,660	-
Debt service - principal	19,250	-	19,250	-
Total expenditures	<u>460,000</u>	<u>427,653</u>	<u>32,347</u>	<u>383,882</u>
Revenues over (under) expenditures	<u>\$ -</u>	37,415	<u>\$ 37,415</u>	64,811
Reconciliation From Budgetary Basis				
(Modified Accrual) To Full Accrual:				
Change in deferred outflows - OPEB		(8,327)		29,925
Change in deferred inflows - OPEB		5,919		9,777
Change in net pension liability		53,032		8,560
Change in deferred outflows - pensions		6,027		(9,175)
Change in deferred inflows - pensions		(55,331)		362
OPEB liability		(18,472)		97,094
Compensated absences		(894)		4,885
Depreciation expense		<u>(21,841)</u>		<u>(21,841)</u>
Change in net position		<u>\$ (2,472)</u>		<u>\$ 184,398</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2022

	Workers' Compensation Insurance	Health Insurance	Total
Assets:			
Cash and cash equivalents	\$ 865,365	\$ 2,777,367	\$ 3,642,732
Liabilities:			
Accounts payable	116,249	379,886	496,135
Net Position:			
Unrestricted	\$ 749,116	\$ 2,397,481	\$ 3,146,597

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, 2022**

	Workers' Compensation Insurance	Health Insurance	Total
Operating Revenues:			
Charges for services	\$ 214,200	\$ 3,127,514	\$ 3,341,714
Operating Expenses:			
Excess policy fees	135,690	225,669	361,359
Administrative fees	15,000	203,501	218,501
Claims	279,181	2,841,668	3,120,849
Total operating expenses	429,871	3,270,838	3,700,709
Operating income (loss)	(215,671)	(143,324)	(358,995)
Non-Operating Revenues:			
Investment income	1,089	3,080	4,169
Change in net position	(214,582)	(140,244)	(354,826)
Net Position:			
Beginning of year - July 1	963,698	2,537,725	3,501,423
End of year - June 30	\$ 749,116	\$ 2,397,481	\$ 3,146,597

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Workers' Compensation Insurance	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 214,200	\$ 3,127,514	\$ 3,341,714
Cash paid for goods and services	<u>(413,622)</u>	<u>(3,191,972)</u>	<u>(3,605,594)</u>
Net cash provided (used) by operating activities	<u>(199,422)</u>	<u>(64,458)</u>	<u>(263,880)</u>
Cash Flows from Investing Activities:			
Interest income	<u>1,089</u>	<u>3,080</u>	<u>4,169</u>
Net increase (decrease) in cash and cash equivalents	(198,333)	(61,378)	(259,711)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>1,063,698</u>	<u>2,838,745</u>	<u>3,902,443</u>
End of year - June 30	<u>\$ 865,365</u>	<u>\$ 2,777,367</u>	<u>\$ 3,642,732</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	\$ (215,671)	\$ (143,324)	\$ (358,995)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
Increase (decrease) in operating accounts payable and accrued liabilities	<u>16,249</u>	<u>78,866</u>	<u>95,115</u>
Net cash provided (used) by operating activities	<u>\$ (199,422)</u>	<u>\$ (64,458)</u>	<u>\$ (263,880)</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, 2022**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 224,688	\$ 214,200	\$ (10,488)
Non-operating revenues:			
Interest income	250	1,089	839
Total revenues	<u>224,938</u>	<u>215,289</u>	<u>(9,649)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	140,000	135,690	4,310
Administrative fees	20,000	15,000	5,000
Claims	<u>325,000</u>	<u>279,181</u>	<u>45,819</u>
Total expenditures	<u>485,000</u>	<u>429,871</u>	<u>55,129</u>
Operating income (loss)	(260,062)	(214,582)	45,480
Other Financing Sources (Uses):			
Appropriated net position	<u>260,062</u>	<u>-</u>	<u>(260,062)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (214,582)</u>	<u>\$ (214,582)</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, 2022**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,575,000	\$ 3,127,514	\$ (447,486)
Non-operating revenues:			
Interest income	-	3,080	3,080
Total revenues	<u>3,575,000</u>	<u>3,130,594</u>	<u>(444,406)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	435,000	225,669	209,331
Administrative fees	225,000	203,501	21,499
Claims	<u>2,965,000</u>	<u>2,841,668</u>	<u>123,332</u>
Total expenditures	<u>3,625,000</u>	<u>3,270,838</u>	<u>354,162</u>
Operating income (loss)	(50,000)	(140,244)	(90,244)
Appropriated fund balance	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (140,244)</u>	<u>\$ (140,244)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2022

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 349,617
Due primary government	<u>16,810</u>
Total assets	<u>366,427</u>
Liabilities:	
Accounts payable	<u>3,500</u>
Net Position:	
Restricted:	
Stabilization by state statute	16,810
Tourism promotion	<u>346,117</u>
Total net position	<u>\$ 362,927</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**TOURISM DEVELOPMENT AUTHORITY BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 160,000	\$ 207,480	\$ 47,480
Non-operating revenues:			
Miscellaneous	1,000	1,380	380
Investment earnings	<u>250</u>	<u>331</u>	<u>81</u>
Total revenues	<u>161,250</u>	<u>209,191</u>	<u>47,941</u>
Expenditures:			
Current:			
Operating expenses	45,050	25,408	19,642
Grants and contributions	<u>148,000</u>	<u>140,156</u>	<u>7,844</u>
Total expenditures	<u>193,050</u>	<u>165,564</u>	<u>27,486</u>
Revenues over (under) expenditures	(31,800)	43,627	75,427
Other Financing Sources (Uses):			
Appropriated fund balance	<u>31,800</u>	<u>-</u>	<u>(31,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>43,627</u>	<u>\$ 43,627</u>
Fund Balance:			
Beginning of year - July 1		<u>319,300</u>	
End of year - June 30		<u>\$ 362,927</u>	

SUPPLEMENTARY INFORMATION
SUPPLEMENTAL FINANCIAL DATA

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 7,983,557	\$ 7,920,643	\$ 62,914
2020-2021	42,731	-	25,121	17,610
2019-2020	19,293	-	6,327	12,966
2018-2019	10,169	-	2,974	7,195
2017-2018	7,691	-	2,117	5,574
2016-2017	6,439	-	888	5,551
2015-2016	4,985	-	799	4,186
2014-2015	9,889	-	892	8,997
2013-2014	6,119	-	3,407	2,712
2012-2013	5,737	-	5,737	-
Total	<u>\$ 113,053</u>	<u>\$ 7,983,557</u>	<u>\$ 7,968,905</u>	<u>127,705</u>
Less: Allowance for uncollectible accounts				<u>63,368</u>
Ad valorem taxes receivable, net				<u>\$ 64,337</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 6,903,500
Economic Incentive Fund				<u>1,037,590</u>
Total ad valorem tax revenues				7,941,090
Reconciling items:				
Taxes written off				(5,737)
Interest				18,227
Miscellaneous adjustments				<u>15,325</u>
Total collections and credits				<u>\$ 7,968,905</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	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	\$ 1,856,641,163	\$ 0.43	\$ 7,983,557	\$ 7,559,463	\$ 424,094
Total property valuation	<u>\$ 1,856,641,163</u>				
Net Levy			7,983,557	7,559,463	424,094
Uncollected taxes at June 30, 2022			<u>62,914</u>	<u>62,914</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 7,920,643</u>	<u>\$ 7,496,549</u>	<u>\$ 424,094</u>
Current Levy Collection Percentage			<u>99.21%</u>	<u>99.17%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 951,176,184	
Personal property				786,620,259	
Public service companies				<u>118,844,720</u>	
Total assessed valuation				\$ 1,856,641,163	
Tax rate per \$100				<u>0.43</u>	
Levy (includes discoveries, releases, and abatements)				<u>\$ 7,983,557</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 (*Government Auditing Standards*), the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2022. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with the City of Kings Mountain ABC Board.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 7, 2022

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Kings Mountain, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on each of the City of Kings Mountain's major federal programs for the year ended June 30, 2022. The City of Kings Mountain's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Kings Mountain complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal

program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 7, 2022

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>AL#</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

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

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State Pass-Through Grantor's Number	Fed. (Direct & Pass-Through) Expenditures	State	
				Expenditures	Pass-Through to Subrecipients
Federal Grant:					
US Department of Treasury					
Coronavirus State and Fiscal Recovery Fund	21.027	2021-0232	\$ 1,749,968	\$ -	\$ -
Passed through NCDEQ					
Coronavirus State and Fiscal Recovery Fund	21.027	SRP-W-ARP-007	156,247	-	-
Total US Department of Treasury			1,906,215	-	-
Passed through NC Division of Aging and Adult Services					
Passed through Isothermal Planning and Development Commission					
COVID 19 Coronavirus Relief Fund-ICC -Senior Ctr	21.019	02-36-07	11,629	-	-
Total US Department of Treasury			1,917,844	-	-
US Department of Health and Human Services					
Passed through Isothermal Planning and Development Commission					
Aging Cluster:					
Special Programs for the Aging-Title III, Part B Grants for					
Supporting Services and Senior Centers	93.044	10-1776695	71,930	-	-
Total Aging Cluster			71,930	-	-
Administration for Community Living (ACI)					
Passed through NC Department of Health and Human Services					
State Health Insurance Assistance Program	93.324	90SA0090-01-00	4,634	-	-
Medicare Enrollment Assistance Program	93.071	14AANCMSI	4,326	-	-
Total US Department of Health and Human Services			80,890	-	-
US Department of Justice					
Edward Byrne Memorial Justice Assistance Grant Program (JAG)					
Passed through NC Department of Crime Control and Public Safety					
Governors Crime Commission					
Edward Byrne Memorial Justice Assistance Grant	16.738	20212022	23,620	-	-
Total Edward Byrne Memorial Justice Assistance Grant Program (JAG)			23,620	-	-
Institute of Museum and Library Services / National Foundation					
on the Arts and Humanities					
Passed through Division of State Library					
Grants to States-LSTA	45.310	5313	7,895	-	-
State Programs:					
N.C. Department of Natural and Cultural Resources:					
State Aid to Libraries		2021-22	-	11,410	-
N.C. Department of Aging					
Senior Center General Purpose Grant		2021-22	-	15,513	-
N.C. Department of Transportation:					
Powell Bill		DOT-4	-	300,961	-
Total federal expenditures			\$ 2,030,249		\$ -
Total state expenditures				\$ 327,884	

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the City of Kings Mountain under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S.Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audited Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA 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.

Note 3 - Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

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