

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2023

Mayor

Scott Neisler

City Council

Mike Butler

Jimmy West

Tommy Hawkins

Keith Miller

David Allen

Jay Rhodes

Annie Thombs

City Manager

James M. Palenick

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, 2023, 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, 2023, 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 77%, 71% and 93%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2023, 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*.

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 20, 2023, 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 20, 2023

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, 2023. 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

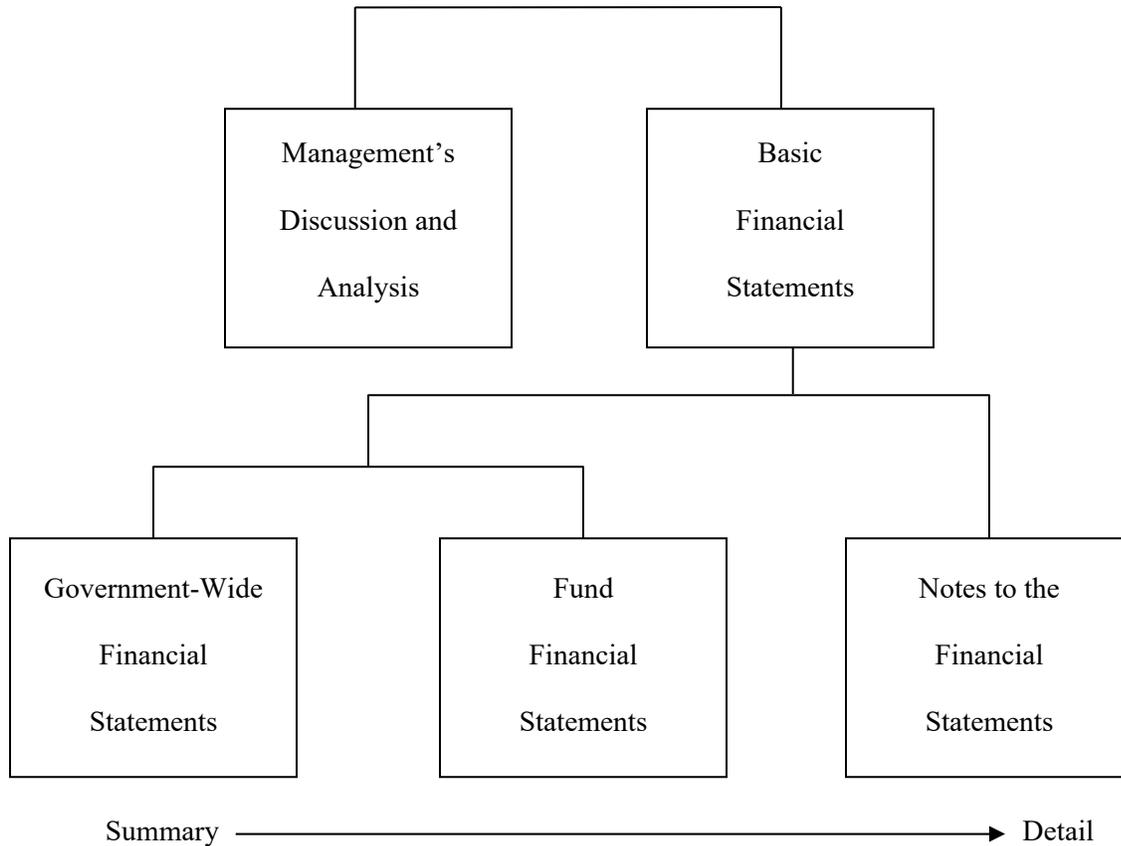
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$75,972,251 (*net position*). For the Kings Mountain Tourism Development Authority ("TDA"), the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$325,598.
- The government's total net position increased by \$7,360,222. The TDA's total net position decreased by \$37,329.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$21,399,113, an increase of \$2,001,265 in comparison with the prior year. Approximately 26.09% of this amount, or \$5,583,457, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,413,448, or 43.93%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt increased by \$5,302,612 during the current fiscal year. The key factor in this increase was that current year increases for installment purchases (direct placements) were far greater than retirements in business-type activities.
- During the fiscal year, the City implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

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	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	\$ 25,691,902	\$ 23,682,137	\$ 17,085,332	\$ 16,036,387	\$ 42,777,234	\$ 39,718,524
Other assets	346,878	897,226	1,539,981	633,721	1,886,859	1,530,947
Capital assets, net	13,126,608	10,745,851	68,156,919	61,304,271	81,283,527	72,050,122
Total assets	39,165,388	35,325,214	86,782,232	77,974,379	125,947,620	113,299,593
Deferred Outflows of Resources	5,692,048	5,155,334	1,839,198	1,534,306	7,531,246	6,689,640
Liabilities:						
Long-term liabilities	17,170,849	16,197,828	32,098,364	26,031,237	49,269,213	42,229,065
Other liabilities	779,478	1,924,374	2,443,567	2,619,752	3,223,045	4,544,126
Total liabilities	17,950,327	18,122,202	34,541,931	28,650,989	52,492,258	46,773,191
Deferred Inflows of Resources	3,807,315	3,416,117	1,207,042	1,187,896	5,014,357	4,604,013
Net Position:						
Net investment in capital assets	11,438,001	8,966,426	42,212,161	40,235,508	53,650,162	49,201,934
Restricted	5,533,294	4,916,998	-	-	5,533,294	4,916,998
Unrestricted	6,128,499	5,058,805	10,660,296	9,434,292	16,788,795	14,493,097
Total net position	\$ 23,099,794	\$ 18,942,229	\$ 52,872,457	\$ 49,669,800	\$ 75,972,251	\$ 68,612,029

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 \$75,972,251 as of June 30, 2023. However, the largest portion (70.6%) 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 \$5,533,294 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,788,795 is unrestricted.

At June 30, 2023, all of the TDA's net position is restricted for tourism activity, except for \$16,416, which is restricted for stabilization by state statute. Ending net position for the TDA was \$325,598.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,983,475	\$ 2,723,837	\$ 31,468,552	\$ 27,853,311	\$ 34,452,027	\$ 30,577,148
Operating grants and contributions	3,431,329	2,811,090	-	-	3,431,329	2,811,090
Capital grants and contributions	-	-	3,148,680	1,062,112	3,148,680	1,062,112
General revenues:						
Property taxes	8,873,323	7,977,014	-	-	8,873,323	7,977,014
Other taxes	6,044,224	5,526,566	-	-	6,044,224	5,526,566
Other	1,021,388	55,249	57,269	70,030	1,078,657	125,279
Total revenues	<u>22,353,739</u>	<u>19,093,756</u>	<u>34,674,501</u>	<u>28,985,453</u>	<u>57,028,240</u>	<u>48,079,209</u>
Expenses:						
General government	4,762,352	1,950,309	-	-	4,762,352	1,950,309
Public safety	6,794,533	7,172,992	-	-	6,794,533	7,172,992
Transportation	1,749,186	1,018,938	-	-	1,749,186	1,018,938
Environmental protection	1,663,834	1,658,248	-	-	1,663,834	1,658,248
Economic development	1,415,539	1,767,385	-	-	1,415,539	1,767,385
Culture and recreation	3,273,379	3,187,648	-	-	3,273,379	3,187,648
Human services	-	-	-	-	-	-
Interest expense	37,351	31,649	-	-	37,351	31,649
Water and sewer	-	-	8,683,042	7,950,053	8,683,042	7,950,053
Electric	-	-	14,877,608	14,629,677	14,877,608	14,629,677
Gas	-	-	5,939,860	5,892,093	5,939,860	5,892,093
Stormwater	-	-	471,334	467,540	471,334	467,540
Total expenses	<u>19,696,174</u>	<u>16,787,169</u>	<u>29,971,844</u>	<u>28,939,363</u>	<u>49,668,018</u>	<u>45,726,532</u>
Change in net position before transfers	2,657,565	2,306,587	4,702,657	46,090	7,360,222	2,352,677
Transfers	<u>1,500,000</u>	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>
Change in net position	4,157,565	3,806,587	3,202,657	(1,453,910)	7,360,222	2,352,677
Net Position:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 23,099,794</u>	<u>\$ 18,942,229</u>	<u>\$ 52,872,457</u>	<u>\$ 49,669,800</u>	<u>\$ 75,972,251</u>	<u>\$ 68,612,029</u>

Governmental Activities. Governmental activities increased the City's net position by \$4,157,565. 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 and more Ad Valorem taxes
- Overall, the City spent only 87% of amended budget in the General Fund.

Business-Type Activities. Business-type activities increased the City's net position by \$3,202,657. Key elements of this increase are as follows:

- Electric rates were increased significantly in the 22-23 fiscal year to account for significant increases in electric costs, primarily purchased power. Rates were increased to provide sufficient gross margins to cover operating costs, resulting in increased profitability over 21-22 amounts. The Gas Fund also saw a full year of higher rates, due to a rate/cost of service study adopted in the Spring of 2022. The remainder of the increase in net position was due to positive budget variances across the other Enterprise activities.

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 \$11,945,718, while total fund balance reached \$13,510,306. 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 60.06 percent of total General Fund expenditures, while total fund balance represents 67.92 percent of that same amount.

At June 30, 2023, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$21,399,113 with a net increase of \$2,001,265. Included in this change in fund balance is an increase in fund balance in the General Fund.

General Fund Budgetary Highlights. During the year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

The original budget was amended to account for additional revenues and expenditures that occurred during the fiscal year. Total net amendments to the General Fund's expenditures was \$1,331,000. With respect to actual versus final amended budget, revenues had a positive variance of approximately \$2,318,800 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 \$2,914,000. 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 \$3,982,734. The amount of unrestricted net position for the Electric Fund was \$4,153,280, for the Gas Fund was \$2,475,132, and for the Stormwater Fund was \$49,150. The total changes in net position for the four funds were \$1,729,310, \$471,020, \$997,628, and \$4,699, 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, 2023 totals \$81,283,527 (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 \$3.38M for governmental-type activities, the largest being an infrastructure project of roughly \$1,757,705 (Streetscape). The remainder was spent on various equipment, vehicles, buildings, land and other improvements.
- Business-type Activities-Construction in the Water and Sewer Fund of several major upgrades to water/sewer lines \$4.5M, Electric Substation project \$3.7M, Gas infrastructure projects \$1M

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,798,989	\$ 2,788,797	\$ 7,244,945	\$ 7,244,945	\$ 10,043,934	\$ 10,033,742
Infrastructure	2,661,109	142,980	-	-	2,661,109	142,980
Buildings	294,448	90,851	1,932,986	2,186,046	2,227,434	2,276,897
Other improvements	4,389,808	4,165,402	15,760,597	16,761,628	20,150,405	20,927,030
Equipment	1,801,583	2,057,679	3,275,689	3,483,099	5,077,272	5,540,778
Vehicles	1,020,088	681,321	836,504	719,029	1,856,592	1,400,350
Lines	-	-	25,996,092	27,003,061	25,996,092	27,003,061
Leased Equipment	17,691	29,231	1,446	3,137	19,137	32,368
Leased Vehicles	6,828	10,924	-	-	6,828	10,924
SBITA Asset	136,064	-	-	-	136,064	-
Construction in progress	-	818,821	13,108,660	3,906,463	13,108,660	4,725,284
Total	\$ 13,126,608	\$ 10,786,006	\$ 68,156,919	\$ 61,307,408	\$ 81,283,527	\$ 72,093,414

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, 2023, the City of Kings Mountain had total installment purchase debt, for direct placements and direct borrowings, outstanding of \$28,485,269. 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Installment purchases - direct placements & direct borrowings	\$ 1,535,608	\$ 1,779,571	\$ 26,949,661	\$ 21,403,086	\$ 28,485,269	\$ 23,182,657

The City of Kings Mountain’s total debt increased by \$5,302,612 during the current fiscal year. The key factor in this increase was that installment purchase (direct placements) increases, related to governmental activities, was far greater than retirements in 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 \$137,000,000.

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. We continue to receive interest from developers regarding both residential and commercial/industrial development. As of now, utility usage is relatively flat (Gas and Electric) though we do anticipate increased demand given proposed future development.

The City continues to monitor developments in our ETJ, including, but not limited to, potential impacts regarding Catawba Two Kings Casino and the potential for significant development of the surrounding area. At this time, it is anticipated that any significant financial impacts are still, most likely, several budget years in the future.

The City does have some concerns regarding proposed development in the area that could have long-term negative impacts on economic development here in our community. We are, or are attempting to, actively engage with certain parties in attempts to negotiate development agreements that are mutually beneficial to all parties involved.

Budget Highlights for the Fiscal Year Ending June 30, 2024

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 was increased from 43 to 48 cents per \$100 of assessed valuation for the 23-24 fiscal year (an 11% increase). The City feels this increase is necessary to provide resources for much needed capital improvements for the General Fund functions, while reducing reliance on transfers from the Electric Enterprise Fund. Note Cleveland County will not have another revaluation until January 2025. While we are hopeful to see significant development as noted above, we are still several years away from seeing significant increases in total property valuation, which would result in additional tax revenues.

We increased Solid Waste fees 20-25% for both residential and commercial customers in order to make this activity more self-sufficient and to get our fees more in-line with market. We also increased commercial building fees to better reflect what other comparable units of government in our area are charging.

We greatly increased total original budget in the General Fund (from \$20.1M to \$25.9M) primarily for capital. Most of the capital will be financed, and the increased property tax revenue will be used to service the debt. No significant positions were added and operating expenditures were increased roughly 2% net.

Business-Type Activities. The City's Electric and Gas Funds were budgeted using the rates in place at the time of budget preparation in the Spring of 2023. The Electric Fund and Gas Fund volumes were basically unchanged from FYE 22-23. In the event of significant price fluctuations, the Electric budget / PPA may need to be adjusted accordingly. Note the Gas commodity rate adjusts automatically each month based upon our gas costs. Note the transfers out of the Electric fund will be reduced 10% over amended 22-23 amounts and we will continue to reduce these transfers by 10% a year going forward until we are in compliance with LGC best practice. An ordinance was adopted by Council in September 2022 stating this intention.

The City budgeted a 10% across the board increase in all Water and Sewer rates to provide operating and capital resources for the fund and is in the process of adopting system development fees to help off-set the cost of future expansion. Volume was budgeted assuming no increases from FYE 22-23. We are in the process of planning/designing major Sewer improvements due to approximately \$78M in grant awards, passed through NCDEQ, received in the last two State budgets.

Stormwater fees, and the corresponding operating budget, were increased approximately 60% to provide basic resources to comply with the requirements of our stormwater permit.

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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 23,899,844	\$ 13,372,524	\$ 37,272,368	\$ 414,312	\$ 313,017
Taxes receivable, net	85,661	-	85,661	-	-
Accounts receivable, net	325,313	2,675,167	3,000,480	11,511	-
Lease receivable	135,170	-	135,170	-	-
Due from other governments	1,195,751	87,350	1,283,101	-	16,416
Inventories	50,163	950,291	1,000,454	204,787	-
Prepaid items	-	-	-	7,886	-
Total current assets	<u>25,691,902</u>	<u>17,085,332</u>	<u>42,777,234</u>	<u>638,496</u>	<u>329,433</u>
Restricted assets:					
Cash and cash equivalents	<u>346,878</u>	<u>1,539,981</u>	<u>1,886,859</u>	<u>67,027</u>	<u>-</u>
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,798,989	20,353,605	23,152,594	78,875	-
Other capital assets, net of depreciation	10,167,036	47,801,868	57,968,904	346,234	-
Right to use lease assets, net of amortization	<u>160,583</u>	<u>1,446</u>	<u>162,029</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>13,126,608</u>	<u>68,156,919</u>	<u>81,283,527</u>	<u>425,109</u>	<u>-</u>
Total assets	<u>39,165,388</u>	<u>86,782,232</u>	<u>125,947,620</u>	<u>1,130,632</u>	<u>329,433</u>
Deferred Outflows of Resources:					
Pension deferrals	3,779,600	1,234,788	5,014,388	44,517	-
OPEB deferrals	<u>1,912,448</u>	<u>604,410</u>	<u>2,516,858</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>5,692,048</u>	<u>1,839,198</u>	<u>7,531,246</u>	<u>44,517</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	735,859	1,909,906	2,645,765	316,242	3,835
Unearned revenue	43,619	-	43,619	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	533,661	533,661	-	-
Long-term liabilities:					
Net pension liability - LGERS	5,036,441	1,831,434	6,867,875	37,798	-
Total pension liability - LEOSSA	1,394,763	-	1,394,763	-	-
Total OPEB liability	8,570,974	3,116,719	11,687,693	-	-
Due within one year	872,645	2,535,340	3,407,985	5,284	-
Due in more than one year	<u>1,296,026</u>	<u>24,614,871</u>	<u>25,910,897</u>	<u>2,071</u>	<u>-</u>
Total liabilities	<u>17,950,327</u>	<u>34,541,931</u>	<u>52,492,258</u>	<u>361,395</u>	<u>3,835</u>
Deferred Inflows of Resources:					
Leases	135,170	-	135,170	-	-
OPEB deferrals	3,157,425	1,148,155	4,305,580	-	-
Pension deferrals	<u>514,720</u>	<u>58,887</u>	<u>573,607</u>	<u>160</u>	<u>-</u>
Total deferred inflows of resources	<u>3,807,315</u>	<u>1,207,042</u>	<u>5,014,357</u>	<u>160</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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Net Position:					
Net investment in capital assets	11,438,001	42,212,161	53,650,162	425,109	-
Restricted for:					
LGERS	-	-	-	6,559	-
Perpetual maintenance	19,232	-	19,232	-	-
Stabilization by state statute	1,521,064	-	1,521,064	-	16,416
Streets - Powell Bill	150,370	-	150,370	-	-
Public safety	146,022	-	146,022	-	-
Cultural and recreational	210,339	-	210,339	-	-
Economic and physical development	3,486,267	-	3,486,267	-	-
Working capital	-	-	-	83,143	-
Tourism promotion	-	-	-	-	309,182
Unrestricted	6,128,499	10,660,296	16,788,795	298,783	-
Total net position	<u>\$ 23,099,794</u>	<u>\$ 52,872,457</u>	<u>\$ 75,972,251</u>	<u>\$ 813,594</u>	<u>\$ 325,598</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, 2023

	<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	\$ 4,762,352	\$ 243,829	\$ -	\$ -
Public safety	6,794,533	15,859	2,088,241	-
Transportation	1,749,186	-	375,343	-
Economic and physical development	1,415,539	418,885	712,539	-
Environmental protection	1,663,834	1,722,027	-	-
Culture and recreation	3,273,379	582,875	255,206	-
Interest expense	37,351	-	-	-
Total governmental activities	<u>19,696,174</u>	<u>2,983,475</u>	<u>3,431,329</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	8,683,042	7,237,873	-	3,148,680
Electric	14,877,608	16,830,052	-	-
Gas	5,939,860	6,925,832	-	-
Stormwater	471,334	474,795	-	-
Total business-type activities	<u>29,971,844</u>	<u>31,468,552</u>	<u>-</u>	<u>3,148,680</u>
Total primary government	<u>\$ 49,668,018</u>	<u>\$ 34,452,027</u>	<u>\$ 3,431,329</u>	<u>\$ 3,148,680</u>
Component Units:				
ABC Board	\$ 2,784,913	\$ 2,805,857	\$ -	\$ -
Tourism Development Authority Board	<u>245,207</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 3,030,120</u>	<u>\$ 2,805,857</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, 2023

	<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	\$ (4,518,523)	\$ -	\$ (4,518,523)		
Public safety	(4,690,433)	-	(4,690,433)		
Transportation	(1,373,843)	-	(1,373,843)		
Economic and physical development	(284,115)	-	(284,115)		
Environmental protection	58,193	-	58,193		
Culture and recreation	(2,435,298)	-	(2,435,298)		
Interest expense	(37,351)	-	(37,351)		
Total governmental activities	<u>(13,281,370)</u>	<u>-</u>	<u>(13,281,370)</u>		
Business-Type Activities:					
Water and sewer	-	1,703,511	1,703,511		
Electric	-	1,952,444	1,952,444		
Gas	-	985,972	985,972		
Stormwater	-	3,461	3,461		
Total business-type activities	<u>-</u>	<u>4,645,388</u>	<u>4,645,388</u>		
Total primary government	<u>(13,281,370)</u>	<u>4,645,388</u>	<u>(8,635,982)</u>		
Component Units:					
ABC Board				\$ 20,944	\$ -
Tourism Development Authority Board				<u>-</u>	<u>(245,207)</u>
Total component units				<u>20,944</u>	<u>(245,207)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	8,873,323	-	8,873,323	-	-
Local option sales tax	3,177,047	-	3,177,047	-	-
Payment in lieu of taxes	595,840	-	595,840	-	-
Franchise taxes	1,067,033	-	1,067,033	-	-
Other taxes and licenses	1,204,304	-	1,204,304	-	205,926
Unrestricted investment earnings	1,021,388	56,434	1,077,822	665	507
Miscellaneous	-	835	835	-	1,445
Total general revenues before transfers	<u>15,938,935</u>	<u>57,269</u>	<u>15,996,204</u>	<u>665</u>	<u>207,878</u>
Transfers	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>17,438,935</u>	<u>(1,442,731)</u>	<u>15,996,204</u>	<u>665</u>	<u>207,878</u>
Change in net position	4,157,565	3,202,657	7,360,222	21,609	(37,329)
Net Position:					
Beginning of year - July 1	<u>18,942,229</u>	<u>49,669,800</u>	<u>68,612,029</u>	<u>791,985</u>	<u>362,927</u>
End of year - June 30	<u>\$ 23,099,794</u>	<u>\$ 52,872,457</u>	<u>\$ 75,972,251</u>	<u>\$ 813,594</u>	<u>\$ 325,598</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 12,213,718	\$ 7,866,137	\$ 20,079,855
Cash and cash equivalents, restricted	327,646	19,232	346,878
Taxes receivable, net	85,661	-	85,661
Accounts receivable, net	325,313	-	325,313
Lease receivable	135,170	-	135,170
Due from other governments	1,189,112	6,639	1,195,751
Inventories	50,163	-	50,163
Total assets	<u>\$ 14,326,783</u>	<u>\$ 7,892,008</u>	<u>\$ 22,218,791</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 552,027	\$ 3,201	\$ 555,228
Advance from grantors	43,619	-	43,619
Total liabilities	<u>595,646</u>	<u>3,201</u>	<u>598,847</u>
Deferred Inflows of Resources:			
Leases	135,170	-	135,170
Property taxes receivable	85,661	-	85,661
Total deferred inflows of resources	<u>220,831</u>	<u>-</u>	<u>220,831</u>
Fund Balances:			
Non-spendable:			
Inventories	50,163	-	50,163
Perpetual maintenance	-	19,232	19,232
Restricted:			
Stabilization by state statute	1,514,425	6,639	1,521,064
Streets	150,370	-	150,370
Public safety	84,067	61,955	146,022
Cultural and recreational	47,833	162,506	210,339
Economic and physical development	-	3,486,267	3,486,267
Committed:			
General government	-	4,152,208	4,152,208
Assigned	3,250,000	-	3,250,000
Unassigned	8,413,448	-	8,413,448
Total fund balances	<u>13,510,306</u>	<u>7,888,807</u>	<u>21,399,113</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,326,783</u>	<u>\$ 7,892,008</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.	13,126,608
The assets and liabilities of internal service funds are included in the Statement of Net Position.	3,659,358
Net pension liability - LGERS	(5,036,441)
Total pension liability - LEOSSA	(1,394,763)
Total OPEB liability	(8,570,974)
Deferred outflows of resources related to pensions are not reported in the funds.	3,779,600
Deferred outflows of resources related to OPEB are not reported in the funds.	1,912,448
Deferred inflows of resources related to pensions are not reported in the funds.	(514,720)
Deferred inflows of resources related to OPEB are not reported in the funds.	(3,157,425)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	85,661
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>(2,188,671)</u>
Net position of governmental activities	<u>\$ 23,099,794</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, 2023

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 7,889,224	\$ 962,775	\$ 8,851,999
Other taxes and licenses	6,044,224	-	6,044,224
Restricted intergovernmental	1,069,680	2,361,649	3,431,329
Permits and fees	419,646	-	419,646
Sales and services	2,253,521	-	2,253,521
Investment earnings	991,581	29,807	1,021,388
Miscellaneous	310,308	-	310,308
Total revenues	<u>18,978,184</u>	<u>3,354,231</u>	<u>22,332,415</u>
Expenditures:			
Current:			
General government	2,545,307	-	2,545,307
Public safety	7,357,410	94,072	7,451,482
Transportation	2,007,413	-	2,007,413
Economic and physical development	758,769	2,447,224	3,205,993
Environmental protection	2,115,973	-	2,115,973
Culture and recreation	3,586,658	-	3,586,658
Debt service:			
Principal	742,017	-	742,017
Interest	37,351	-	37,351
Total expenditures	<u>19,150,898</u>	<u>2,541,296</u>	<u>21,692,194</u>
Revenues over (under) expenditures	<u>(172,714)</u>	<u>812,935</u>	<u>640,221</u>
Other Financing Sources (Uses):			
Transfers in	2,752,659	1,100,440	3,853,099
Transfers out	(1,350,440)	(1,752,659)	(3,103,099)
Issuance of debt	375,109	-	375,109
Lease liability issued	235,935	-	235,935
Total other financing sources (uses)	<u>2,013,263</u>	<u>(652,219)</u>	<u>1,361,044</u>
Net change in fund balances	1,840,549	160,716	2,001,265
Fund Balances:			
Beginning of year - July 1	<u>11,669,757</u>	<u>7,728,091</u>	<u>19,397,848</u>
End of year - June 30	<u>\$ 13,510,306</u>	<u>\$ 7,888,807</u>	<u>\$ 21,399,113</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, 2023

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

Net changes in fund balances - total governmental funds	\$ 2,001,265
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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	\$ 3,145,554	
Depreciation expense	<u>(925,380)</u>	2,220,174

Change in deferred inflows for tax revenues	21,324
---	--------

Right to use leased asset capital outlay expenditures which were capitalized	235,935
--	---------

Amortization expense for right to use assets	(115,507)
--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Issuance of debt	(611,044)	
Repayment of debt principal and lease liabilities	<u>742,017</u>	130,973

OPEB plan expense	(292,411)
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Pension expense - LGERS	(466,088)
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Pension expense - LEOSSA	(79,293)
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Accrual of compensated absences	(11,568)
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Net revenue of internal service funds determined to be governmental-type	<u>512,761</u>
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Total change in net position of governmental activities (Exhibit B)	<u>\$ 4,157,565</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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 7,160,000	\$ 7,260,000	\$ 7,889,224	\$ 629,224
Other taxes	5,706,500	5,906,500	6,044,224	137,724
Restricted intergovernmental	896,200	978,401	1,069,680	91,279
Permits and fees	250,000	250,000	419,646	169,646
Investment earnings	60,000	60,000	991,581	931,581
Sales and services	2,036,500	2,044,000	2,253,521	209,521
Miscellaneous	160,475	160,475	310,308	149,833
Total revenues	<u>16,269,675</u>	<u>16,659,376</u>	<u>18,978,184</u>	<u>2,318,808</u>
Expenditures:				
Current:				
General government	3,468,200	3,164,951	2,545,307	619,644
Public safety	8,024,250	8,146,015	7,143,518	1,002,497
Transportation	2,000,500	2,628,855	2,007,413	621,442
Economic and physical development	884,500	902,899	758,769	144,130
Environmental protection	2,053,900	2,267,359	2,115,973	151,386
Culture and recreation	3,411,925	3,915,820	3,586,658	329,162
Debt service:				
Principal retirement	633,377	742,017	742,017	-
Interest and fees	43,023	83,065	37,351	45,714
Total expenditures	<u>20,519,675</u>	<u>21,850,981</u>	<u>18,937,006</u>	<u>2,913,975</u>
Revenues over (under) expenditures	<u>(4,250,000)</u>	<u>(5,191,605)</u>	<u>41,178</u>	<u>5,232,783</u>
Other Financing Sources (Uses):				
Transfers in	3,625,000	3,589,000	2,752,659	(836,341)
Transfers out	(5,000)	(1,355,450)	(1,350,440)	5,010
Issuance of debt	537,000	375,109	375,109	-
IT subscription liabilities issued	-	23,891	22,043	(1,848)
Total other financing sources (uses)	<u>4,157,000</u>	<u>2,632,550</u>	<u>1,799,371</u>	<u>(833,179)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(93,000)</u>	<u>(2,559,055)</u>	<u>1,840,549</u>	<u>4,399,604</u>
Fund balance appropriated	<u>93,000</u>	<u>2,559,055</u>	<u>-</u>	<u>2,559,055</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,840,549</u>	<u>\$ 1,840,549</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of SBITA standard			213,892	
IT subscription liabilities issued			(213,892)	
Capital outlay				
Fund Balance:				
Beginning of year - July 1			<u>11,669,757</u>	
End of year - June 30			<u>\$ 13,510,306</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, 2023

	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	\$ 5,415,917	\$ 4,466,057	\$ 3,138,986	\$ 351,564	\$ 13,372,524	\$ 3,819,989
Cash - restricted	113,120	1,330,256	96,605	-	1,539,981	-
Accounts receivable, net	609,099	1,712,583	311,667	41,818	2,675,167	-
Due from other government	87,350	-	-	-	87,350	-
Inventories	453,167	396,217	100,907	-	950,291	-
Total current assets	6,678,653	7,905,113	3,648,165	393,382	18,625,313	3,819,989
Capital assets:						
Land and other non-depreciable assets	12,902,373	5,406,375	2,044,857	-	20,353,605	-
Other capital assets, net of depreciation	39,779,725	4,469,888	3,409,736	142,519	47,801,868	-
Right to use lease assets, net of amortization	-	1,446	-	-	1,446	-
Total capital assets	52,682,098	9,877,709	5,454,593	142,519	68,156,919	-
Total assets	59,360,751	17,782,822	9,102,758	535,901	86,782,232	3,819,989
Deferred Outflows of Resources:						
Pension deferrals	595,344	330,747	220,498	88,199	1,234,788	-
OPEB deferrals	291,412	161,896	107,930	43,172	604,410	-
Total deferred outflows of resources	886,756	492,643	328,428	131,371	1,839,198	-
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	431,807	1,191,959	265,549	20,591	1,909,906	160,631
Liabilities to be paid from restricted assets:						
Customer deposits	113,120	323,936	96,605	-	533,661	-
Current portion of compensated absences	35,032	36,774	20,083	7,677	99,566	-
Current portion of long-term liabilities	1,657,489	501,860	276,425	-	2,435,774	-
Total current liabilities	2,237,448	2,054,529	658,662	28,268	4,978,907	160,631
Non-current liabilities:						
Net pension liability - LGERS	883,013	490,563	327,040	130,818	1,831,434	-
Lease Liability	-	701	-	-	701	-
Long-term liabilities	17,545,231	5,465,840	1,503,532	-	24,514,603	-
Total OPEB liability	1,502,703	834,836	556,557	222,623	3,116,719	-
Compensated absences	35,033	36,774	20,083	7,677	99,567	-
Total non-current liabilities	19,965,980	6,828,714	2,407,212	361,118	29,563,024	-
Total liabilities	22,203,428	8,883,243	3,065,874	389,386	34,541,931	160,631
Deferred Inflows of Resources:						
Lease						
Pension deferrals	28,392	15,773	10,516	4,206	58,887	-
OPEB deferrals	553,575	307,541	205,028	82,011	1,148,155	-
Total deferred inflows of resources	581,967	323,314	215,544	86,217	1,207,042	-
Net Position:						
Net investment in capital assets	33,479,378	4,915,628	3,674,636	142,519	42,212,161	-
Unrestricted	3,982,734	4,153,280	2,475,132	49,150	10,660,296	3,659,358
Total net position	\$ 37,462,112	\$ 9,068,908	\$ 6,149,768	\$ 191,669	\$ 52,872,457	\$ 3,659,358

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, 2023

	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	\$ 7,122,768	\$ 16,653,945	\$ 6,575,196	\$ 471,560	\$ 30,823,469	\$ 3,476,087
Miscellaneous revenues	115,105	176,107	350,636	3,235	645,083	-
Total operating revenues	<u>7,237,873</u>	<u>16,830,052</u>	<u>6,925,832</u>	<u>474,795</u>	<u>31,468,552</u>	<u>3,476,087</u>
Operating Expenses:						
Salaries and fringe benefits	2,070,452	1,675,148	1,150,146	361,837	5,257,583	-
Cost of merchandise sold	1,006,698	9,846,461	3,456,920	-	14,310,079	-
Other operating expenses	2,641,429	2,520,098	980,587	87,132	6,229,246	-
Depreciation and amortization	2,964,463	664,836	301,572	22,365	3,953,236	-
Excess policy fees	-	-	-	-	-	152,692
Administrative fees	-	-	-	-	-	201,615
Claims	-	-	-	-	-	3,368,803
Total operating expenses	<u>8,683,042</u>	<u>14,706,543</u>	<u>5,889,225</u>	<u>471,334</u>	<u>29,750,144</u>	<u>3,723,110</u>
Operating income (loss)	<u>(1,445,169)</u>	<u>2,123,509</u>	<u>1,036,607</u>	<u>3,461</u>	<u>1,718,408</u>	<u>(247,023)</u>
Non-Operating Revenues (Expenses):						
Interest income	24,964	18,576	11,656	1,238	56,434	9,784
Interest expense	-	(171,065)	(50,635)	-	(221,700)	-
Income from sale of capital assets previously disposed of	835	-	-	-	835	-
Total non-operating revenues (expenses)	<u>25,799</u>	<u>(152,489)</u>	<u>(38,979)</u>	<u>1,238</u>	<u>(164,431)</u>	<u>9,784</u>
Income (loss) before transfers and capital contributions	<u>(1,419,370)</u>	<u>1,971,020</u>	<u>997,628</u>	<u>4,699</u>	<u>1,553,977</u>	<u>(237,239)</u>
Transfers from other funds	-	-	-	-	-	750,000
Transfers to other funds	-	(1,500,000)	-	-	(1,500,000)	-
Capital grants and contributions	3,148,680	-	-	-	3,148,680	-
Total transfers and capital contributions	<u>3,148,680</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>1,648,680</u>	<u>750,000</u>
Change in net position	1,729,310	471,020	997,628	4,699	3,202,657	512,761
Net Position:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 37,462,112</u>	<u>\$ 9,068,908</u>	<u>\$ 6,149,768</u>	<u>\$ 191,669</u>	<u>\$ 52,872,457</u>	<u>\$ 3,659,358</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, 2023

	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	\$ 7,079,414	\$ 16,349,443	\$ 6,788,846	\$ 469,916	\$ 30,687,619	\$ 3,306,088
Cash paid for goods and services	(3,671,648)	(12,779,117)	(4,627,879)	(78,994)	(21,157,638)	(3,888,616)
Cash paid to employees for services	(1,963,722)	(1,612,166)	(1,103,548)	(341,652)	(5,021,088)	-
Cash received (paid) for customer deposits	35,590	169,938	32,040	-	237,568	-
Other operating revenues	115,105	176,107	350,636	3,236	645,084	-
Net cash provided (used) by operating activities	1,594,739	2,304,205	1,440,095	52,506	5,391,545	(582,528)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(5,482,571)	(3,965,525)	(1,340,307)	(14,344)	(10,802,747)	-
Capital grant and contribution	3,148,680	-	-	-	3,148,680	-
Principal paid on bonds and equipment contracts	(1,582,627)	(151,984)	(181,808)	-	(1,916,419)	-
Proceeds from issuance of debt	465,306	5,679,468	1,316,532	-	7,461,306	-
Proceeds from sale of capital assets previously disposed of	835	-	-	-	835	-
Interest expense	(6,000)	(4,065)	(12,635)	-	(22,700)	-
Net cash provided (used) by capital and related financing activities	(3,456,377)	1,557,894	(218,218)	(14,344)	(2,131,045)	-
Cash Flows from Non-Capital Financing Activities:						
Operating transfers	-	(1,500,000)	-	-	(1,500,000)	750,000
Cash Flows from Investing Activities:						
Interest income	24,964	18,576	11,656	1,238	56,434	9,785
Net increase (decrease) in cash and cash equivalents	(1,836,674)	2,380,675	1,233,533	39,400	1,816,934	177,257
Cash and Cash Equivalents:						
Beginning of year - July 1	7,365,711	3,415,638	2,002,058	312,164	13,095,571	3,642,732
End of year - June 30	\$ 5,529,037	\$ 5,796,313	\$ 3,235,591	\$ 351,564	\$ 14,912,505	\$ 3,819,989
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ (1,445,169)	\$ 2,123,509	\$ 1,036,607	\$ 3,461	\$ 1,718,408	\$ (247,023)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	2,964,463	664,836	301,572	22,365	3,953,236	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	(43,358)	(304,502)	213,650	(1,644)	(135,854)	-
Inventories	(47,705)	(9,217)	51,343	-	(5,579)	-
Deferred outflows of resources - pensions	(147,001)	(81,668)	(54,445)	(21,778)	(304,892)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	26,257	(398,503)	(233,880)	13,066	(593,060)	(335,505)
Accrued OPEB liability	(385,928)	(214,404)	(142,936)	(57,174)	(800,442)	-
Customer deposits	35,590	169,938	32,040	(250)	237,318	-
Deferred inflows of resources - pensions	9,231	5,127	3,420	1,368	19,146	-
Net pension liability - LGERS	628,359	349,089	232,724	93,092	1,303,264	-
Net cash provided (used) by operating activities	\$ 1,594,739	\$ 2,304,205	\$ 1,440,095	\$ 52,506	\$ 5,391,545	\$ (582,528)

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, 2023**

	<u>Custodial Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>261,590</u>
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	\$ <u>261,590</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, 2023

	<u>Custodial Fund</u>
Additions	
Investment income	\$ 15,103
Deductions:	
Benefit payments	<u>4,239</u>
Net increase (decrease) in fiduciary net position	10,864
Net position - beginning	<u>250,726</u>
Net position - ending	<u><u>\$ 261,590</u></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, 2023

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, 2023

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, 2023

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, 2023

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/amortization 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, 2023

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. Issuance of general long-term debt and acquisitions under leases and IT subscriptions 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, 2023

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] 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, 2023

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	\$ 152,127
Public safety	84,067
Cultural and recreation	47,833
Nonmajor Funds:	
Perpetual maintenance	19,232
Unspent grant proceeds	43,619
Total governmental activities	<u>346,878</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits 113,120

Electric Fund:

Unspent debt proceeds 1,006,320

Customer deposits 323,936

Gas Fund:

Customer deposits 96,605

Total business-type activities 1,539,981

Total restricted cash \$ 1,886,859

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2022. 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, if any, 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, 2023

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's capital assets also include certain right-to-use assets. These right-to-use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

The right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset).

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscriptions term at which time the amount should be included in the initial measurement of the subscription asset. The right-to-use subscription assets should be amortized on a straight-line basis over the subscription term.

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 (reported only on the Balance Sheet of the Governmental Funds), pension deferrals, leases, and OPEB deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The ABC Board employees may accumulate up to 12 days earned vacation per year, and such leave is fully vested when earned. Any unused leave is lost at year-end unless special permission is granted to carryover the unused leave.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 \$3,499,936 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 of \$1,749,968 was received in July 2022. City staff and the Board have elected to use \$1,749,968 of the ARPA funds for revenue replacement in fiscal year 2022. The City used the remaining \$1,749,968 for revenue replacement in fiscal year 2023. The \$3,499,936 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 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 \$150,370, 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. \$61,955 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 \$47,833 restricted for future culture and recreation expenditures while the nonmajor funds have \$162,506 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 \$3,486,267 restricted.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 \$4,152,208 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 manager has the authority to assign fund balance.

Assigned for Culture and Recreational – portion of fund balance that is assigned for Parks and Rec Master Plan. General Fund has \$100,000 assigned.

Assigned for Economic Development – portion of fund balance that is assigned for different economic development plans. General Fund has \$2,800,000 assigned.

Assigned for General Governmental – portion of fund balance that is assigned for Construction is Progress Plan. General Fund has \$100,000 assigned.

Assigned for Streets – portion of fund balance that is assigned for Sidewalk Connectivity Plan. General Fund has \$250,000 assigned.

Unassigned Fund Balance

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

The City of Kings Mountain has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Total fund balance - General Fund	\$ 13,510,306
Less:	
Inventories	50,163
Stabilization by state statute	<u>1,514,425</u>
Total available fund balance	<u>\$ 11,945,718</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.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, the City's deposits had a carrying amount of \$8,437,433 and a bank balance of \$8,900,366. Of the bank balance, \$6,275,804 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 \$313,017 and the bank balance was \$316,190. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$412,312 and the bank balance was \$392,376. \$250,000 of the bank balance of the ABC Board was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The ABC Board had certificates of deposit totaling \$67,027 and petty cash funds of \$2,000.

At June 30, 2023, the City's petty cash funds totaled \$2,480.

Investments

At June 30, 2023, the City of Kings Mountain had \$30,980,904 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, 2023**

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2023 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 377,770	\$ 149,029	\$ 1,189,112	\$ 1,715,911
Nonmajor - emergency telephone system	-	-	6,639	6,639
Allowance for doubtful accounts	<u>(52,457)</u>	<u>(63,368)</u>	-	<u>(115,825)</u>
Total governmental activities	<u>\$ 325,313</u>	<u>\$ 85,661</u>	<u>\$ 1,195,751</u>	<u>\$ 1,606,725</u>
Business-Type Activities:				
Water and sewer	\$ 772,255	\$ -	\$ 87,350	\$ 859,605
Electric	1,765,331	-	-	1,765,331
Gas	319,806	-	-	319,806
Stormwater	71,706	-	-	71,706
Allowance for doubtful accounts	<u>(253,931)</u>	-	-	<u>(253,931)</u>
Total business-type activities	<u>\$ 2,675,167</u>	<u>\$ -</u>	<u>\$ 87,350</u>	<u>\$ 2,762,517</u>

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

	<u>Governmental Activities:</u>	<u>Business-Type Activities:</u>
Local option sales tax	\$ 689,013	\$ -
Sales tax reimbursement	434,564	-
DMV MV taxes	48,630	-
911 funds	6,639	-
Occupancy tax	16,905	-
Grant Receivable	<u>-</u>	<u>87,350</u>
	<u>\$ 1,195,751</u>	<u>\$ 87,350</u>

The Tourism Development Authority's receivables consist of occupancy taxes from local hotels of \$16,416 due from the City of Kings Mountain. Management expects all accounts receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Lease Receivable

In June 2023, the City entered into a lease with a wireless carrier. Under the lease, the wireless carrier pays the City \$2,452 per month through June 2028 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 2023, the City recognized \$24,672 of lease revenue and \$252 of interest revenue under the lease. The City lease receivable balance at year end was \$135,170, and the deferred inflows were \$135,170.

Future minimum lease payments receivable as of June 30, 2023 are as follows:

Year Ending	Governmental Activities			
	June 30	Principal	Interest	Total
2024	\$ 28,956	\$ 3,924	\$ 32,880	
2025	27,961	3,424	31,385	
2026	27,001	2,499	29,500	
2027	26,074	1,542	27,616	
2028	25,178	550	25,728	
Total	<u>\$ 135,170</u>	<u>\$ 11,939</u>	<u>\$ 147,109</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,788,797	\$ 10,192	\$ -	\$ -	\$ 2,798,989
Construction in progress	818,821	-	-	(818,821)	-
Total non-depreciable capital assets	<u>3,607,618</u>	<u>10,192</u>	<u>-</u>	<u>(818,821)</u>	<u>2,798,989</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	1,757,705	-	783,860	5,610,345
Buildings	10,631,469	180,913	-	34,961	10,847,343
Other improvements	5,229,024	411,569	-	-	5,640,593
Equipment	5,092,925	94,632	(5,900)	-	5,181,657
Vehicles	6,651,349	690,543	(215,296)	48,410	7,175,006
Total depreciable capital assets	<u>30,673,547</u>	<u>3,135,362</u>	<u>(221,196)</u>	<u>867,231</u>	<u>34,454,944</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,925,800	23,436	-	-	2,949,236
Buildings	10,540,618	12,277	-	-	10,552,895
Other improvements	1,063,622	187,163	-	-	1,250,785
Equipment	3,035,246	350,728	(5,900)	-	3,380,074
Vehicles	5,970,028	351,776	(215,296)	48,410	6,154,918
Total accumulated depreciation	<u>23,535,314</u>	<u>925,380</u>	<u>(221,196)</u>	<u>48,410</u>	<u>24,287,908</u>
Total depreciable capital assets, net	<u>7,138,233</u>	<u>2,209,982</u>	<u>-</u>	<u>818,821</u>	<u>10,167,036</u>
Capital assets being amortized:					
Right to use assets:					
Leased equipment	43,545	-	-	-	43,545
Leased vehicles	14,595	-	-	-	14,595
IT subscriptions	-	235,935	-	-	235,935
Total right-to-use lease assets	<u>58,140</u>	<u>235,935</u>	<u>-</u>	<u>-</u>	<u>294,075</u>
Less accumulated amortization:					
Right to use assets:					
Leased equipment	14,314	11,540	-	-	25,854
Leased vehicles	3,671	4,096	-	-	7,767
IT subscriptions	-	99,871	-	-	99,871
Total Accumulated Amortization	<u>17,985</u>	<u>115,507</u>	<u>-</u>	<u>-</u>	<u>133,492</u>
Total capital assets being amortized, net	<u>40,155</u>	<u>120,428</u>	<u>-</u>	<u>-</u>	<u>160,583</u>
Governmental activities capital assets, net	<u>\$ 10,786,006</u>				<u>\$ 13,126,608</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Governmental Activities:

General government	\$ 217,033
Public safety	301,303
Transportation	120,089
Economic and physical development	3,476
Environmental protection	204,231
Cultural and recreational	<u>194,755</u>
Total depreciation/ amortization expense	<u>\$ 1,040,887</u>

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	<u>1,298,480</u>	<u>4,501,659</u>	<u>-</u>	<u>(71,821)</u>	<u>5,728,318</u>
Total non-depreciable capital assets	<u>8,472,535</u>	<u>4,501,659</u>	<u>-</u>	<u>(71,821)</u>	<u>12,902,373</u>
Depreciable Capital Assets:					
Buildings	14,550,217	-	-	-	14,550,217
Other improvements	55,393,069	35,085	-	-	55,428,154
Lines	31,120,557	227,167	-	24,900	31,372,624
Equipment	7,997,272	253,354	-	46,921	8,297,547
Vehicles	<u>1,230,417</u>	<u>465,306</u>	<u>-</u>	<u>-</u>	<u>1,695,723</u>
Total depreciable capital assets	<u>110,291,532</u>	<u>980,912</u>	<u>-</u>	<u>71,821</u>	<u>111,344,265</u>
Less Accumulated Depreciation:					
Buildings	13,092,448	160,878	-	-	13,253,326
Other improvements	39,640,184	1,217,692	-	-	40,857,876
Lines	8,632,505	1,124,790	-	-	9,757,295
Equipment	6,206,248	350,207	-	-	6,556,455
Vehicles	<u>1,028,692</u>	<u>110,896</u>	<u>-</u>	<u>-</u>	<u>1,139,588</u>
Total accumulated depreciation	<u>68,600,077</u>	<u>2,964,463</u>	<u>-</u>	<u>-</u>	<u>71,564,540</u>
Total depreciable capital assets, net	<u>41,691,455</u>				<u>39,779,725</u>
Water and Sewer Fund capital assets, net	<u>50,163,990</u>				<u>52,682,098</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	-	-	-	39,890
Construction in progress	1,642,544	3,723,941	-	-	5,366,485
Total non-depreciable capital assets	<u>1,682,434</u>	<u>3,723,941</u>	<u>-</u>	<u>-</u>	<u>5,406,375</u>
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	1,858,363	229,955	-	-	2,088,318
Lines	6,479,478	-	-	-	6,479,478
Equipment	2,313,185	11,629	-	-	2,324,814
Vehicles	2,102,131	-	-	(24,670)	2,077,461
Total depreciable capital assets	<u>15,068,314</u>	<u>241,584</u>	<u>-</u>	<u>(24,670)</u>	<u>15,285,228</u>
Less Accumulated Depreciation:					
Buildings	1,777,127	79,504	-	-	1,856,631
Other improvements	966,379	61,528	-	-	1,027,907
Lines	4,128,388	172,396	-	-	4,300,784
Equipment	1,600,676	155,095	-	-	1,755,771
Vehicles	1,704,295	194,622	-	(24,670)	1,874,247
Total accumulated depreciation	<u>10,176,865</u>	<u>663,145</u>	<u>-</u>	<u>(24,670)</u>	<u>10,815,340</u>
Total depreciable capital assets, net	<u>4,891,449</u>				<u>4,469,888</u>
Capital assets being amortized:					
Right to use asset:					
Equipment	4,828	-	-	-	4,828
Less accumulated amortization:					
Right to use assets:					
Equipment	1,691	1,691	-	-	3,382
Total capital assets being amortized, net	<u>3,137</u>				<u>1,446</u>
Electric Fund capital assets, net	<u>6,577,020</u>				<u>9,877,709</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	-	-	-	31,000
Construction in progress	965,439	1,048,418	-	-	2,013,857
Total non-depreciable capital assets	<u>996,439</u>	<u>1,048,418</u>	<u>-</u>	<u>-</u>	<u>2,044,857</u>
Depreciable Capital Assets:					
Buildings	253,559	-	-	-	253,559
Lines	4,307,466	169,240	-	-	4,476,706
Equipment	1,924,616	122,649	-	-	2,047,265
Vehicles	405,816	-	-	(23,740)	382,076
Total depreciable capital assets	<u>6,891,457</u>	<u>291,889</u>	<u>-</u>	<u>(23,740)</u>	<u>7,159,606</u>
Less Accumulated Depreciation:					
Buildings	87,219	12,678	-	-	99,897
Lines	2,143,547	131,090	-	-	2,274,637
Equipment	954,923	115,491	-	-	1,070,414
Vehicles	286,349	42,313	-	(23,740)	304,922
Total accumulated depreciation	<u>3,472,038</u>	<u>301,572</u>	<u>-</u>	<u>(23,740)</u>	<u>3,749,870</u>
Total depreciable capital assets, net	<u>3,419,419</u>				<u>3,409,736</u>
Gas Fund capital assets, net	<u>4,415,858</u>				<u>5,454,593</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	-	-	-	23,907
Other improvements	125,780	14,344	-	-	140,124
Equipment	311,434	-	-	-	311,434
Vehicles	113,754	-	-	-	113,754
Total depreciable capital assets	<u>574,875</u>	<u>14,344</u>	<u>-</u>	<u>-</u>	<u>589,219</u>
Less Accumulated Depreciation:					
Buildings	9,021	1,195	-	-	10,216
Other improvements	30,737	6,813	-	-	37,550
Equipment	270,824	14,357	-	-	285,181
Vehicles	113,753	-	-	-	113,753
Total accumulated depreciation	<u>424,335</u>	<u>22,365</u>	<u>-</u>	<u>-</u>	<u>446,700</u>
Total depreciable capital assets, net	<u>150,540</u>				<u>142,519</u>
Stormwater Fund capital assets, net	<u>150,540</u>				<u>142,519</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	11,151,408				20,353,605
Depreciable capital assets, net of depreciation	50,152,863				47,801,868
Total capital assets being amortized, net	3,137				1,446
Total business-type capital assets, net	<u>\$ 61,307,408</u>				<u>\$ 68,156,919</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2023 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 13,126,608	\$ 68,156,919
Long-term debt	(1,688,607)	(26,951,078)
Add unspent debt proceeds	-	1,006,320
Net investment in capital assets	<u>\$ 11,438,001</u>	<u>\$ 42,212,161</u>

Construction Commitments

The government has active construction projects as of June 30, 2023. 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	\$ 2,220,173	\$ -
Lift Station KM Blvd	1,610,894	1,138,410
Electric projects	5,366,480	291,509
Gas projects	1,897,427	50,455

ABC Board

Activity for the ABC Board for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Non-Depreciable Capital Assets:				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
Depreciable Capital Assets:				
Buildings and improvements	521,933	-	-	521,933
Equipment	112,658	9,821	(3,892)	118,587
Total depreciable capital assets	<u>634,591</u>	<u>9,821</u>	<u>(3,892)</u>	<u>640,520</u>
Less Accumulated Depreciation:				
Buildings and improvements	235,825	7,642	-	243,467
Equipment	46,227	8,484	(3,892)	50,819
Total accumulated depreciation	<u>282,052</u>	<u>16,126</u>	<u>(3,892)</u>	<u>294,286</u>
Total depreciable capital assets, net	<u>352,539</u>			<u>346,234</u>
ABC Board capital assets, net	<u>\$ 431,414</u>			<u>\$ 425,109</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2023 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>TDA</u>	<u>Total</u>
Governmental Activities:					
General	\$ 336,603	\$ 199,008	\$ 20,000	\$ 16,416	\$ 572,027
Special revenue fund	3,201	-	-	-	3,201
Internal service funds	160,631	-	-	-	160,631
Total governmental activities	<u>\$ 500,435</u>	<u>\$ 199,008</u>	<u>\$ 20,000</u>	<u>\$ 16,416</u>	<u>\$ 735,859</u>
Business-Type Activities:					
Water and sewer	\$ 397,629	\$ 29,178	\$ 5,000	\$ -	\$ 431,807
Electric	993,982	27,977	170,000	-	1,191,959
Gas	204,100	20,449	41,000	-	265,549
Stormwater	15,511	5,080	-	-	20,591
Total business-type activities	<u>\$ 1,611,222</u>	<u>\$ 82,684</u>	<u>\$ 216,000</u>	<u>\$ -</u>	<u>\$ 1,909,906</u>

As of June 30, 2023, 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, 2023

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, 2023, was 12.20% of compensation for law enforcement officers and 13.04% 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 \$1,326,372 for the year ended June 30, 2023.

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, 2023**

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

At June 30, 2023, the City reported a liability of \$6,867,875 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the City's proportion was 0.12174%, (measured as of June 30, 2022), which was a decrease of 0.007410% from its proportion as of June 30, 2022 (Measured as of June 30, 2021).

For the year ended June 30, 2023, the City recognized pension expense of \$1,961,942. At June 30, 2023, 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	\$ 295,930	\$ 29,014
Changes of assumptions	685,260	-
Net difference between projected and actual earnings on pension plan investments	2,269,904	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,988	191,813
City contributions subsequent to the measurement date	<u>1,326,372</u>	<u>-</u>
Total	<u>\$ 4,630,454</u>	<u>\$ 220,827</u>

\$1,326,372 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, 2024. 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
2024	\$ 993,987
2025	797,130
2026	210,714
2027	1,081,424
2028	-
Thereafter	-
Total	<u>\$ 3,083,255</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Actuarial Assumptions. The total pension liability in the December 31, 2021 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 actuary 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, 2021 valuation were based on the results of an actuarial experience prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u>100%</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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)	\$ 12,395,629	\$ 6,867,875	\$ 2,312,684

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, 2023

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Active plan members	<u>32</u>
Total	<u><u>36</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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2021, 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
FOR THE YEAR ENDED JUNE 30, 2023**

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 \$78,588 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, 2023, the City reported a total pension liability of \$1,394,763. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$158,733.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 87,554	\$ 123,114
Changes of assumptions	250,906	229,666
City benefit payments and plan administrative expense made subsequent to the measurement date	45,474	-
Total	\$ 383,934	\$ 352,780

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

\$45,474 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2024	\$ 43,890
2025	39,024
2026	5,218
2027	(74,465)
2028	(27,987)
Thereafter	-
Total	\$ (14,320)

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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 1,505,465	\$ 1,394,763	\$ 1,294,228

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

	2023
Beginning balance	\$ 1,685,091
Service cost	76,922
Interest on the total pension liability	37,030
Differences between expected and actual experience in the measurement of the total pension liability	(85,640)
Changes of assumptions or other inputs	(240,052)
Benefit payments	(78,588)
Ending balance of the total pension liability	\$ 1,394,763

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2021 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:

	LGERS	LEOSSA	Total
Pension expense	\$ 1,961,942	\$ 158,733	\$ 2,120,675
Pension liability	6,867,875	1,394,763	8,262,638
Proportionate share of the net pension liability	0.12174%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 295,930	\$ 87,554	\$ 383,484
Changes of assumptions	685,260	250,906	936,166
Net difference between projected and actual earnings on plan investments	2,269,904	-	2,269,904
Changes in proportion and differences between contributions and proportionate share of contributions	52,988	-	52,988
Benefit payments and administrative costs paid subsequent to the measurement date	1,326,372	45,474	1,371,846
Total deferred outflows of resources	\$ 4,630,454	\$ 383,934	\$ 5,014,388

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ 29,014	\$ 123,114	\$ 152,128
Changes of assumptions	-	229,666	229,666
Changes in proportion and differences between contributions and proportionate share of contributions	191,813	-	191,813
Total deferred inflows of resources	\$ 220,827	\$ 352,780	\$ 573,607

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 \$131,676 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 \$545,500 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2022, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	37
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	175
Total	212

Total OPEB Liability

The City’s total OPEB liability of \$11,687,693 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2022 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	3.54 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2022 decreasing to an ultimate rate of 4.50 percent by 2032
Medicare	5.125 percent for 2022 decreasing to an ultimate rate of 4.50 percent by 2025

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 14,689,355
Changes for the year	
Service cost	704,440
Interest	327,159
Differences between expected and actual experience	(808,488)
Changes in assumptions or other inputs	(2,726,989)
Benefit payments	(497,784)
Net changes	(3,001,662)
Balance at June 30, 2023	\$ 11,687,693

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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, 2022 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, 2022, valuation were based on review of recent plan experience performed concurrently with the June 30, 2022, valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 13,785,009	\$ 11,687,693	\$ 10,038,085

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 9,849,497	\$ 11,687,693	\$ 14,095,757

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$676,235. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,130	\$ 1,282,248
Changes of assumptions	2,199,410	3,023,332
City benefit payments and plan administrative expense made subsequent to the measurement date	250,318	-
Total	\$ 2,516,858	\$ 4,305,580

\$250,318 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	Amount
June 30	
2024	\$ (355,364)
2025	(355,364)
2026	(310,880)
2027	(220,828)
2028	(142,327)
Thereafter	(654,277)
Total	\$ (2,039,040)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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:

Source	Amount
Contributions to pension plan in current fiscal year (LGERS)	\$ 1,326,372
Benefit payments made for LEOSSA subsequent to measurement date	45,474
Difference between expected and actual experience - Pensions & OPEB	450,614
Changes of assumptions - Pensions	936,166
Benefit payments for OPEB subsequent to measurement date	250,318
Net difference between projected and actual - Pensions	2,269,904
Changes of assumptions - OPEB	2,199,410
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	52,988
Total	\$ 7,531,246

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deferred Inflows:		
Taxes receivable, net (General Fund)	\$ -	\$ 85,661
Differences between expected and actual experience - Pensions & OPEB	1,434,376	-
Change in assumptions - Pensions & OPEB	3,252,998	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	191,813	-
Leases	135,170	135,170
Total	<u>\$ 5,014,357</u>	<u>\$ 220,831</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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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. As of June 30, 2023, the Finance Officer was bonded for \$100,000 and the remaining employees that have access to funds were bonded under a blanket bond for \$250,000. Effective with the bond renewal on July 21, 2023 the City increased the bonding for the Finance Officer to \$1,000,000 in order to comply with S.L. 2022-53, Section 9(a).

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:

	2023	2022
Unpaid claims, beginning	\$ 375,000	\$ 375,000
Incurred claims	2,535,375	2,841,668
Claim payments	(2,840,614)	(2,841,668)
Unpaid claims, ending	\$ 69,761	\$ 375,000

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

	2023	2022
Unpaid claims, beginning	\$ 116,249	\$ 100,000
Incurred claims	501,690	295,431
Claim payments	(527,939)	(279,182)
Unpaid claims, ending	\$ 90,000	\$ 116,249

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Claims, Judgments, and Contingent Liabilities

At June 30, 2023, 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.

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.

Governmental Activities

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, 2023, the value of the lease liability is \$624. 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 \$2,948 is included with equipment on the Lease Class Activities in the capital asset table.

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, 2023, the value of the lease liability is \$1,908. 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, 2023 of \$5,077 with accumulated amortization of \$3,207 is included with equipment on the Lease Class Activities in the capital asset table.

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, 2023, the value of the lease liability is \$4,895. 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, 2023 of \$9,599 with accumulated amortization of \$4,799 is included with equipment on the Lease Class Activities in the capital asset table.

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, 2023, the value of the lease liability is \$1,952. 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, 2023 of \$3,503 with accumulated amortization of \$1,586 is included with equipment on the Lease Class Activities in the capital asset table.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the value of the lease liability is \$2,344. 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, 2023 of \$3,881 with accumulated amortization of \$1,579 is included with equipment on the Lease Class Activities in the capital asset table.

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, 2023, the value of the lease liability is \$1,340. 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, 2023 of \$2,627 with accumulated amortization of \$1,314 is included with equipment on the Lease Class Activities in the capital asset table.

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, 2023, the value of the lease liability is \$2,642. 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, 2023 of \$3,480 with accumulated amortization of \$870 is included with equipment on the Lease Class Activities in the capital asset table.

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, 2023, the value of the lease liability is \$2,642. 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, 2023 of \$3,480 with accumulated amortization of \$870 is included with Equipment on the Lease Class activities in the capital asset table.

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 \$11,948. As of June 30, 2023, the value of the lease liability is \$6,253. The City of Kings Mountain is required to make monthly fixed principal and interest payments of \$347. 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, 2023 of \$11,604 with accumulated amortization of \$5,121 is included with vehicle on the Lease Class Activities in the capital asset table.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Business-Type Activities:

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, 2023, the value of the lease liability is \$1,417. 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, 2023 of \$2,892 with accumulated amortization of \$1,446 is included with equipment on the Lease Class Activities in the capital asset table.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending	Governmental Activities			Business-Type Activities			
	June 30	Principal	Interest	Total	Principal	Interest	Total
2024	\$	12,312	\$ 435	\$ 12,747	\$ 716	\$ 23	\$ 739
2025		8,680	171	8,851	701	8	709
2026		2,521	47	2,568	-	-	-
2027		1,087	9	1,096	-	-	-
Total	\$	24,600	\$ 662	\$ 25,262	\$ 1,417	\$ 31	\$ 1,448

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Subscriptions

For the year ended June 30, 2023 the City implemented the requirements of the GASB Statement No. 96, Subscription-Based Information technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

Subscriptions in affect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the Subscription after July 1, 2022. Five such agreements were in place at June 30, 2022.

On July 1, 2022, the City of Kings Mountain entered into a 36-month Subscription for the use of Axon. An initial subscription liability was recorded in the amount of \$98,816. As of June 30, 2023, the value of the subscription liability is \$72,823. The City of Kings Mountain is required to make Annual fixed principal and interest payments of \$25,993. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2023 of \$95,016 with accumulated amortization of \$16,469 is included with IT subscription Class activities in the capital assets table.

On July 1, 2022, the City of Kings Mountain entered into a 48-month Subscription for the use of a Harris - hosted services. An initial subscription liability was recorded in the amount of \$82,580. As of June 30, 2023, the value of the subscription liability is \$40,580. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$42,000. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2023 of \$82,580 with accumulated amortization of \$41,290 is included with IT subscription Class activities in the capital assets table.

On July 1, 2022, the City of Kings Mountain entered into a 48-month Subscription for the use of Katalyst/Cisco. An initial subscription liability was recorded in the amount of \$4,408. As of June 30, 2023, the value of the subscription liability is \$3,362. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$1,200. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2023 of \$4,408 with accumulated amortization of \$1,102 is included with IT subscription Class activities in the capital assets table.

On July 1, 2022, the City of Kings Mountain entered into a 48-month Subscription for the use of Softdocs. An initial subscription liability was recorded in the amount of \$28,089. As of June 30, 2023, the value of the subscription liability is \$0. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$28,089. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2023 of \$28,089 with accumulated amortization of \$28,089 is included with IT subscription Class activities in the capital assets table.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

On December 1, 2022, the City of Kings Mountain entered into a 24-month Subscription for the use of Power DMS. An initial subscription liability was recorded in the amount of \$22,043. As of June 30, 2023, the value of the subscription liability is \$11,634. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$10,408. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2023 of \$25,843 with accumulated amortization of \$12,922 is included with IT subscription Class activities in the capital assets table.

The future minimum lease obligations and the net present value of these minimum payments as of June 30, 2023 were as follows for IT subscriptions:

Year Ending	Governmental Activities		
	June 30	Principal	Interest
2024	\$ 76,741	\$ 4,494	\$ 81,235
2025	25,385	1,808	27,193
2026	26,273	920	27,193
Total	<u>\$ 128,399</u>	<u>\$ 7,222</u>	<u>\$ 135,621</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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:

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	\$ 204,900
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	76,398
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	33,310
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	147,867
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	236,633
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	186,791
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	77,363
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	197,237
Home Trust Bank \$375,109 note payable in April 2023 for garbage trucks, due in annual payments of \$81,848, plus interest at 3.59% through April 2028	<u>375,109</u>
Total governmental activities	<u>\$ 1,535,608</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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	\$ 2,815,283
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	7,258,629
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	8,603,504
BB&T \$599,980 note payable in November 2014 for spillway project, due in annual payments, including interest at 2.59% through November 2023	59,998
Home Trust \$465,306 note payable in January 2023 for a Jet Vac truck, due in annual payments of \$81,423, including interest at 1.41% through January 2029	<u>465,306</u>
Total Water and Sewer Fund	<u>19,202,720</u>

Electric Fund:

Truist Bank \$5,679,468 note payable in September 2023 for Substation, due in Semi-annual payments of \$321,801, plus interest at 3.12% through September 2038	5,679,468
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	89,631
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>197,885</u>
Total Electric Fund	<u>5,966,984</u>

Gas Fund:

Truist Bank \$1,316,532 note payable in September 2023 for Gas Connector, due in Semi-annual payments of \$74,595, plus interest at 3.12% through September 2038	1,316,533
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	31,191
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>432,233</u>
Total Gas Fund	<u>1,779,957</u>
Total business-type activities	<u><u>\$ 26,949,661</u></u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Governmental Activities:

The City's outstanding note from direct placements related to governmental activities of \$204,900, 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 \$76,398, 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 \$33,310, 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 \$186,791, 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 \$236,633 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 \$77,363, 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.

The City's outstanding note from direct placements related to governmental activities of \$197,237, 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 \$147,867, 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 \$375,109 from Home Trust Bank, 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 Home Trust Bank.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Business-Type Activities:

Water and Sewer Fund:

The City's outstanding note from direct borrowings related to business-type activities of \$2,815,283, 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 \$7,258,629, 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 \$8,603,504, 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 \$59,998, 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.

The City's outstanding note from direct placements related to business-type activities of \$465,306, from Home Trust Bank, is secured with the property acquired as collateral, a Jet Vac Truck. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral to Home Trust Bank.

Electric Fund:

The City's outstanding note from direct placements related to business-type activities of \$5,679,468, from Truist Bank, is secured with the property acquired as collateral, a Substation. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Truist Bank.

The City's outstanding note from direct placements related to business-type activities of \$197,885, from Home Trust Bank, is secured with the property acquired as collateral, a Line 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 lease purchase from direct placements related to business-type activities of \$89,631, 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Business-Type Activities (continued):

Gas Fund:

The City's outstanding note from direct placements related to business-type activities of \$31,191, 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 \$432,233, 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 City's outstanding note from direct placements related to business-type activities of \$1,316,533, from Truist Bank, is secured with the property acquired as collateral for the Gas Connector. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Truist Bank.

The future minimum payments of the notes payable related to direct placements and direct borrowings as of June 30, 2023 are as follows:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30				
2024	\$ 543,560	\$ 30,029	\$ 2,435,058	\$ 332,010
2025	410,448	23,857	2,381,779	212,884
2026	335,127	14,070	2,237,203	190,985
2027	167,461	7,650	2,083,184	172,700
2028	79,012	2,837	2,084,286	156,546
2029-2033	-	-	10,105,848	546,819
2034-2038	-	-	5,622,303	169,351
Total	\$ 1,535,608	\$ 78,443	\$ 26,949,661	\$ 1,781,295

At June 30, 2023, the City had a legal debt margin of approximately \$137,000,000.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retire ments</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Governmental Activities:					
Installation purchases - direct placements	\$ 1,779,571	\$ 375,109	\$ (619,072)	\$ 1,535,608	\$ 543,560
Lease liabilities	40,009	-	(15,409)	24,600	12,312
IT subscription liabilities	-	235,935	(107,536)	128,399	76,741
Compensated absences	468,496	265,160	(253,592)	480,064	240,032
Net pension liability - LGERS	1,452,467	3,583,974	-	5,036,441	-
OPEB obligation	10,772,194	756,506	(2,957,726)	8,570,974	-
Total pension obligation - LEO	<u>1,685,091</u>	<u>113,952</u>	<u>(404,280)</u>	<u>1,394,763</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 16,197,828</u>	<u>\$ 5,330,636</u>	<u>\$ (4,357,615)</u>	<u>\$ 17,170,849</u>	<u>\$ 872,645</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installation purchases - direct placements & direct borrowings	\$ 20,320,041	\$ 465,306	\$ (1,582,627)	\$ 19,202,720	\$ 1,657,489
Net pension liability - LGERS	254,654	628,359	-	883,013	-
OPEB obligation	1,888,631	132,634	(518,562)	1,502,703	-
Compensated absences	67,996	52,362	(50,293)	70,065	35,032
Total Water and Sewer Fund	<u>\$ 22,531,322</u>	<u>\$ 1,278,661</u>	<u>\$ (2,151,482)</u>	<u>\$ 21,658,501</u>	<u>\$ 1,692,521</u>
Electric Fund:					
Installation purchases - direct placements	\$ 437,812	\$ 5,679,468	\$ (150,296)	\$ 5,966,984	\$ 501,144
Leases liabilities	3,105	-	(1,688)	1,417	716
Net pension liability - LGERS	141,474	349,089	-	490,563	-
OPEB obligation	1,049,240	73,686	(288,090)	834,836	-
Compensated absences	68,710	44,126	(39,288)	73,548	36,774
Total Electric Fund	<u>\$ 1,700,341</u>	<u>\$ 6,146,369</u>	<u>\$ (479,362)</u>	<u>\$ 7,367,348</u>	<u>\$ 538,634</u>
Gas Fund:					
Installation purchases - direct placements	\$ 645,233	\$ 1,316,532	\$ (181,808)	\$ 1,779,957	\$ 276,425
Net pension liability - LGERS	94,316	232,724	-	327,040	-
OPEB obligation	699,493	49,124	(192,060)	556,557	-
Compensated absences	32,332	28,747	(20,913)	40,166	20,083
Total Gas Fund	<u>\$ 1,471,374</u>	<u>\$ 1,627,127</u>	<u>\$ (394,781)</u>	<u>\$ 2,703,720</u>	<u>\$ 296,508</u>
Stormwater Fund:					
Net pension liability - LGERS	\$ 37,726	\$ 93,092	\$ -	\$ 130,818	\$ -
OPEB obligation	279,797	19,650	(76,824)	222,623	-
Compensated absences	10,677	12,500	(7,823)	15,354	7,677
Total Stormwater Fund	<u>\$ 328,200</u>	<u>\$ 125,242</u>	<u>\$ (84,647)</u>	<u>\$ 368,795</u>	<u>\$ 7,677</u>
Total Business-Type Activities:					
Installation purchases - direct placements & direct borrowings	\$ 21,403,086	\$ 7,461,306	\$ (1,914,731)	\$ 26,949,661	\$ 2,435,058
Lease liabilities	3,105	-	(1,688)	1,417	716
Net pension liability - LGERS	528,170	1,303,264	-	1,831,434	-
OPEB obligation	3,917,161	275,094	(1,075,536)	3,116,719	-
Compensated absences	179,715	137,735	(118,317)	199,133	99,566
Total business-type activities long-term liabilities	<u>\$ 26,031,237</u>	<u>\$ 9,177,399</u>	<u>\$ (3,110,272)</u>	<u>\$ 32,098,364</u>	<u>\$ 2,535,340</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 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 Capital Reserve Fund for capital expenditures	500,000
From the ARPAA Fund to the General Fund for allowable expenditures	1,752,659
From the General Fund to the Emergency Telephone System Fund to cover prior year disallowed costs by E911 Board	440
From the General Fund to the Workers Comp Internal Service Fund for claim payments	750,000
From the General Fund to the Governmental Capital Reserve Fund for capital expenditures	<u>600,000</u>
Total	<u>\$ 4,603,099</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 \$4,239 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, 2023. 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, 2023. Accounts Receivable due to the TDA from the City in the amount of \$16,416, Occupancy Tax Revenue of \$205,926 from the City to the TDA. The City and the ABC Board engaged in the following transactions during the year ended June 30, 2023. Profit distribution to the City of Kings Mountain in the amount of \$218,592.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

6. Subsequent Event

Subsequent to year end, the State of North Carolina, as part of its 2023 Appropriations Act, awarded the City of Kings Mountain a grant for wastewater infrastructure in the amount of \$39,385,000. The grant is administered through the NC DEQ Division of Water Infrastructure. The grant will be utilized to increase system treatment capacity and to provide infrastructure, both force main and gravity lines, to serve areas in the City's ETJ/Southern Cleveland County.

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SUPPLEMENTARY INFORMATION
REQUIRED SUPPLEMENTAL FINANCIAL DATA

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Beginning balance	\$ 1,685,091	\$ 1,737,355	\$ 1,023,349	\$ 948,517
Service cost	76,922	83,917	51,406	38,233
Interest on the total pension liability	37,030	33,100	32,792	33,890
Difference between expected and actual experience	(85,640)	(81,457)	159,829	8,128
Changes in assumptions or other inputs	(240,052)	(43,202)	504,902	29,504
Benefit payments	<u>(78,588)</u>	<u>(44,622)</u>	<u>(34,923)</u>	<u>(34,923)</u>
Ending balance of the total pension liability	<u>\$ 1,394,763</u>	<u>\$ 1,685,091</u>	<u>\$ 1,737,355</u>	<u>\$ 1,023,349</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 CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

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

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 SEVEN FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Total pension liability	\$ 1,394,763	\$ 1,685,091	\$ 1,737,355	\$ 1,023,349
Covered employee payroll	1,814,229	1,913,714	1,865,535	1,493,529
Total pension liability as a percentage of covered employee payroll	76.88%	88.05%	93.13%	68.52%

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 TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 948,517	\$ 893,642	\$ 837,142
Covered employee payroll	1,467,968	1,446,631	1,382,847
Total pension liability as a percentage of covered employee payroll	64.61%	61.77%	60.54%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

Other Post-Employment Benefits			
	2023	2022	2021
Service cost	\$ 704,440	\$ 738,305	\$ 510,940
Interest	327,159	316,717	407,064
Differences between expected and actual experience	(808,488)	(4,030)	(753,145)
Changes in assumptions	(2,726,989)	173,790	2,548,170
Benefit payments	(497,784)	(255,002)	(223,921)
Net change in total OPEB liability	(3,001,662)	969,780	2,489,108
Total OPEB liability - beginning	14,689,355	13,719,575	11,230,467
Total OPEB liability - ending	<u>\$ 11,687,693</u>	<u>\$ 14,689,355</u>	<u>\$ 13,719,575</u>
Covered employee payroll	\$ 8,475,101	\$ 8,837,115	\$ 8,837,115
Total OPEB liability as a percentage of covered employee payroll	137.91%	166.22%	155.25%

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
2023	3.54%
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

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS**

	Other Post-Employment Benefits		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 455,663	\$ 475,070	\$ 543,451
Interest	378,099	357,432	315,041
Differences between expected and actual experience	100,157	(184,050)	39,402
Changes in assumptions	725,903	(702,174)	(1,107,040)
Benefit payments	<u>(295,437)</u>	<u>(238,777)</u>	<u>(196,028)</u>
Net change in total OPEB liability	1,364,385	(292,499)	(405,174)
Total OPEB liability - beginning	<u>9,866,082</u>	<u>10,158,581</u>	<u>10,563,755</u>
Total OPEB liability - ending	<u>\$ 11,230,467</u>	<u>\$ 9,866,082</u>	<u>\$ 10,158,581</u>
Covered employee payroll	\$ 7,417,747	\$ 7,417,747	\$ 6,325,862
Total OPEB liability as a percentage of covered employee payroll	151.40%	133.01%	160.59%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
Proportion of the net pension liability (asset) (%)	0.12174%	0.12915%	0.13334%	0.12123%	0.12386%
Proportion of the net pension liability (asset) (\$)	\$ 6,867,875	\$ 1,980,637	\$ 4,764,806	\$ 3,310,698	\$ 2,938,382
Covered payroll	\$ 9,401,670	\$ 9,234,171	\$ 9,200,402	\$ 8,368,291	\$ 8,090,102
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	73.05%	21.45%	51.79%	39.56%	36.32%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.11773%	0.12219%	0.11936%	0.11345%	0.10970%
Proportion of the net pension liability (asset) (\$)	\$ 1,798,588	\$ 2,593,281	\$ 535,681	\$ (669,066)	\$ 1,322,306
Covered payroll	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526	\$ 6,371,903
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.36%	36.27%	7.73%	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,326,372	\$ 1,084,276	\$ 952,213	\$ 839,297	\$ 660,622
Contributions in relation to the contractually required contribution	<u>1,326,372</u>	<u>1,084,276</u>	<u>952,213</u>	<u>839,297</u>	<u>660,622</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,734,766	\$ 9,401,670	\$ 9,234,171	\$ 9,200,402	\$ 8,368,291
Contributions as a percentage of covered payroll	12.36%	11.53%	10.31%	9.12%	7.89%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 617,811	\$ 545,783	\$ 483,200	\$ 493,511	\$ 471,343
Contributions in relation to the contractually required contribution	<u>617,811</u>	<u>545,783</u>	<u>483,200</u>	<u>493,511</u>	<u>471,343</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 8,090,102	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526
Contributions as a percentage of covered payroll	7.64%	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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	2023		Variance Over/Under	2022
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 7,250,000	\$ 7,875,768	\$ 625,768	\$ 6,903,500
Penalties and interest	10,000	13,456	3,456	21,272
Total ad valorem taxes	<u>7,260,000</u>	<u>7,889,224</u>	<u>629,224</u>	<u>6,924,772</u>
Other Taxes:				
Local option sales tax	3,085,000	3,177,047	92,047	2,933,079
Hold-harmless sales tax	909,000	912,637	3,637	867,991
Utilities franchise tax	1,060,000	1,067,033	7,033	1,019,612
Payments in lieu of taxes	552,500	595,840	43,340	419,078
Miscellaneous	300,000	291,667	(8,333)	286,806
Total other taxes	<u>5,906,500</u>	<u>6,044,224</u>	<u>137,724</u>	<u>5,526,566</u>
Restricted Intergovernmental:				
Powell Bill allocation	350,000	352,062	2,062	350,490
Federal government grants	96,480	113,077	16,597	86,989
State government grants	25,000	20,919	(4,081)	62,173
Local government grants	506,921	583,622	76,701	487,431
Total restricted intergovernmental	<u>978,401</u>	<u>1,069,680</u>	<u>91,279</u>	<u>987,083</u>
Permits and Fees:				
Privilege licenses	-	761	761	859
General permits	250,000	418,885	168,885	281,304
Total permits and fees	<u>250,000</u>	<u>419,646</u>	<u>169,646</u>	<u>282,163</u>
Sales and Services:				
Lake authority income	381,500	423,027	41,527	417,087
Disposal fee revenue	1,500,000	1,537,897	37,897	1,534,177
Cemetery income	125,000	175,265	50,265	156,215
Lease revenue	-	-	-	26,053
Recreation	37,500	117,332	79,832	56,725
Total sales and services	<u>2,044,000</u>	<u>2,253,521</u>	<u>209,521</u>	<u>2,190,257</u>
Investment Earnings:				
Interest income (loss)	60,000	991,176	931,176	45,592
Interest income (loss) - Powell Bill	-	405	405	328
Total investment earnings	<u>60,000</u>	<u>991,581</u>	<u>931,581</u>	<u>45,920</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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		Variance Over/Under	2022
	Budget	Actual		Actual
Miscellaneous:				
Library	3,500	15,056	11,556	15,014
Sale of capital assets	25,000	41,507	16,507	33,181
Court costs and jail fees	3,000	3,016	16	3,015
Interest on lease receivable	-	-	-	796
Other revenues	128,975	250,729	121,754	199,411
Total miscellaneous	160,475	310,308	149,833	251,417
Total revenues	16,659,376	18,978,184	2,318,808	16,208,178
Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	449,800	423,028	26,772	386,045
Operating expenses	182,500	164,463	18,037	136,545
Charges to other funds	(135,000)	(135,000)	-	(130,387)
Total	497,300	452,491	44,809	392,203
Administration and Finance:				
Salaries and employee benefits	1,370,980	1,294,017	76,963	1,000,737
Operating expenses	602,368	595,102	7,266	550,735
Charges to other funds	(1,230,465)	(1,230,465)	-	(1,279,061)
Capital outlay	200,000	65,924	134,076	68,642
Total	942,883	724,578	218,305	341,053
Human Resources:				
Salaries and employee benefits	358,200	289,548	68,652	303,111
Operating expenses	122,103	83,021	39,082	119,887
Charges to other funds	(120,175)	(120,175)	-	(104,093)
Total	360,128	252,394	107,734	318,905
Elections Board:				
Operating expenses	6,000	-	6,000	-

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Garage:				
Salaries and employee benefits	381,198	329,153	52,045	229,453
Operating expenses	65,800	63,456	2,344	56,475
Total	446,998	392,609	54,389	285,928
Public Works:				
Salaries and employee benefits	279,328	254,292	25,036	223,519
Operating expenses	90,000	59,590	30,410	47,708
Capital outlay	243,000	189,077	53,923	10,420
Total	612,328	502,959	109,369	281,647
Information Technology:				
Salaries and employee benefits	300,874	287,271	13,603	238,808
Operating expenses	262,800	197,365	65,435	160,541
Charges to other departments	(264,360)	(264,360)	-	(241,458)
Total	299,314	220,276	79,038	157,891
Total general government	3,164,951	2,545,307	619,644	1,777,627
Public Safety:				
Police:				
Salaries and employee benefits	4,264,500	3,781,366	483,134	3,540,714
Operating expenses	807,278	725,211	82,067	702,737
Capital outlay	293,757	286,497	7,260	134,776
Total	5,365,535	4,793,074	572,461	4,378,227
Fire:				
Salaries and employee benefits	1,866,755	1,687,252	179,503	1,625,211
Operating expenses	389,300	239,580	149,720	236,725
Capital outlay	-	-	-	40,506
Total	2,256,055	1,926,832	329,223	1,902,442
Inspections and Codes:				
Salaries and employee benefits	357,425	329,591	27,834	321,381
Operating expenses	167,000	94,021	72,979	64,007
Total	524,425	423,612	100,813	385,388
Total public safety	8,146,015	7,143,518	1,002,497	6,666,057

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		Variance Over/Under	2022
	Budget	Actual		Actual
Transportation:				
Streets:				
Salaries and employee benefits	1,271,455	1,118,144	153,311	944,521
Operating expenses	339,219	320,396	18,823	202,994
Capital outlay	550,181	118,634	431,547	35,369
Total	2,160,855	1,557,174	603,681	1,182,884
Streets - Powell Bill:				
Operating expenses	468,000	450,239	17,761	302,258
Total transportation	2,628,855	2,007,413	621,442	1,485,142
Economic and Physical Development:				
Main Street:				
Salaries and employee benefits	-	-	-	25,792
Operating expenses	-	-	-	40,171
Total	-	-	-	65,963
Planning:				
Salaries and employee benefits	521,228	449,260	71,968	329,835
Operating expenses	371,671	299,317	72,354	294,480
Capital outlay	10,000	10,192	(192)	-
Total	902,899	758,769	144,130	624,315
Total economic and physical development	902,899	758,769	144,130	690,278
Environmental Protection:				
Solid Waste:				
Salaries and employee benefits	696,304	616,187	80,117	469,903
Operating expenses	876,100	835,001	41,099	697,990
Capital outlay	471,000	468,109	2,891	-
Total	2,043,404	1,919,297	124,107	1,167,893

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		Variance Over/Under	2022
	Budget	Actual		Actual
Cemetery:				
Salaries and employee benefits	184,055	163,704	20,351	143,352
Operating expenses	39,900	32,972	6,928	21,338
Capital outlay	-	-	-	9,650
Total	<u>223,955</u>	<u>196,676</u>	<u>27,279</u>	<u>174,340</u>
Total environmental protection	<u>2,267,359</u>	<u>2,115,973</u>	<u>151,386</u>	<u>1,342,233</u>
Culture and Recreation:				
Library:				
Salaries and employee benefits	481,776	459,657	22,119	420,628
Operating expenses	339,480	286,424	53,056	235,208
Capital outlay	-	-	-	185,422
Total	<u>821,256</u>	<u>746,081</u>	<u>75,175</u>	<u>841,258</u>
Parks and Recreation:				
Operating expenses	757,500	751,324	6,176	638,731
Capital outlay	46,500	-	46,500	-
Total	<u>804,000</u>	<u>751,324</u>	<u>52,676</u>	<u>638,731</u>
Senior Services:				
Salaries and employee benefits	464,291	436,512	27,779	413,651
Operating expenses	304,598	207,466	97,132	226,935
Capital outlay	85,000	79,500	5,500	69,449
Total	<u>853,889</u>	<u>723,478</u>	<u>130,411</u>	<u>710,035</u>
Marketing, Tourism and Events:				
Salaries and employee benefits	268,843	250,779	18,064	160,925
Operating expenses	369,500	357,981	11,519	316,537
Capital outlay	52,221	51,927	294	54,745
Total	<u>690,564</u>	<u>660,687</u>	<u>29,877</u>	<u>532,207</u>
Lake Authority:				
Salaries and employee benefits	266,343	261,767	4,576	191,872
Operating expenses	94,268	80,716	13,552	56,216
Capital outlay	165,500	162,856	2,644	3,480
Total	<u>526,111</u>	<u>505,339</u>	<u>20,772</u>	<u>251,568</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, 2023

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

	2023		Variance Over/Under	2022
	Budget	Actual		Actual
Tourism Development Authority (TDA):				
Operating expenses	220,000	199,749	20,251	201,255
Total	220,000	199,749	20,251	201,255
Total culture and recreation	3,915,820	3,586,658	329,162	3,175,054
Debt Service:				
Principal retirement and lease liability payments	742,017	742,017	-	805,245
Interest and fees	83,065	37,351	45,714	46,649
Total debt service	825,082	779,368	45,714	851,894
Total expenditures	21,850,981	18,937,006	2,913,975	15,988,285
Revenues over (under) expenditures	(5,191,605)	41,178	5,232,783	219,893
Other Financing Sources (Uses):				
Transfers from other funds:				
Electric Fund	1,000,000	1,000,000	-	1,000,000
Governmental Capital Reserve Fund	839,000	-	(839,000)	-
ARPA Fund	1,750,000	1,752,659	2,659	1,749,968
Transfers to other funds:				
Governmental Capital Reserve Fund	(600,000)	(600,000)	-	(400,000)
Emergency Telephone Special Revenue Fund	(450)	(440)	10	(1,837)
Cemetery Fund	(5,000)	-	5,000	-
Capital Project Fund	-	-	-	(850,000)
Workers' Compensation Fund	(750,000)	(750,000)	-	-
Appropriated fund balance	2,559,055	-	(2,559,055)	-
Issuance of debt	375,109	375,109	-	-
IT subscription liabilities issued	23,891	22,043	(1,848)	18,562
Total other financing sources (uses)	5,191,605	1,799,371	(3,392,234)	1,516,693

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Net change in fund balance	\$ -	1,840,549	\$ 1,840,549	1,736,586
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of SBITA standard				
IT subscription liabilities issued		213,892		39,578
Capital outlay		(213,892)		(39,578)
Fund Balance:				
Beginning of year - July 1		<u>11,669,757</u>		<u>9,933,171</u>
End of year - June 30		<u>\$ 13,510,306</u>		<u>\$ 11,669,757</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	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	\$ 65,156	\$ -	\$ 3,486,267	\$ 82,844	\$ 79,662
Cash and cash equivalents, restricted	-	-	-	-	-
Due from other governments	6,639	-	-	-	-
Total assets	<u>\$ 71,795</u>	<u>\$ -</u>	<u>\$ 3,486,267</u>	<u>\$ 82,844</u>	<u>\$ 79,662</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 3,201	\$ -	\$ -	\$ -	\$ -
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	-	-
Restricted:					
Stabilization by state statute	6,639	-	-	-	-
Public safety	61,955	-	-	-	-
Senior Center project	-	-	-	-	79,662
Economic Development	-	-	3,486,267	-	-
Library project	-	-	-	82,844	-
Committed:					
General government	-	-	-	-	-
Total fund balances	<u>68,594</u>	<u>-</u>	<u>3,486,267</u>	<u>82,844</u>	<u>79,662</u>
Total liabilities and fund balances	<u>\$ 71,795</u>	<u>\$ -</u>	<u>\$ 3,486,267</u>	<u>\$ 82,844</u>	<u>\$ 79,662</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	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	\$ 4,018,662	\$ 400	\$ 133,146	\$ -	\$ 7,866,137
Cash and cash equivalents, restricted	-	-	-	19,232	19,232
Due from other governments	-	-	-	-	6,639
Total assets	<u>\$ 4,018,662</u>	<u>\$ 400</u>	<u>\$ 133,146</u>	<u>\$ 19,232</u>	<u>\$ 7,892,008</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,201
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	19,232	19,232
Restricted:					
Stabilization by state statute	-	-	-	-	6,639
Public safety	-	-	-	-	61,955
Senior Center project	-	-	-	-	79,662
Economic Development	-	-	-	-	3,486,267
Library project	-	-	-	-	82,844
Committed:					
General government	<u>4,018,662</u>	<u>400</u>	<u>133,146</u>	<u>-</u>	<u>4,152,208</u>
Total fund balances	<u>4,018,662</u>	<u>400</u>	<u>133,146</u>	<u>19,232</u>	<u>7,888,807</u>
Total liabilities and fund balances	<u>\$ 4,018,662</u>	<u>\$ 400</u>	<u>\$ 133,146</u>	<u>\$ 19,232</u>	<u>\$ 7,892,008</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, 2023

	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	\$ -	\$ -	\$ 962,775	\$ -	\$ -
Restricted intergovernmental	79,664	1,749,968	-	-	-
Investment earnings	202	1,424	13,193	128	312
Total revenues	<u>79,866</u>	<u>1,751,392</u>	<u>975,968</u>	<u>128</u>	<u>312</u>
Expenditures:					
Current:					
Economic and physical development	-	-	355,464	-	-
Public safety	94,072	-	-	-	-
Total expenditures	<u>94,072</u>	<u>-</u>	<u>355,464</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(14,206)</u>	<u>1,751,392</u>	<u>620,504</u>	<u>128</u>	<u>312</u>
Other Financing Sources (Uses):					
Transfers in	440	-	-	-	-
Transfers out	-	(1,752,659)	-	-	-
Total other financing sources (uses)	<u>440</u>	<u>(1,752,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(13,766)	(1,267)	620,504	128	312
Fund Balances:					
Beginning of year - July 1	<u>82,360</u>	<u>1,267</u>	<u>2,865,763</u>	<u>82,716</u>	<u>79,350</u>
End of year - June 30	<u>\$ 68,594</u>	<u>\$ -</u>	<u>\$ 3,486,267</u>	<u>\$ 82,844</u>	<u>\$ 79,662</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, 2023

	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	\$ -	\$ -	\$ -	\$ -	\$ 962,775
Restricted intergovernmental	-	532,017	-	-	2,361,649
Investment earnings	13,097	353	1,059	39	29,807
Total revenues	<u>13,097</u>	<u>532,370</u>	<u>1,059</u>	<u>39</u>	<u>3,354,231</u>
Expenditures:					
Current:					
Economic and physical development	-	532,099	1,555,743	3,918	2,447,224
Public safety	-	-	-	-	94,072
Total expenditures	<u>-</u>	<u>532,099</u>	<u>1,555,743</u>	<u>3,918</u>	<u>2,541,296</u>
Revenues over (under) expenditures	<u>13,097</u>	<u>271</u>	<u>(1,554,684)</u>	<u>(3,879)</u>	<u>812,935</u>
Other Financing Sources (Uses):					
Transfers in	1,100,000	-	-	-	1,100,440
Transfers out	-	-	-	-	(1,752,659)
Total other financing sources (uses)	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(652,219)</u>
Net change in fund balances	1,113,097	271	(1,554,684)	(3,879)	160,716
Fund Balances:					
Beginning of year - July 1	<u>2,905,565</u>	<u>129</u>	<u>1,687,830</u>	<u>23,111</u>	<u>7,728,091</u>
End of year - June 30	<u>\$ 4,018,662</u>	<u>\$ 400</u>	<u>\$ 133,146</u>	<u>\$ 19,232</u>	<u>\$ 7,888,807</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, 2023**

	2023		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 80,000	\$ 79,664	\$ (336)
Investment earnings	-	202	202
Total revenues	<u>80,000</u>	<u>79,866</u>	<u>(134)</u>
Expenditures:			
Telephone & furniture	28,550	27,426	1,124
Capital outlay	71,450	65,357	6,093
Training	5,000	1,289	3,711
Total expenditures	<u>105,000</u>	<u>94,072</u>	<u>10,928</u>
Revenues over (under) expenditures	(25,000)	(14,206)	10,794
Other Financing Sources (Uses):			
Transfers in (out)	-	440	440
Appropriated fund balance	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(13,766)</u>	<u>\$ (13,766)</u>
Fund Balance:			
Beginning of year - July 1		<u>82,360</u>	
End of year - June 30		<u>\$ 68,594</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, 2023

	<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	\$ 3,499,936
Investment earnings	2,700	1,267	1,424	2,691
Total revenues	<u>3,502,635</u>	<u>1,751,235</u>	<u>1,751,392</u>	<u>3,502,627</u>
Revenues over (under) expenditures	3,502,635	1,751,235	1,751,392	3,502,627
Other Financing Sources (Uses):				
Transfers in (out)	<u>(3,502,635)</u>	<u>(1,749,968)</u>	<u>(1,752,659)</u>	<u>(3,502,627)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,267</u>	(1,267)	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>1,267</u>	
End of year - June 30			<u><u>\$ -</u></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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 1,050,000	\$ 962,775	\$ (87,225)	\$ 1,037,590
Investment earnings	-	13,193	13,193	3,103
Total revenues	<u>1,050,000</u>	<u>975,968</u>	<u>(74,032)</u>	<u>1,040,693</u>
Expenditures:				
Economic development	<u>1,050,000</u>	<u>355,464</u>	<u>694,536</u>	<u>391,287</u>
Net change in fund balance	<u>\$ -</u>	620,504	<u>\$ 620,504</u>	649,406
Fund Balance:				
Beginning of year - July 1		<u>2,865,763</u>		<u>2,216,357</u>
End of year - June 30		<u>\$ 3,486,267</u>		<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, 2023

	<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	-	3,626	128	3,754
Total revenues	<u>180,000</u>	<u>226,716</u>	<u>128</u>	<u>226,844</u>
Revenues over (under) expenditures	180,000	226,716	128	226,844
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>\$ 82,716</u>	128	<u>\$ 82,844</u>
Fund Balance:				
Beginning of year - July 1			<u>82,716</u>	
End of year - June 30			<u>\$ 82,844</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, 2023**

	<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	-	853	312	1,165
Total revenues	<u>215,782</u>	<u>224,350</u>	<u>312</u>	<u>224,662</u>
Expenditures:				
General capital outlay	<u>70,782</u>	-	-	-
Revenues over (under) expenditures	145,000	224,350	312	224,662
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>\$ 79,350</u>	312	<u>\$ 79,662</u>
Fund Balance:				
Beginning of year - July 1			<u>79,350</u>	
End of year - June 30			<u>\$ 79,662</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, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 5,565	\$ 13,097	\$ 18,662
Other Financing Sources (Uses):				
Transfers out	(4,500,000)	(500,000)	-	(500,000)
Transfers in	<u>4,500,000</u>	<u>3,400,000</u>	<u>1,100,000</u>	<u>4,500,000</u>
Total other financing sources (uses)	<u>-</u>	<u>2,900,000</u>	<u>1,100,000</u>	<u>4,000,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,905,565</u>	1,113,097	<u>\$ 4,018,662</u>
Fund Balance:				
Beginning of year - July 1			<u>2,905,565</u>	
End of year - June 30			<u>\$ 4,018,662</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, 2023

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Ncdps Moss Lake Grant	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
SCIF Streetscape Grant	100,000	-	100,000	100,000
SCIF Gateway Trail Grant	50,000	-	50,000	50,000
T-Mobile Library Grant	45,000	-	44,449	44,449
NCOSBM Cleveland County	87,568	-	87,568	87,568
Investment earnings	100	129	353	482
Total revenues	<u>532,668</u>	<u>129</u>	<u>532,370</u>	<u>532,499</u>
Expenditures:				
Capital outlay:				
Ncdps Moss Lake Grant	250,000	-	250,000	250,000
SCIF Streetscape Grant	100,000	-	100,000	100,000
SCIF Gateway Trail Grant	50,100	-	50,082	50,082
T-Mobile Library Grant	45,000	-	44,449	44,449
NCOSBM Cleveland County	<u>87,568</u>	-	<u>87,568</u>	<u>87,568</u>
Total expenditures	<u>532,668</u>	<u>-</u>	<u>532,099</u>	<u>532,099</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 129</u>	271	<u>\$ 400</u>
Fund Balance:				
Beginning of year - July 1			<u>129</u>	
End of year - June 30			<u>\$ 400</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, 2023

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 2,260	\$ 1,059	\$ 3,319
Expenditures:				
Streetscape Phase II	<u>2,350,000</u>	<u>664,430</u>	<u>1,555,743</u>	<u>2,220,173</u>
Revenues over (under) expenditures	(2,350,000)	(662,170)	(1,554,684)	(2,216,854)
Other Financing Sources (Uses):				
Transfers in	<u>2,350,000</u>	<u>2,350,000</u>	<u>-</u>	<u>2,350,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,687,830</u>	(1,554,684)	<u>\$ 133,146</u>
Fund Balance:				
Beginning of year - July 1			<u>1,687,830</u>	
End of year - June 30			<u>\$ 133,146</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, 2023

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

	2023			2022
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 39	\$ 39	\$ 26
Expenditures:				
Current:				
Operating expenses	5,000	3,918	1,082	3,670
Revenues over (under) expenditures	(5,000)	(3,879)	1,121	(3,644)
Other Financing Sources (Uses):				
Transfers in (out)	5,000	-	(5,000)	-
Net change in fund balance	\$ -	(3,879)	\$ (3,879)	(3,644)
Fund Balance:				
Beginning of year - July 1		23,111		26,755
End of year - June 30		\$ 19,232		\$ 23,111

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		Variance Over/Under	2022
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 7,085,000	\$ 7,122,768	\$ 37,768	\$ 6,971,385
Miscellaneous revenues	27,000	115,105	88,105	50,483
Total operating revenues	<u>7,112,000</u>	<u>7,237,873</u>	<u>125,873</u>	<u>7,021,868</u>
Non-operating revenues:				
Interest income (loss)	5,000	18,861	13,861	8,723
Total revenues	<u>7,117,000</u>	<u>7,256,734</u>	<u>139,734</u>	<u>7,030,591</u>
Expenditures:				
Administration:				
Salaries and employee benefits	317,500	308,530	8,970	277,499
Other operating expenditures	1,328,098	1,236,635	91,463	1,101,800
Capital outlay	383,902	168,987	214,915	-
Total administration	<u>2,029,500</u>	<u>1,714,152</u>	<u>315,348</u>	<u>1,379,299</u>
Plant:				
Salaries and employee benefits	434,700	418,361	16,339	320,158
Other operating expenditures	284,000	197,772	86,228	112,425
Capital outlay	170,000	119,452	50,548	105,622
Cost of merchandise sold	585,000	579,084	5,916	445,317
Total plant	<u>1,473,700</u>	<u>1,314,669</u>	<u>159,031</u>	<u>983,522</u>
System maintenance and extension:				
Salaries and employee benefits	491,800	457,437	34,363	376,833
Other operating expenditures	516,000	450,365	65,635	479,063
Capital outlay	575,100	270,223	304,877	218,894
Total system maintenance and extension	<u>1,582,900</u>	<u>1,178,025</u>	<u>404,875</u>	<u>1,074,790</u>
Waste water treatment:				
Salaries and employee benefits	434,800	425,151	9,649	403,904
Other operating expenditures	433,000	428,150	4,850	329,655
Capital outlay	980,000	893,732	86,268	8,425
Cost of merchandise sold	454,000	384,080	69,920	324,531
Total waste water treatment	<u>2,301,800</u>	<u>2,131,113</u>	<u>170,687</u>	<u>1,066,515</u>
Pump station maintenance:				
Salaries and employee benefits	406,300	354,243	52,057	387,897
Other operating expenditures	402,000	280,802	121,198	356,144
Capital outlay	465,500	465,306	194	166,919
Cost of merchandise sold	40,000	43,534	(3,534)	38,962
Total pump station maintenance	<u>1,313,800</u>	<u>1,143,885</u>	<u>169,915</u>	<u>949,922</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023		Variance Over/Under	2022
	Budget	Actual		Total
Debt Service:				
Principal retirement	1,582,627	1,582,627	-	1,582,627
LPA interest	90,373	3,108	87,265	4,662
Total debt service	1,673,000	1,585,735	87,265	1,587,289
Total expenditures	10,374,700	9,067,579	1,307,121	7,041,337
Revenues over (under) expenditures	(3,257,700)	(1,810,845)	1,446,855	(10,746)
Other Financing Sources (Uses):				
Transfers out	(330,000)	(330,000)	-	(1,300,000)
Sale of capital assets previously disposed	5,000	835	(4,165)	1,233
Proceeds from debt	465,500	465,306	(194)	-
Total other financing sources (uses)	140,500	136,141	(4,359)	(1,298,767)
Revenues and other financing sources over (under) expenditures and other financing uses	(3,117,200)	(1,674,704)	1,442,496	(1,309,513)
Appropriated net position	3,117,200	-	(3,117,200)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(1,674,704)	\$ (1,674,704)	(1,309,513)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		3,022,303		1,274
Project Expense not capitalized		-		(1,400)
Capital project transfers		330,000		1,300,000
Proceeds from issuance of debt		(465,306)		-
Change in inventories		(47,705)		55,725
Capital outlay		1,917,700		499,860
Change in deferred outflows - OPEB		(52,987)		(56,208)
Change in deferred inflows - OPEB		(355,885)		39,956
Change in net pension liability		(628,359)		357,964
Change in deferred outflows - pensions		199,988		40,684
Change in deferred inflows - pensions		346,654		(373,484)
OPEB liability		385,928		(124,686)
Compensated absences		(2,069)		(3,282)
Capital contributions		129,588		1,062,112
Accrued interest		6,000		(8,000)
Principal retirement		1,582,627		1,582,627
Depreciation expense		(2,964,463)		(2,918,472)
Change in net position		\$ 1,729,310		\$ 145,157

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, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 39,000,000	\$ -	\$ 3,019,092	\$ 3,019,092
Expenditures:				
Capital outlay construction	34,753,000	-	-	-
Capital outlay engineering and admin	3,554,000	156,247	1,753,900	1,910,147
Capital outlay easement and land purchase	<u>693,000</u>	<u>1,400</u>	<u>1,107,545</u>	<u>1,108,945</u>
Total expenditures	<u>39,000,000</u>	<u>157,647</u>	<u>2,861,445</u>	<u>3,019,092</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (157,647)</u>	157,647	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>(157,647)</u>	
End of year - June 30			<u>\$ -</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS - LIFT STATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Developer contribution	\$ 1,200,000	\$ 1,070,412	\$ 129,588	\$ 1,200,000
Investment earnings	-	1,398	3,211	4,609
Total revenues	<u>1,200,000</u>	<u>1,071,810</u>	<u>132,799</u>	<u>1,204,609</u>
Expenditures:				
Kings Mountain Blvd Lift Station	<u>2,500,000</u>	<u>1,070,412</u>	<u>540,482</u>	<u>1,610,894</u>
Revenues over (under) expenditures	(1,300,000)	1,398	(407,683)	(406,285)
Other Financing Sources (Uses):				
Transfer from Water Sewer Fund	<u>1,300,000</u>	<u>1,300,000</u>	-	<u>1,300,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,301,398</u>	(407,683)	<u>\$ 893,715</u>
Fund Balance:				
Beginning of year - July 1			<u>1,301,398</u>	
End of year - June 30			<u>\$ 893,715</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS - EDA GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Federal EDA Grant	\$ 1,304,320	\$ -	\$ -	\$ -
Expenditures:				
EDA Grant-Sewer Project				
Administration	25,000	-	24,544	24,544
Construction	1,459,650	-	138,400	138,400
Other	<u>145,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,630,400</u>	<u>-</u>	<u>162,944</u>	<u>162,944</u>
Revenues over (under) expenditures	(326,080)	-	(162,944)	(162,944)
Other Financing Sources (Uses):				
Transfer from Water Sewer Fund	<u>326,080</u>	<u>-</u>	<u>330,000</u>	<u>330,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	167,056	<u>\$ 167,056</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 167,056</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, 2023
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 17,264,497	\$ 16,653,945	\$ (610,552)	\$ 14,020,654
Miscellaneous revenues	191,384	176,107	(15,277)	478,254
Total operating revenues	<u>17,455,881</u>	<u>16,830,052</u>	<u>(625,829)</u>	<u>14,498,908</u>
Non-operating revenues:				
Interest income	<u>10,000</u>	<u>18,347</u>	<u>8,347</u>	<u>6,010</u>
Total revenues	<u>17,465,881</u>	<u>16,848,399</u>	<u>(617,482)</u>	<u>14,504,918</u>
Expenditures:				
Meter reading:				
Salaries and employee benefits	134,497	132,242	2,255	115,957
Operating expenditures	7,400	5,782	1,618	7,467
Capital outlay	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>20,525</u>
Total meter reading	<u>166,897</u>	<u>138,024</u>	<u>28,873</u>	<u>143,949</u>
System:				
Salaries and employee benefits	1,524,282	1,479,924	44,358	1,285,231
Other operating expenditures	2,902,645	2,505,111	397,534	2,237,906
Capital outlay	1,336,500	241,584	1,094,916	274,297
Cost of merchandise sold	11,400,000	9,846,461	1,553,539	10,285,387
Debt service - principal and lease payments	151,984	151,984	-	214,153
Debt service - interest	<u>93,569</u>	<u>4,053</u>	<u>89,516</u>	<u>6,342</u>
Total system	<u>17,408,980</u>	<u>14,229,117</u>	<u>3,179,863</u>	<u>14,303,316</u>
Total expenditures	<u>17,575,877</u>	<u>14,367,141</u>	<u>3,208,736</u>	<u>14,447,265</u>
Revenues over (under) expenditures	<u>(109,996)</u>	<u>2,481,258</u>	<u>2,591,254</u>	<u>57,653</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, 2023
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Total
Other Financing Sources (Uses):				
Appropriated net position	1,279,996	-	(1,279,996)	-
Sale of capital assets	-	-	-	50,000
Transfer from other fund:				
Transfer to other fund:				
General Fund	(1,000,000)	(1,000,000)	-	(1,000,000)
Electric Capital Project Fund	(65,000)	(55,000)	10,000	(2,945,000)
Governmental Capital Reserve Fund	(500,000)	(500,000)	-	(500,000)
Gas Fund	-	-	-	(575,000)
Proceeds from issuance of debt	395,000	-	(395,000)	334,291
Total other financing sources (uses)	<u>109,996</u>	<u>(1,555,000)</u>	<u>(1,664,996)</u>	<u>(4,635,709)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	926,258	<u>\$ 926,258</u>	(4,578,056)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(9,217)		49,257
Lease liability issued		-		(4,828)
Right to use leased asset		-		4,828
Capital project transfers		55,000		2,945,000
Capital outlay		241,584		294,822
Change in deferred outflows - OPEB		(29,437)		(31,227)
Change in deferred inflows - OPEB		(197,713)		22,198
Change in net pension liability		(349,089)		198,869
Change in deferred outflows - pensions		111,105		22,602
Change in deferred inflows - pensions		192,586		(207,491)
Proceeds from issuance of debt		-		(334,291)
Interest earned from project funds		229		-
Accrued interest		(167,000)		2,000
OPEB liability		214,404		(69,270)
Compensated absences		(4,838)		(2,011)
Principal retirement and lease payments		151,984		214,153
Depreciation and amortization		(664,836)		(676,314)
Change in net position		<u>\$ 471,020</u>		<u>\$ (2,149,759)</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, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 229	\$ 229
Expenditures:				
Delivery	3,015,000	90,128	1,370,855	1,460,983
Substation	4,600,000	1,530,762	1,890,125	3,420,887
Distribution	<u>1,405,000</u>	<u>21,654</u>	<u>462,961</u>	<u>484,615</u>
Total expenditures	<u>9,020,000</u>	<u>1,642,544</u>	<u>3,723,941</u>	<u>5,366,485</u>
Revenues over (under) expenditures	<u>(9,020,000)</u>	<u>(1,642,544)</u>	<u>(3,723,712)</u>	<u>(5,366,256)</u>
Other Financing Sources (Uses):				
Transfer to Electric Fund	(3,000,000)	-	-	-
Proceeds from long-term debt	9,020,000	-	5,679,468	5,679,468
Transfer from Electric Fund	<u>3,000,000</u>	<u>2,945,000</u>	<u>55,000</u>	<u>3,000,000</u>
Total other financing sources (uses)	<u>9,020,000</u>	<u>2,945,000</u>	<u>5,734,468</u>	<u>8,679,468</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,302,456</u>	2,010,756	<u>\$ 3,313,212</u>
Fund Balance:				
Beginning of year - July 1			<u>1,302,456</u>	
End of year - June 30			<u>\$ 3,313,212</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, 2023
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 6,261,100	\$ 6,575,196	\$ 314,096	\$ 5,555,354
Miscellaneous revenues	316,000	350,636	34,636	312,444
Total operating revenues	<u>6,577,100</u>	<u>6,925,832</u>	<u>348,732</u>	<u>5,867,798</u>
Non-operating revenues:				
Interest income	<u>2,500</u>	<u>11,656</u>	<u>9,156</u>	<u>2,459</u>
Total revenues	<u>6,579,600</u>	<u>6,937,488</u>	<u>357,888</u>	<u>5,870,257</u>
Expenditures:				
Salaries and employee benefits	1,248,222	1,103,549	144,673	930,552
Other operating expenditures	963,435	1,031,930	(68,495)	836,271
Capital outlay	508,022	291,889	216,133	213,665
Cost of merchandise sold	4,200,000	3,456,920	743,080	3,761,372
Debt service - principal	181,808	181,808	-	193,399
Debt service - interest	<u>29,210</u>	<u>12,635</u>	<u>16,575</u>	<u>16,683</u>
Total expenditures	<u>7,130,697</u>	<u>6,078,731</u>	<u>1,051,966</u>	<u>5,951,942</u>
Revenues over (under) expenditures	<u>(551,097)</u>	<u>858,757</u>	<u>1,409,854</u>	<u>(81,685)</u>
Other Financing Sources (Uses):				
Appropriated net position	751,097	-	(751,097)	-
Transfer from other fund:				
Electric Fund	-	-	-	575,000
Transfer to other fund:				
Gas Capital Project Fund	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(490,000)</u>
Total other financing sources (uses)	<u>551,097</u>	<u>(200,000)</u>	<u>(751,097)</u>	<u>85,000</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, 2023

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	658,757	\$ 658,757	3,315
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		51,343		(5,161)
Capital project transfers		200,000		490,000
Capital outlay		291,889		221,509
Change in deferred outflows - OPEB		(19,625)		(20,818)
Change in deferred inflows - OPEB		(131,810)		14,799
Change in net pension liability		(232,724)		132,580
Change in deferred outflows - pensions		74,070		15,067
Change in deferred inflows - pensions		128,390		(138,327)
Accrued interest		(38,000)		-
OPEB liability		142,936		(46,180)
Compensated absences		(7,834)		(9,324)
Principal retirement		181,808		193,399
Depreciation expense		(301,572)		(297,695)
Change in net position		\$ 997,628		\$ 553,164

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, 2023

	<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	\$ 653,625	\$ 1,322,894
Capital Outlay-Gate Station	<u>575,000</u>	<u>179,740</u>	<u>394,793</u>	<u>574,533</u>
Total expenditures	<u>2,000,000</u>	<u>849,009</u>	<u>1,048,418</u>	<u>1,897,427</u>
Revenues over (under) expenditures	<u>(2,000,000)</u>	<u>(849,009)</u>	<u>(1,048,418)</u>	<u>(1,897,427)</u>
Other Financing Sources (Uses):				
Transfer to Gas Fund	(490,000)	-	-	-
Transfer from Gas Fund	490,000	490,000	200,000	690,000
Proceeds from issuance of debt	<u>2,000,000</u>	<u>-</u>	<u>1,316,532</u>	<u>1,316,532</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>490,000</u>	<u>1,516,532</u>	<u>2,006,532</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (359,009)</u>	468,114	<u>\$ 109,105</u>
Fund Balance:				
Beginning of year - July 1			<u>(359,009)</u>	
End of year - June 30			<u>\$ 109,105</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, 2023
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 460,000	\$ 471,560	\$ 11,560	\$ 463,400
Miscellaneous revenues	-	3,235	3,235	1,337
Total operating revenues	460,000	474,795	14,795	464,737
Non-operating revenues:				
Interest income	-	1,238	1,238	331
Total revenues	460,000	476,033	16,033	465,068
Expenditures:				
Salaries and employee benefits	353,000	341,649	11,351	294,841
Other operating expenditures	117,000	117,132	(132)	132,812
Capital outlay	20,000	14,344	5,656	-
Charges to other funds	(30,000)	(30,000)	-	-
Total expenditures	460,000	443,125	16,875	427,653
Revenues over (under) expenditures	\$ -	32,908	\$ 32,908	37,415
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Capital outlay		14,344		-
Change in deferred outflows - OPEB		(7,850)		(8,327)
Change in deferred inflows - OPEB		(52,727)		5,919
Change in net pension liability		(93,092)		53,032
Change in deferred outflows - pensions		29,628		6,027
Change in deferred inflows - pensions		51,356		(55,331)
OPEB liability		57,174		(18,472)
Compensated absences		(4,677)		(894)
Depreciation expense		(22,365)		(21,841)
Change in net position		\$ 4,699		\$ (2,472)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2023

	Workers' Compensation Insurance	Health Insurance	Total
Assets:			
Cash and cash equivalents	\$ 1,161,835	\$ 2,658,154	\$ 3,819,989
Liabilities:			
Accounts payable	90,000	70,631	160,631
Net Position:			
Unrestricted	<u>\$ 1,071,835</u>	<u>\$ 2,587,523</u>	<u>\$ 3,659,358</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 259,263	\$ 3,216,824	\$ 3,476,087
Operating Expenses:			
Excess policy fees	152,692	-	152,692
Administrative fees	7,625	193,990	201,615
Claims	528,189	2,840,614	3,368,803
Total operating expenses	<u>688,506</u>	<u>3,034,604</u>	<u>3,723,110</u>
Operating income (loss)	(429,243)	182,220	(247,023)
Non-Operating Revenues:			
Investment income	<u>1,962</u>	<u>7,822</u>	<u>9,784</u>
Income before transfers	(427,281)	190,042	(237,239)
Transfers from other funds	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Change in net position	322,719	190,042	512,761
Net Position:			
Beginning of year - July 1	<u>749,116</u>	<u>2,397,481</u>	<u>3,146,597</u>
End of year - June 30	<u>\$ 1,071,835</u>	<u>\$ 2,587,523</u>	<u>\$ 3,659,358</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Workers' Compensation Insurance	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 259,264	\$ 3,046,824	\$ 3,306,088
Cash paid for goods and services	<u>(714,757)</u>	<u>(3,173,859)</u>	<u>(3,888,616)</u>
Net cash provided (used) by operating activities	<u>(455,493)</u>	<u>(127,035)</u>	<u>(582,528)</u>
Cash Flows from Non-Capital Financing Activities:			
Operating transfers	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Cash Flows from Investing Activities:			
Interest income	<u>1,963</u>	<u>7,822</u>	<u>9,785</u>
Net increase (decrease) in cash and cash equivalents	296,470	(119,213)	177,257
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>865,365</u>	<u>2,777,367</u>	<u>3,642,732</u>
End of year - June 30	<u>\$ 1,161,835</u>	<u>\$ 2,658,154</u>	<u>\$ 3,819,989</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	\$ (429,243)	\$ 182,220	\$ (247,023)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Increase (decrease) in operating accounts payable and accrued liabilities	<u>(26,250)</u>	<u>(309,255)</u>	<u>(335,505)</u>
Total adjustments	<u>(26,250)</u>	<u>(309,255)</u>	<u>(335,505)</u>
Net cash provided (used) by operating activities	<u>\$ (455,493)</u>	<u>\$ (127,035)</u>	<u>\$ (582,528)</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, 2023**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 402,000	\$ 259,263	\$ (142,737)
Non-operating revenues:			
Interest income	250	1,962	1,712
Total revenues	<u>402,250</u>	<u>261,225</u>	<u>(141,025)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	160,000	152,692	7,308
Administrative fees	20,000	7,625	12,375
Claims	<u>1,380,000</u>	<u>528,189</u>	<u>851,811</u>
Total expenditures	<u>1,560,000</u>	<u>688,506</u>	<u>871,494</u>
Operating income (loss)	<u>(1,157,750)</u>	<u>(427,281)</u>	<u>730,469</u>
Other Financing Sources (Uses):			
Appropriated net position	407,750	-	(407,750)
Transfers from other funds	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,157,750</u>	<u>750,000</u>	<u>(407,750)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 322,719</u>	<u>\$ 322,719</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, 2023**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,375,000	\$ 3,216,824	\$ (158,176)
Non-operating revenues:			
Interest income	-	7,822	7,822
Total revenues	<u>3,375,000</u>	<u>3,224,646</u>	<u>(150,354)</u>
Expenditures:			
Operating expenditures:			
Administrative fees	225,000	193,990	31,010
Claims	<u>3,150,000</u>	<u>2,840,614</u>	<u>309,386</u>
Total expenditures	<u>3,375,000</u>	<u>3,034,604</u>	<u>340,396</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 190,042</u>	<u>\$ 190,042</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2023

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 313,017
Due primary government	<u>16,416</u>
Total assets	<u>329,433</u>
Liabilities:	
Accounts payable	<u>3,835</u>
Net Position:	
Restricted:	
Stabilization by state statute	16,416
Tourism promotion	<u>309,182</u>
Total net position	<u>\$ 325,598</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 210,000	\$ 205,926	\$ (4,074)
Non-operating revenues:			
Miscellaneous	750	1,445	695
Investment earnings	<u>250</u>	<u>507</u>	<u>257</u>
Total revenues	<u>211,000</u>	<u>207,878</u>	<u>(3,122)</u>
Expenditures:			
Current:			
Operating expenses	41,000	30,212	10,788
Grants and contributions	<u>217,721</u>	<u>214,995</u>	<u>2,726</u>
Total expenditures	<u>258,721</u>	<u>245,207</u>	<u>13,514</u>
Revenues over (under) expenditures	(47,721)	(37,329)	10,392
Other Financing Sources (Uses):			
Appropriated fund balance	<u>47,721</u>	<u>-</u>	<u>(47,721)</u>
Net change in fund balance	<u>\$ -</u>	<u>(37,329)</u>	<u>\$ (37,329)</u>
Fund Balance:			
Beginning of year - July 1		<u>362,927</u>	
End of year - June 30		<u>\$ 325,598</u>	

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SUPPLEMENTARY INFORMATION
SUPPLEMENTAL FINANCIAL DATA

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 8,893,274	\$ 8,826,355	\$ 66,919
2021-2022	62,914	-	33,530	29,384
2020-2021	17,610	-	2,026	15,584
2019-2020	12,966	-	3,554	9,412
2018-2019	7,195	-	1,659	5,536
2017-2018	5,574	-	517	5,057
2016-2017	5,551	-	258	5,293
2015-2016	4,186	-	709	3,477
2014-2015	8,997	-	630	8,367
2013-2014	2,712	-	2,712	-
Total	<u>\$ 127,705</u>	<u>\$ 8,893,274</u>	<u>\$ 8,871,950</u>	149,029
Less: Allowance for uncollectible accounts				<u>63,368</u>
Ad valorem taxes receivable, net				<u>\$ 85,661</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 7,875,768
Economic Incentive Fund				<u>962,775</u>
Total ad valorem tax revenues				8,838,543
Reconciling items:				
Taxes written off				(2,712)
Miscellaneous adjustments				<u>36,119</u>
Total collections and credits				<u>\$ 8,871,950</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2023

	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	\$ 2,068,203,256	\$ 0.43	\$ 8,893,274	\$ 8,437,860	\$ 455,414
Total property valuation	<u>\$ 2,068,203,256</u>				
Net Levy			8,893,274	8,437,860	455,414
Uncollected taxes at June 30, 2023			<u>66,919</u>	<u>66,919</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 8,826,355</u>	<u>\$ 8,370,941</u>	<u>\$ 455,414</u>
Current Levy Collection Percentage			<u>99.25%</u>	<u>99.21%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 1,044,034,549	
Personal property				910,647,974	
Public service companies				<u>113,520,733</u>	
Total assessed valuation				\$ 2,068,203,256	
Tax rate per \$100				<u>0.43</u>	
Levy (includes discoveries, releases, and abatements)				<u>\$ 8,893,274</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, 2023, 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 20, 2023. 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 20, 2023

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, 2023. 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, Responses, 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, 2023.

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 20, 2023

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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Report on Compliance for Each Major State 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 State Program

Opinion on Each Major State 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 state programs for the year ended June 30, 2023. The City of Kings Mountain's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, 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 state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State 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*); 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 reasonable basis for our opinion on compliance for each major state 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 state 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 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 state 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control*

over compliance is a deficiency, or combination of deficiencies, in internal over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in 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 20, 2023

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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>
COVID-19 - 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

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

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

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

Identification of major state programs:

Program Name

Powell Bill

Auditee qualified as low-risk auditee? No

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

None reported.

3. Federal Awards Findings and Questioned Costs

None reported.

4. State Awards Findings and Questioned Costs

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Fed. (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
Federal Grant:					
US Department of Treasury					
COVID 19 Coronavirus State and Fiscal Recovery Funds	21.027	2021-0232	\$ 1,749,968	\$ -	\$ -
Passed through NCDEQ					
COVID 19 Coronavirus State and Fiscal Recovery Funds	21.027	SRP-W-ARP-007	2,861,445	-	-
Total US Department of Treasury			<u>4,611,413</u>	<u>-</u>	<u>-</u>
Passed through NC Division of Aging and Adult Services					
Passed through Isothermal Planning and Development Commission					
COVID 19 Coronavirus State and Fiscal Recovery Funds-ICC -Senior Ctr	21.019	02-36-07	10,215	-	-
Total US Department of Treasury			<u>4,621,628</u>	<u>-</u>	<u>-</u>
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	76,202	-	-
Total Aging Cluster			<u>76,202</u>	<u>-</u>	<u>-</u>
Administration for Community Living (ACI)					
Passed through NC Department of Health and Human Services					
State Health Insurance Assistance Program	93.324	90SA0090-01-00	5,239	-	-
Medicare Enrollment Assistance Program	93.071	14AANCMSI	9,796	-	-
Total US Department of Health and Human Services			<u>91,237</u>	<u>-</u>	<u>-</u>
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	10,163	-	-
State Programs:					
N.C. Department of Natural and Cultural Resources:					
State Aid to Libraries		2021-22	-	10,498	-
N.C. Department of Public Safety					
Kings Mountain Reservoir/Moss Lake Stabilization Project Moss Lake Project			-	250,000	-
NC Office of State Budget and Management (OSBM)					
City of Kings Mountain - Kings Mountain Gateway Trail (SCIF)		10201/1020	-	50,000	50,000
City of Kings Mountain Streetscape Phase II		FY22-DG0015	-	100,000	-
Passed through Cleveland County					
NC OSBM Grant-Streetscape Phase II		20155	-	87,568	-
N.C. Department of Aging					
Senior Center General Purpose Grant		2021-22	-	10,421	-
N.C. Department of Transportation:					
Powell Bill		DOT-4	-	447,196	-
Total federal expenditures			<u>\$ 4,723,028</u>		<u>\$ 50,000</u>
Total state expenditures				<u>\$ 955,683</u>	

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, 2023. 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.