

**CITY OF KINGS MOUNTAIN  
NORTH CAROLINA**

**ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2024**



**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2024**

**Mayor**

Rob Wagman

**City Council**

Mike Butler

Jimmy West

Tommy Hawkins

Shearra Miller

Jay Rhodes

Annie Thombs

**City Manager**

James M. Palenick

**Finance Officer**

Chris Costner



# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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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, 2024, 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, 2024, 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 73%, 69% and 94%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2024. 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 15, 2024, 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 15, 2024

## 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, 2024. 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

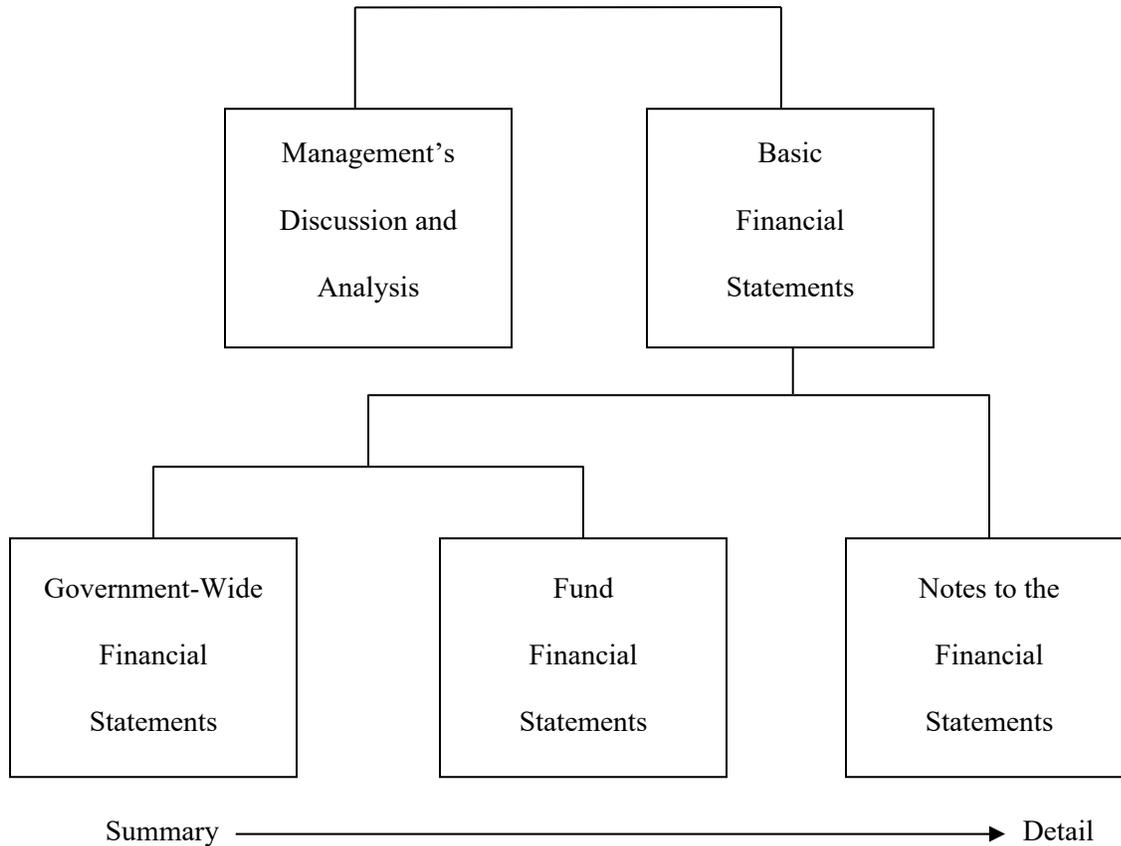
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$95,294,271 (*net position*). For the Kings Mountain Tourism Development Authority ("TDA"), the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$377,969.
- The government's total net position increased by \$19,322,020. The TDA's total net position increased by \$52,371.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$25,902,370, an increase of \$4,503,257 in comparison with the prior year. Approximately 39.23% of this amount, or \$10,161,241, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,108,565, or 34.34%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total installment debt increased by \$1,280,832 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 governmental and business-type activities.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kings Mountain's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Kings Mountain.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through 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	
	2024	2023	2024	2023	2024	2023
<b>Assets:</b>						
Current assets	\$ 26,932,209	\$ 25,691,902	\$ 18,061,342	\$ 17,085,332	\$ 44,993,551	\$ 42,777,234
Other assets	3,733,855	346,878	1,180,066	1,539,981	4,913,921	1,886,859
Capital assets, net	<u>17,395,042</u>	<u>13,126,608</u>	<u>84,287,752</u>	<u>68,156,919</u>	<u>101,682,794</u>	<u>81,283,527</u>
Total assets	<u>48,061,106</u>	<u>39,165,388</u>	<u>103,529,160</u>	<u>86,782,232</u>	<u>151,590,266</u>	<u>125,947,620</u>
<b>Deferred Outflows of Resources</b>	<u>5,951,513</u>	<u>5,692,048</u>	<u>2,057,395</u>	<u>1,839,198</u>	<u>8,008,908</u>	<u>7,531,246</u>
<b>Liabilities:</b>						
Long-term liabilities	22,892,701	17,170,849	30,588,802	32,098,364	53,481,503	49,269,213
Other liabilities	<u>1,231,311</u>	<u>779,478</u>	<u>5,258,190</u>	<u>2,443,567</u>	<u>6,489,501</u>	<u>3,223,045</u>
Total liabilities	<u>24,124,012</u>	<u>17,950,327</u>	<u>35,846,992</u>	<u>34,541,931</u>	<u>59,971,004</u>	<u>52,492,258</u>
<b>Deferred Inflows of Resources</b>	<u>3,220,425</u>	<u>3,807,315</u>	<u>1,113,474</u>	<u>1,207,042</u>	<u>4,333,899</u>	<u>5,014,357</u>
<b>Net Position:</b>						
Net investment in capital assets	14,607,441	11,438,001	60,108,655	42,212,161	74,716,096	53,650,162
Restricted	10,065,854	5,533,294	-	-	10,065,854	5,533,294
Unrestricted	<u>1,994,887</u>	<u>6,128,499</u>	<u>8,517,434</u>	<u>10,660,296</u>	<u>10,512,321</u>	<u>16,788,795</u>
Total net position	<u>\$ 26,668,182</u>	<u>\$ 23,099,794</u>	<u>\$ 68,626,089</u>	<u>\$ 52,872,457</u>	<u>\$ 95,294,271</u>	<u>\$ 75,972,251</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Kings Mountain exceeded liabilities and deferred inflows by \$95,294,271 as of June 30, 2024. However, the largest portion (78.4%) 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 \$10,065,854 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,512,321 is unrestricted.

At June 30, 2024, all of the TDA's net position is restricted for tourism activity, except for \$16,741, which is restricted for stabilization by state statute. Ending net position for the TDA was \$377,969.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,321,631	\$ 2,983,475	\$ 31,247,466	\$ 31,468,552	\$ 34,569,097	\$ 34,452,027
Operating grants and contributions	1,320,485	3,431,329	-	-	1,320,485	3,431,329
Capital grants and contributions	-	-	13,160,323	3,148,680	13,160,323	3,148,680
General revenues:						
Property taxes	10,271,459	8,873,323	-	-	10,271,459	8,873,323
Other taxes	6,167,943	6,044,224	-	-	6,167,943	6,044,224
Other	1,338,115	1,021,388	721,608	57,269	2,059,723	1,078,657
Total revenues	22,419,633	22,353,739	45,129,397	34,674,501	67,549,030	57,028,240
<b>Expenses:</b>						
General government	2,631,548	4,762,352	-	-	2,631,548	4,762,352
Public safety	8,777,208	6,794,533	-	-	8,777,208	6,794,533
Transportation	1,842,257	1,749,186	-	-	1,842,257	1,749,186
Environmental protection	1,773,843	1,663,834	-	-	1,773,843	1,663,834
Economic development	1,506,999	1,415,539	-	-	1,506,999	1,415,539
Culture and recreation	3,525,290	3,273,379	-	-	3,525,290	3,273,379
Interest expense	144,100	37,351	-	-	144,100	37,351
Water and sewer	-	-	9,008,152	8,683,042	9,008,152	8,683,042
Electric	-	-	13,163,118	14,877,608	13,163,118	14,877,608
Gas	-	-	5,171,598	5,939,860	5,171,598	5,939,860
Stormwater	-	-	682,897	471,334	682,897	471,334
Total expenses	20,201,245	19,696,174	28,025,765	29,971,844	48,227,010	49,668,018
Change in net position before transfers	2,218,388	2,657,565	17,103,632	4,702,657	19,322,020	7,360,222
Transfers	1,350,000	1,500,000	(1,350,000)	(1,500,000)	-	-
Change in net position	3,568,388	4,157,565	15,753,632	3,202,657	19,322,020	7,360,222
<b>Net Position:</b>						
Beginning of year - July 1	23,099,794	18,942,229	52,872,457	49,669,800	75,972,251	68,612,029
End of year - June 30	\$ 26,668,182	\$ 23,099,794	\$ 68,626,089	\$ 52,872,457	\$ 95,294,271	\$ 75,972,251

**Governmental Activities.** Governmental activities increased the City’s net position by \$3,568,388. The key elements of this increase are as follows:

- Increases in ad valorem taxes due to a 5 cent property tax rate increase as well as increases in sales and service revenues due to across the board solid waste rate increases.
- Overall, the City spent roughly 91% of amended budget in the General Fund when you remove the impact of unspent capital budget (roughly \$4M due to the inability of vendors to deliver items in the current budget year, specifically with regards to rolling stock). See additional discussions in the General Fund Budgetary Highlights section below. These factors also contribute to the increase in net assets at the Governmental Activities level.

**Business-Type Activities.** Business-type activities increased the City’s net position by \$15,753,632. Key elements of this increase are as follows:

- Significant capital grants and contributions, primarily in the Water and Sewer fund. Note the City is in the process of constructing major sewer infrastructure, financed primarily with grant proceeds. Total budgets for active Sewer projects total in excess of \$80M.
- Electric profitability was up significantly due to decreases in purchased power costs (electricity purchased for resale) compared to prior periods.
- Increases in net position in all other enterprise funds were 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 \$11,904,128, while total fund balance reached \$17,731,658. As a measure of the General Fund’s liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 63.88 percent of total General Fund expenditures, while total fund balance represents 95.15 percent of that same amount.

At June 30, 2024, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$25,902,370 with a net increase of \$4,503,257. 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 \$4,102,000. With respect to actual versus final amended budget, revenues had a positive variance of approximately \$2,395,000 due to property tax revenues, other tax revenues (sales tax), investment earnings, and permit revenues being more than budgeted given current year activity and due in part to conservatism in

budgeting. Expenditures had a positive variance of approximately \$6,730,000. The major components of this positive variance are as follows:

- Significant unspent capital budget existed (\$4M) due simply to the timing of availability of goods and services from vendors. Note the City had significant encumbrances (again, \$4M) relating to these items at fiscal year-end.
- Actual expenditures related to payroll, particularly for public safety functions were less than budget due to 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. Spending was closely scrutinized. After removing the impact of unspent capital budget noted above, the City spent 91% of its total expenditure budget.

**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 \$2,048,118. The amount of unrestricted net position for the Electric Fund was \$4,324,515, for the Gas Fund was \$2,000,590, and for the Stormwater Fund was \$144,211. The total changes in net position for the four funds were \$12,677,718, \$2,602,842, \$349,363, and \$123,709, 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, 2024 totals \$101,682,794 (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 \$4.27M for governmental-type activities, the largest being an infrastructure project of roughly \$1,965,000 (7+ miles of street paving/betterments). 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 sewer lines, primarily Project South/Bethlehem Sewer Project \$14.5M, Electric Substation and various line projects \$2.87M, Gas infrastructure projects and equipment \$895,000.

### City of Kings Mountain’s Capital Assets (net of depreciation and amortization)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 2,905,002	\$ 2,798,989	\$ 7,244,945	\$ 7,244,945	\$ 10,149,947	\$ 10,043,934
Infrastructure	4,429,715	2,661,109	-	-	4,429,715	2,661,109
Buildings	304,970	294,448	1,712,813	1,922,770	2,017,783	2,217,218
Other improvements	5,034,059	4,389,808	14,495,142	15,733,263	19,529,201	20,123,071
Equipment	1,932,267	1,801,583	3,487,869	3,313,239	5,420,136	5,114,822
Vehicles	2,163,469	1,020,088	740,390	836,504	2,903,859	1,856,592
Lines	-	-	30,967,375	25,996,092	30,967,375	25,996,092
Leased Equipment	9,441	17,691	2,582	1,446	12,023	19,137
Leased Vehicles	2,731	6,828	-	-	2,731	6,828
SBITA Asset	613,388	136,064	-	-	613,388	136,064
Construction in progress	-	-	25,636,636	13,108,660	25,636,636	13,108,660
<b>Total</b>	<b>\$ 17,395,042</b>	<b>\$ 13,126,608</b>	<b>\$ 84,287,752</b>	<b>\$ 68,156,919</b>	<b>\$ 101,682,794</b>	<b>\$ 81,283,527</b>

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, 2024, the City of Kings Mountain had total installment purchase debt, for direct placements and direct borrowings, outstanding of \$29,766,101. 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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Installment purchases - direct placements & direct borrowings	<u>\$ 5,251,498</u>	<u>\$ 1,535,608</u>	<u>\$ 24,514,603</u>	<u>\$ 26,949,661</u>	<u>\$ 29,766,101</u>	<u>\$ 28,485,269</u>

The City of Kings Mountain’s total installment debt increased by \$1,280,832 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 government and business-type activities.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the City of Kings Mountain is approximately \$142,000,000.

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, 2025**

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 unchanged at 48 cents per \$100 of assessed valuation for the 24-25 fiscal year. The City feels this rate 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 simply due to growth, which would result in additional tax revenues.

We increased Solid Waste fees 10% for residential and 15% for 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.

No significant positions (only 4 total) were added and a 2.5% across the board (ATB) pay increase was implemented for all employees as well as a wage/market rate increase for roughly 1/3 of the General Fund's employees. Minimal fund balance was utilized to balance the General Fund budget.

**Business-Type Activities.** The Electric Fund and Gas Fund volumes were basically unchanged from fiscal year ended June 30, 2024. In the event of significant price fluctuations, the Electric budget / PPA may need to be adjusted accordingly, though this is not anticipated. A new Electric rate structure based upon a third party cost of service study was adopted and went into effect on July 1, 2024. 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 23-24 budgeted 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 9.75% across the board increase in all Water and Sewer rates to provide resources to help off-set the cost of operations and future expansion. Volume was budgeted assuming no increases from FYE 23-24. We are in the process of planning/designing/constructing major Sewer improvements due to approximately \$80M plus in grant awards, primarily passed through NCDEQ, received in the last two State budgets.

### **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, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 24,803,623	\$ 12,333,645	\$ 37,137,268	\$ 420,642	\$ 381,733
Taxes receivable, net	111,830	-	111,830	-	-
Accounts receivable, net	338,644	4,745,378	5,084,022	11,471	-
Lease receivable	25,998	-	25,998	-	-
Due from other governments	1,397,022	-	1,397,022	-	16,741
Inventories	59,376	982,319	1,041,695	177,131	-
Prepaid items	112,042	-	112,042	9,427	-
Total current assets	<u>26,848,535</u>	<u>18,061,342</u>	<u>44,909,877</u>	<u>618,671</u>	<u>398,474</u>
Restricted assets:					
Cash and cash equivalents	<u>3,733,855</u>	<u>1,180,066</u>	<u>4,913,921</u>	<u>51,024</u>	<u>-</u>
Non-current assets:					
Lease receivable, non-current	<u>83,674</u>	<u>-</u>	<u>83,674</u>	<u>-</u>	<u>-</u>
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,905,002	32,881,581	35,786,583	78,875	-
Other capital assets, net of depreciation	13,864,480	51,403,589	65,268,069	330,420	-
Right to use lease assets, net of amortization	<u>625,560</u>	<u>2,582</u>	<u>628,142</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>17,395,042</u>	<u>84,287,752</u>	<u>101,682,794</u>	<u>409,295</u>	<u>-</u>
Total assets	<u>48,061,106</u>	<u>103,529,160</u>	<u>151,590,266</u>	<u>1,078,990</u>	<u>398,474</u>
<b>Deferred Outflows of Resources:</b>					
Pension deferrals	4,348,651	1,532,826	5,881,477	51,631	-
OPEB deferrals	<u>1,602,862</u>	<u>524,569</u>	<u>2,127,431</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>5,951,513</u>	<u>2,057,395</u>	<u>8,008,908</u>	<u>51,631</u>	<u>-</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	1,230,007	4,590,206	5,820,213	243,276	20,505
Unearned revenue	1,304	-	1,304	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	667,984	667,984	-	-
Long-term liabilities:					
Net pension liability - LGERS	6,207,698	2,414,106	8,621,804	43,249	-
Total pension liability - LEOSSA	1,613,187	-	1,613,187	-	-
Total OPEB liability	8,648,782	3,411,567	12,060,349	-	-
Due within one year	1,346,386	2,507,347	3,853,733	5,649	-
Due in more than one year	<u>5,076,648</u>	<u>22,255,782</u>	<u>27,332,430</u>	<u>4,934</u>	<u>-</u>
Total liabilities	<u>24,124,012</u>	<u>35,846,992</u>	<u>59,971,004</u>	<u>297,108</u>	<u>20,505</u>
<b>Deferred Inflows of Resources:</b>					
Leases	130,786	-	130,786	-	-
OPEB deferrals	2,725,004	1,074,894	3,799,898	-	-
Pension deferrals	<u>364,635</u>	<u>38,580</u>	<u>403,215</u>	<u>218</u>	<u>-</u>
Total deferred inflows of resources	<u>3,220,425</u>	<u>1,113,474</u>	<u>4,333,899</u>	<u>218</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, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
<b>Net Position:</b>					
Net investment in capital assets	14,607,441	60,108,655	74,716,096	409,295	-
Restricted for:					
LGERS	-	-	-	8,164	-
Perpetual maintenance	17,113	-	17,113	-	-
Stabilization by state statute	5,739,780	-	5,739,780	-	16,741
Streets - Powell Bill	237,441	-	237,441	-	-
Public safety	188,743	-	188,743	-	-
Cultural and recreational	229,850	-	229,850	-	-
Economic and physical development	3,652,927	-	3,652,927	-	-
Working capital	-	-	-	85,596	-
Tourism promotion	-	-	-	-	361,228
Unrestricted	1,994,887	8,517,434	10,512,321	330,240	-
Total net position	<u>\$ 26,668,182</u>	<u>\$ 68,626,089</u>	<u>\$ 95,294,271</u>	<u>\$ 833,295</u>	<u>\$ 377,969</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, 2024

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,631,548	\$ 142,984	\$ -	\$ -
Public safety	8,777,208	16,214	445,473	-
Transportation	1,842,257	-	428,238	-
Economic and physical development	1,506,999	603,040	122,696	-
Environmental protection	1,773,843	1,980,380	-	-
Culture and recreation	3,525,290	579,013	324,078	-
Interest expense	144,100	-	-	-
Total governmental activities	<u>20,201,245</u>	<u>3,321,631</u>	<u>1,320,485</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water and sewer	9,008,152	8,269,813	-	13,160,323
Electric	13,163,118	16,823,535	-	-
Gas	5,171,598	5,368,235	-	-
Stormwater	682,897	785,883	-	-
Total business-type activities	<u>28,025,765</u>	<u>31,247,466</u>	<u>-</u>	<u>13,160,323</u>
Total primary government	<u>\$ 48,227,010</u>	<u>\$ 34,569,097</u>	<u>\$ 1,320,485</u>	<u>\$ 13,160,323</u>
<b>Component Units:</b>				
ABC Board	\$ 2,872,346	\$ 2,891,416	\$ -	\$ -
Tourism Development Authority Board	146,806	-	-	-
Total component units	<u>\$ 3,019,152</u>	<u>\$ 2,891,416</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, 2024

	<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>		
<b>Functions/Programs:</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (2,488,564)	\$ -	\$ (2,488,564)		
Public safety	(8,315,521)	-	(8,315,521)		
Transportation	(1,414,019)	-	(1,414,019)		
Economic and physical development	(781,263)	-	(781,263)		
Environmental protection	206,537	-	206,537		
Culture and recreation	(2,622,199)	-	(2,622,199)		
Interest expense	(144,100)	-	(144,100)		
Total governmental activities	<u>(15,559,129)</u>	<u>-</u>	<u>(15,559,129)</u>		
<b>Business-Type Activities:</b>					
Water and sewer	-	12,421,984	12,421,984		
Electric	-	3,660,417	3,660,417		
Gas	-	196,637	196,637		
Stormwater	-	102,986	102,986		
Total business-type activities	<u>-</u>	<u>16,382,024</u>	<u>16,382,024</u>		
Total primary government	<u>(15,559,129)</u>	<u>16,382,024</u>	<u>822,895</u>		
<b>Component Units:</b>					
ABC Board				\$ 19,070	\$ -
Tourism Development Authority Board				<u>-</u>	<u>(146,806)</u>
Total component units				<u>19,070</u>	<u>(146,806)</u>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes	10,271,459	-	10,271,459	-	-
Local option sales tax	3,461,859	-	3,461,859	-	-
Payment in lieu of taxes	329,963	-	329,963	-	-
Franchise taxes	1,122,506	-	1,122,506	-	-
Other taxes and licenses	1,253,615	-	1,253,615	-	194,120
Unrestricted investment earnings	1,338,115	702,973	2,041,088	631	3,562
Miscellaneous	-	18,635	18,635	-	1,495
Total general revenues before transfers	<u>17,777,517</u>	<u>721,608</u>	<u>18,499,125</u>	<u>631</u>	<u>199,177</u>
Transfers	<u>1,350,000</u>	<u>(1,350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>19,127,517</u>	<u>(628,392)</u>	<u>18,499,125</u>	<u>631</u>	<u>199,177</u>
Change in net position	3,568,388	15,753,632	19,322,020	19,701	52,371
<b>Net Position:</b>					
Beginning of year - July 1	<u>23,099,794</u>	<u>52,872,457</u>	<u>75,972,251</u>	<u>813,594</u>	<u>325,598</u>
End of year - June 30	<u>\$ 26,668,182</u>	<u>\$ 68,626,089</u>	<u>\$ 95,294,271</u>	<u>\$ 833,295</u>	<u>\$ 377,969</u>

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

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2024

	<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>
<b>Assets:</b>			
Cash and cash equivalents	\$ 13,033,445	\$ 8,197,378	\$ 21,230,823
Cash and cash equivalents, restricted	3,715,438	18,417	3,733,855
Taxes receivable, net	111,830	-	111,830
Accounts receivable, net	338,644	-	338,644
Lease receivable	109,672	-	109,672
Due from other governments	1,389,385	7,637	1,397,022
Inventories	59,376	-	59,376
Prepaid items	36,011	-	36,011
Total assets	<u>\$ 18,793,801</u>	<u>\$ 8,223,432</u>	<u>\$ 27,017,233</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 819,527	\$ 51,416	\$ 870,943
Advance from grantors	-	1,304	1,304
Total liabilities	<u>819,527</u>	<u>52,720</u>	<u>872,247</u>
<b>Deferred Inflows of Resources:</b>			
Leases	130,786	-	130,786
Property taxes receivable	111,830	-	111,830
Total deferred inflows of resources	<u>242,616</u>	<u>-</u>	<u>242,616</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	59,376	-	59,376
Prepaid items	36,011	-	36,011
Perpetual maintenance	-	17,113	17,113
Restricted:			
Stabilization by state statute	5,732,143	7,637	5,739,780
Streets	237,441	-	237,441
Public safety	148,265	40,478	188,743
Cultural and recreational	62,357	167,493	229,850
Economic and physical development	-	3,652,927	3,652,927
Committed:			
General government	-	4,285,064	4,285,064
Assigned	3,347,500	-	3,347,500
Unassigned	8,108,565	-	8,108,565
Total fund balances	<u>17,731,658</u>	<u>8,170,712</u>	<u>25,902,370</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,793,801</u>	<u>\$ 8,223,432</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.	17,395,042
The assets and liabilities of internal service funds are included in the Statement of Net Position.	3,405,767
Net pension liability - LGERS	(6,207,698)
Total pension liability - LEOSSA	(1,613,187)
Total OPEB liability	(8,648,782)
Deferred outflows of resources related to pensions are not reported in the funds.	4,348,651
Deferred outflows of resources related to OPEB are not reported in the funds.	1,602,862
Deferred inflows of resources related to pensions are not reported in the funds.	(364,635)
Deferred inflows of resources related to OPEB are not reported in the funds.	(2,725,004)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	111,830
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>(6,539,034)</u>
Net position of governmental activities	<u>\$ 26,668,182</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, 2024

	<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>
<b>Revenues:</b>			
Ad valorem taxes	\$ 9,857,246	\$ 388,044	\$ 10,245,290
Other taxes and licenses	6,167,943	-	6,167,943
Restricted intergovernmental	1,128,896	140,336	1,269,232
Permits and fees	603,908	-	603,908
Sales and services	2,472,766	-	2,472,766
Investment earnings	979,639	358,476	1,338,115
Miscellaneous	296,210	-	296,210
Total revenues	<u>21,506,608</u>	<u>886,856</u>	<u>22,393,464</u>
<b>Expenditures:</b>			
Current:			
General government	3,093,005	-	3,093,005
Public safety	8,310,541	116,518	8,427,059
Transportation	4,896,605	-	4,896,605
Economic and physical development	1,018,916	489,118	1,508,034
Environmental protection	1,923,125	-	1,923,125
Culture and recreation	3,521,835	-	3,521,835
Debt service:			
Principal	798,468	-	798,468
Interest	48,100	-	48,100
Total expenditures	<u>23,610,595</u>	<u>605,636</u>	<u>24,216,231</u>
Revenues over (under) expenditures	<u>(2,103,987)</u>	<u>281,220</u>	<u>(1,822,767)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,350,000	685	1,350,685
Transfers out	(685)	-	(685)
Issuance of debt	4,259,450	-	4,259,450
Lease liability issued	716,574	-	716,574
Total other financing sources (uses)	<u>6,325,339</u>	<u>685</u>	<u>6,326,024</u>
Net change in fund balances	4,221,352	281,905	4,503,257
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>13,510,306</u>	<u>7,888,807</u>	<u>21,399,113</u>
End of year - June 30	<u>\$ 17,731,658</u>	<u>\$ 8,170,712</u>	<u>\$ 25,902,370</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, 2024

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	\$ 4,503,257
---	--------------

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	\$ 4,950,070	
Loss on disposal of capital assets	(820)	
Depreciation expense	<u>(1,145,793)</u>	3,803,457

Change in deferred inflows for tax revenues	26,169
---	--------

Right to use leased asset capital outlay expenditures which were capitalized	719,255
--	---------

Amortization expense for right to use assets	(254,278)
--	-----------

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	(4,976,024)	
Repayment of debt principal and lease liabilities	<u>798,468</u>	(4,177,556)

OPEB plan expense	45,027
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Pension expense - LGERS	(562,639)
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Pension expense - LEOSSA	(107,906)
--------------------------	-----------

Accrual of compensated absences	(76,807)
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Net revenue of internal service funds determined to be governmental-type	<u>(253,591)</u>
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Total change in net position of governmental activities (Exhibit B)	<u>\$ 3,568,388</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, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,120,760	\$ 9,120,760	\$ 9,857,246	\$ 736,486
Other taxes	5,942,100	5,702,200	6,167,943	465,743
Restricted intergovernmental	905,450	1,053,254	1,128,896	75,642
Permits and fees	332,500	332,500	603,908	271,408
Investment earnings	300,000	300,000	979,639	679,639
Sales and services	2,397,000	2,430,500	2,472,766	42,266
Miscellaneous	160,315	172,376	296,210	123,834
Total revenues	<u>19,158,125</u>	<u>19,111,590</u>	<u>21,506,608</u>	<u>2,395,018</u>
<b>Expenditures:</b>				
Current:				
General government	2,982,569	4,175,898	3,093,005	1,082,893
Public safety	10,909,000	12,170,309	8,310,541	3,859,768
Transportation	4,673,456	5,688,836	4,896,605	792,231
Economic and physical development	1,164,500	1,205,367	1,018,916	186,451
Environmental protection	1,723,000	2,404,495	1,923,125	481,370
Culture and recreation	3,545,050	3,842,039	3,521,835	320,204
Debt service:				
Principal retirement	633,377	798,468	798,468	-
Interest and fees	612,623	59,674	48,100	11,574
Total expenditures	<u>26,243,575</u>	<u>30,345,086</u>	<u>23,610,595</u>	<u>6,734,491</u>
Revenues over (under) expenditures	<u>(7,085,450)</u>	<u>(11,233,496)</u>	<u>(2,103,987)</u>	<u>9,129,509</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,945,000	3,951,015	1,350,000	(2,601,015)
Transfers out	-	(685)	(685)	-
Issuance of debt	4,140,450	4,259,450	4,259,450	-
IT subscription liabilities issued	-	1,674,779	716,574	(958,205)
Total other financing sources (uses)	<u>7,085,450</u>	<u>9,884,559</u>	<u>6,325,339</u>	<u>(3,559,220)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	-	(1,348,937)	4,221,352	5,570,289
Fund balance appropriated	-	1,348,937	-	1,348,937
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,221,352</u>	<u>\$ 4,221,352</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>13,510,306</u>	
End of year - June 30			<u>\$ 17,731,658</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, 2024

	Business-Type Activities					Governmental
	Enterprise Funds				Total	Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 3,548,341	\$ 5,232,993	\$ 3,063,563	\$ 488,748	\$ 12,333,645	\$ 3,572,800
Cash - restricted	348,438	701,428	130,200	-	1,180,066	-
Accounts receivable, net	2,785,978	1,578,370	314,777	66,253	4,745,378	-
Prepays	-	-	-	-	-	76,031
Inventories	438,794	387,173	156,352	-	982,319	-
Total current assets	<u>7,121,551</u>	<u>7,899,964</u>	<u>3,664,892</u>	<u>555,001</u>	<u>19,241,408</u>	<u>3,648,831</u>
Capital assets:						
Land and other non-depreciable assets	25,759,569	7,091,012	31,000	-	32,881,581	-
Other capital assets, net of depreciation	39,877,374	5,383,975	5,971,073	171,167	51,403,589	-
Right to use lease assets, net of amortization	-	2,582	-	-	2,582	-
Total capital assets	<u>65,636,943</u>	<u>12,477,569</u>	<u>6,002,073</u>	<u>171,167</u>	<u>84,287,752</u>	<u>-</u>
Total assets	<u>72,758,494</u>	<u>20,377,533</u>	<u>9,666,965</u>	<u>726,168</u>	<u>103,529,160</u>	<u>3,648,831</u>
<b>Deferred Outflows of Resources:</b>						
Pension deferrals	656,925	437,950	328,463	109,488	1,532,826	-
OPEB deferrals	229,676	144,611	110,585	39,697	524,569	-
Total deferred outflows of resources	<u>886,601</u>	<u>582,561</u>	<u>439,048</u>	<u>149,185</u>	<u>2,057,395</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	2,679,051	1,429,772	457,567	23,816	4,590,206	243,064
Liabilities to be paid from restricted assets:						
Customer deposits	174,468	363,316	130,200	-	667,984	-
Current portion of compensated absences	45,511	44,617	22,108	10,725	122,961	-
Current portion of long-term liabilities	1,598,546	505,512	280,328	-	2,384,386	-
Total current liabilities	<u>4,497,576</u>	<u>2,343,217</u>	<u>890,203</u>	<u>34,541</u>	<u>7,765,537</u>	<u>243,064</u>
Non-current liabilities:						
Net pension liability - LGERS	1,034,617	689,745	517,307	172,437	2,414,106	-
Long-term liabilities	15,946,685	4,962,934	1,223,204	-	22,132,823	-
Total OPEB liability	1,493,712	940,487	719,195	258,173	3,411,567	-
Compensated absences	45,511	44,616	22,107	10,725	122,959	-
Total non-current liabilities	<u>18,520,525</u>	<u>6,637,782</u>	<u>2,481,813</u>	<u>441,335</u>	<u>28,081,455</u>	<u>-</u>
Total liabilities	<u>23,018,101</u>	<u>8,980,999</u>	<u>3,372,016</u>	<u>475,876</u>	<u>35,846,992</u>	<u>243,064</u>
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	16,534	11,023	8,267	2,756	38,580	-
OPEB deferrals	470,630	296,322	226,599	81,343	1,074,894	-
Total deferred inflows of resources	<u>487,164</u>	<u>307,345</u>	<u>234,866</u>	<u>84,099</u>	<u>1,113,474</u>	<u>-</u>
<b>Net Position:</b>						
Net investment in capital assets	48,091,712	7,347,235	4,498,541	171,167	60,108,655	-
Unrestricted	2,048,118	4,324,515	2,000,590	144,211	8,517,434	3,405,767
Total net position	<u>\$ 50,139,830</u>	<u>\$ 11,671,750</u>	<u>\$ 6,499,131</u>	<u>\$ 315,378</u>	<u>\$ 68,626,089</u>	<u>\$ 3,405,767</u>

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

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Service Funds
<b>Operating Revenues:</b>						
Charges for services	\$ 8,199,160	\$ 16,247,979	\$ 4,993,852	\$ 785,056	\$ 30,226,047	\$ 3,643,117
Miscellaneous revenues	70,653	575,556	374,383	827	1,021,419	-
Total operating revenues	8,269,813	16,823,535	5,368,235	785,883	31,247,466	3,643,117
<b>Operating Expenses:</b>						
Salaries and fringe benefits	2,202,081	2,075,492	1,469,891	460,145	6,207,609	-
Cost of merchandise sold	1,266,662	7,522,890	2,019,285	-	10,808,837	-
Other operating expenses	2,505,233	2,782,801	1,283,821	193,972	6,765,827	-
Depreciation and amortization	3,026,861	600,804	347,952	28,780	4,004,397	-
Health Insurance	-	-	-	-	-	3,925,515
Workers' Compensation Insurance	-	-	-	-	-	124,914
Total operating expenses	9,000,837	12,981,987	5,120,949	682,897	27,786,670	4,050,429
Operating income (loss)	(731,024)	3,841,548	247,286	102,986	3,460,796	(407,312)
<b>Non-Operating Revenues (Expenses):</b>						
Interest income	239,463	290,061	152,726	20,723	702,973	153,721
Interest expense	(7,315)	(181,131)	(50,649)	-	(239,095)	-
Income (loss) from sale of capital assets previously disposed of	16,271	2,364	-	-	18,635	-
Total non-operating revenues (expenses)	248,419	111,294	102,077	20,723	482,513	153,721
Income (loss) before transfers and capital contributions	(482,605)	3,952,842	349,363	123,709	3,943,309	(253,591)
Transfers to other funds	-	(1,350,000)	-	-	(1,350,000)	-
Capital grants and contributions	13,160,323	-	-	-	13,160,323	-
Total transfers and capital contributions	13,160,323	(1,350,000)	-	-	11,810,323	-
Change in net position	12,677,718	2,602,842	349,363	123,709	15,753,632	(253,591)
<b>Net Position:</b>						
Beginning of year - July 1	37,462,112	9,068,908	6,149,768	191,669	52,872,457	3,659,358
End of year - June 30	\$ 50,139,830	\$ 11,671,750	\$ 6,499,131	\$ 315,378	\$ 68,626,089	\$ 3,405,767

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, 2024

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 8,098,463	\$ 16,385,980	\$ 4,990,745	\$ 760,622	\$ 30,235,810	\$ 3,567,086
Cash paid for goods and services	(3,837,530)	(9,984,903)	(3,148,536)	(190,748)	(17,161,717)	(3,967,996)
Cash paid to employees for services	(2,133,160)	(1,860,861)	(1,204,235)	(396,812)	(5,595,068)	-
Cash received (paid) for customer deposits	61,348	39,380	33,595	-	134,323	-
Other operating revenues	70,653	575,556	374,383	827	1,021,419	-
Net cash provided (used) by operating activities	<u>2,259,774</u>	<u>5,155,152</u>	<u>1,045,952</u>	<u>173,889</u>	<u>8,634,767</u>	<u>(400,910)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(8,404,444)	(3,200,664)	(895,432)	(57,428)	(12,557,968)	-
Capital grant and contribution	5,922,282	-	-	-	5,922,282	-
Principal paid on bonds and equipment contracts	(1,657,489)	(503,674)	(276,425)	-	(2,437,588)	-
Proceeds from sale of capital assets previously disposed of	16,271	2,364	-	-	18,635	-
Interest expense	(8,115)	(255,131)	(68,649)	-	(331,895)	-
Net cash provided (used) by capital and related financing activities	<u>(4,131,495)</u>	<u>(3,957,105)</u>	<u>(1,240,506)</u>	<u>(57,428)</u>	<u>(9,386,534)</u>	<u>-</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Operating transfers	-	(1,350,000)	-	-	(1,350,000)	-
<b>Cash Flows from Investing Activities:</b>						
Interest income	239,463	290,061	152,726	20,723	702,973	153,721
Net increase (decrease) in cash and cash equivalents	(1,632,258)	138,108	(41,828)	137,184	(1,398,794)	(247,189)
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	5,529,037	5,796,313	3,235,591	351,564	14,912,505	3,819,989
End of year - June 30	<u>\$ 3,896,779</u>	<u>\$ 5,934,421</u>	<u>\$ 3,193,763</u>	<u>\$ 488,748</u>	<u>\$ 13,513,711</u>	<u>\$ 3,572,800</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ (731,024)	\$ 3,841,548	\$ 247,286	\$ 102,986	\$ 3,460,796	\$ (407,312)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,026,861	600,804	347,952	28,780	4,004,397	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	(100,711)	134,213	(3,110)	(24,434)	5,958	-
Prepaid Items	-	-	-	-	-	(76,031)
Inventories	14,373	9,044	(55,445)	-	(32,028)	-
Deferred outflows of resources - pensions	155	(89,918)	(110,620)	(17,814)	(218,197)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(59,037)	331,217	214,067	9,470	495,717	82,433
Accrued OPEB liability	(8,991)	105,651	162,638	35,550	294,848	-
Customer deposits	61,348	39,380	33,595	(150)	134,173	-
Deferred inflows of resources - pensions	(94,803)	(15,969)	19,322	(2,118)	(93,568)	-
Net pension liability - LGERS	151,603	199,182	190,267	41,619	582,671	-
Net cash provided (used) by operating activities	<u>\$ 2,259,774</u>	<u>\$ 5,155,152</u>	<u>\$ 1,045,952</u>	<u>\$ 173,889</u>	<u>\$ 8,634,767</u>	<u>\$ (400,910)</u>
<b>Supplemental Disclosures of Non-Cash Activities:</b>						
Contributed capital from developers	\$ 5,249,212	\$ -	\$ -	\$ -	\$ 5,249,212	\$ -
Right to use asset acquired in exchange for a lease liability	\$ -	\$ 3,719	\$ -	\$ -	\$ 3,719	\$ -

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, 2024**

	<u>Custodial Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>270,473</u>
<b>Net Position:</b>	
Restricted for:	
Individuals, organizations, and other governments	\$ <u>270,473</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, 2024

	<u>Custodial Fund</u>
<b>Additions</b>	
Investment income	\$ 14,083
<b>Deductions:</b>	
Benefit payments	<u>5,200</u>
Net increase (decrease) in fiduciary net position	8,883
Net position - beginning	<u>261,590</u>
Net position - ending	<u>\$ 270,473</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, 2024

### 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, 2024

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.

**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, 2024

### 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. Five 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, 2024

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, 2024

*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 Governmental Capital Reserve Fund, General Capital Project Fund, State and Local Grants Capital Project Fund, Library Fund, Senior Center Capital Project Fund, Enterprise Fund Capital – Project South Water Sewer, Enterprise Fund Capital Project – Water Grant Projects-Lift Station, Enterprise Fund Capital Project -Water Grant Projects -EDA Grant, Enterprise Fund Capital Project – Moss Lake Sediment Remediation, Enterprise Fund Capital Project -Water and Sewer System Development Fees, Enterprise Fund Capital Project- Electric Projects, Enterprise Fund Capital Project – Gas Projects. 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

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds.

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

### **E. Estimates**

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

### **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, that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. 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, 2024**

**Restricted Assets**

In accordance with state law {G.S. 136-41.1 through 136-41.4}, Powell Bill funds are classified as restricted cash for streets 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. System development fees are collected to recover the costs associated with capital improvements made by a utility system to make services available to future users of the system and are restricted for this purpose.

**City of Kings Mountain Restricted Cash**

**Governmental Activities:**

General Fund:

Streets	\$	426,237
Public safety		148,282
Unspent debt proceeds		3,078,562
Cultural and recreation		62,357

Nonmajor Funds:

Perpetual maintenance		17,113
Unspent grant proceeds		1,304
<b>Total governmental activities</b>		<b><u>3,733,855</u></b>

**Business-Type Activities:**

Water and Sewer Fund:

Customer deposits		174,468
System Development Fees		173,970

Electric Fund:

Unspent debt proceeds		338,112
Customer deposits		363,316

Gas Fund:

Customer deposits		130,200
<b>Total business-type activities</b>		<b><u>1,180,066</u></b>

<b>Total restricted cash</b>	<b>\$</b>	<b><u>4,913,921</u></b>
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# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2023. 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, 2024

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, 2024

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, 2024

For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. The ABC Board's policy provides for accumulation of up to thirty days sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefits purposes. Since the City and the ABC Board have no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **Net Position/Fund Balances**

##### **Net Position**

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

##### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

##### **Non-Spendable Fund Balance**

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

*Prepays* – portion of fund balance that is not an available resource because it represents the asset amount of prepaid expenditures, which are not spendable resources.

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

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

##### **Restricted Fund Balance**

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

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

*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 \$237,441, 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 \$148,265. \$124,510 is restricted in the General Fund by police contributions and forfeiture funds. \$23,755 is restricted in the General Fund by fire museum contributions. \$40,478 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 \$62,357 restricted for future culture and recreation expenditures while the nonmajor funds have \$167,493 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 \$3,652,927 restricted.

#### **Committed Fund Balance**

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for General Government* – portion of fund balance that is committed for future capital projects and needs within the City. The nonmajor funds have \$4,285,064 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.

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

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

*Assigned for General Governmental* – portion of fund balance that is assigned for various capital assets. General Fund has \$150,000 assigned.

*Assigned for Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation. General Fund has \$1,197,500 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.

Total fund balance - General Fund	\$ 17,731,658
<b>Less:</b>	
Inventories	59,376
Prepaid items	36,011
Stabilization by state statute	<u>5,732,143</u>
Total available fund balance	<u>\$ 11,904,128</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2024 for the General Fund totaled \$4,025,228.

**Defined Benefit Cost Sharing Plans**

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

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### 2. Detail Notes on All Funds

#### A. Assets

##### Deposits

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

Because of the inability to measure the exact amounts of collateral pledged for the City, the ABC Board, or the TDA Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City, the ABC Board, and the TDA Board have no policy regarding custodial credit risk for deposits but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2024, the City's deposits had a carrying amount of \$9,554,339 and a bank balance of \$10,196,397. Of the bank balance, \$5,306,923 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 \$381,733 and the bank balance was \$386,620. Of the bank balance of the TDA Board, \$250,000 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 ABC Board was \$418,642 and the bank balance was \$389,469. \$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 \$51,024 and petty cash funds of \$2,000.

At June 30, 2024, the City's petty cash funds totaled \$2,480.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **Investments**

At June 30, 2024, the City of Kings Mountain had \$32,764,843 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, 2024**

**Receivables - Allowances for Doubtful Accounts**

The receivables shown in Exhibit A at June 30, 2024 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 399,969	\$ 175,198	\$ 1,389,385	\$ 1,964,552
Nonmajor - emergency telephone system	-	-	7,637	7,637
Allowance for doubtful accounts	<u>(61,325)</u>	<u>(63,368)</u>	<u>-</u>	<u>(124,693)</u>
Total governmental activities	<u>\$ 338,644</u>	<u>\$ 111,830</u>	<u>\$ 1,397,022</u>	<u>\$ 1,847,496</u>
<b>Business-Type Activities:</b>				
Water and sewer	\$ 2,862,189	\$ -	\$ -	\$ 2,862,189
Electric	1,686,640	-	-	1,686,640
Gas	332,714	-	-	332,714
Stormwater	81,012	-	-	81,012
Allowance for doubtful accounts	<u>(217,177)</u>	<u>-</u>	<u>-</u>	<u>(217,177)</u>
Total business-type activities	<u>\$ 4,745,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,745,378</u>

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

	<b>Governmental Activities:</b>
Local option sales tax	\$ 771,680
Sales tax reimbursement	536,914
DMV MV taxes	63,622
911 funds	7,637
Occupancy tax	<u>17,169</u>
	<u>\$ 1,397,022</u>

The Tourism Development Authority's receivables consist of occupancy taxes from local hotels of \$16,741 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, 2024**

**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 2024, the City recognized \$28,956 of lease revenue and \$3,924 of interest revenue under the lease. The City lease receivable balance at year end was \$109,672, and the deferred inflows were \$130,786.

Future minimum lease payments receivable as of June 30, 2024 are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 25,998	\$ 3,424	\$ 29,422	
2026	26,922	2,499	29,421	
2027	27,880	1,542	29,422	
2028	28,872	550	29,422	
Total	<u>\$ 109,672</u>	<u>\$ 8,015</u>	<u>\$ 117,687</u>	

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2024 was as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 2,798,989	\$ 106,013	\$ -	\$ 2,905,002
Total non-depreciable capital assets	<u>2,798,989</u>	<u>106,013</u>	<u>-</u>	<u>2,905,002</u>
<b>Depreciable Capital Assets:</b>				
Infrastructure - streets & paving	5,610,345	1,965,553	-	7,575,898
Buildings	10,847,343	27,700	-	10,875,043
Other improvements	5,640,593	866,112	-	6,506,705
Equipment	5,181,657	468,800	(6,491)	5,643,966
Vehicles	7,175,006	1,515,892	(46,781)	8,644,117
Total depreciable capital assets	<u>34,454,944</u>	<u>4,844,057</u>	<u>(53,272)</u>	<u>39,245,729</u>
<b>Less Accumulated Depreciation:</b>				
Infrastructure - streets & paving	2,949,236	196,947	-	3,146,183
Buildings	10,552,895	17,178	-	10,570,073
Other improvements	1,250,785	221,861	-	1,472,646
Equipment	3,380,074	337,316	(5,691)	3,711,699
Vehicles	6,154,918	372,491	(46,761)	6,480,648
Total accumulated depreciation	<u>24,287,908</u>	<u>1,145,793</u>	<u>(52,452)</u>	<u>25,381,249</u>
Total depreciable capital assets, net	<u>10,167,036</u>	<u>3,698,264</u>	<u>(820)</u>	<u>13,864,480</u>
<b>Capital assets being amortized:</b>				
Right to use assets:				
Leased equipment	43,545	-	-	43,545
Leased vehicles	14,595	-	-	14,595
IT subscriptions	235,935	719,255	-	955,190
Total right-to-use lease assets	<u>294,075</u>	<u>719,255</u>	<u>-</u>	<u>1,013,330</u>
<b>Less accumulated amortization:</b>				
Right to use assets:				
Leased equipment	25,854	8,250	-	34,104
Leased vehicles	7,767	4,097	-	11,864
IT subscriptions	99,871	241,931	-	341,802
Total Accumulated Amortization	<u>133,492</u>	<u>254,278</u>	<u>-</u>	<u>387,770</u>
Total capital assets being amortized, net	<u>160,583</u>	<u>464,977</u>	<u>-</u>	<u>625,560</u>
Governmental activities capital assets, net	<u>\$ 13,126,608</u>			<u>\$ 17,395,042</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

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

**Governmental Activities:**

General government	\$	385,057
Public safety		373,070
Transportation		143,621
Economic and physical development		4,304
Environmental protection		252,876
Cultural and recreational		241,143
Total depreciation/ amortization expense	\$	<u>1,400,071</u>

**Proprietary Capital Assets**

The capital asset activity of the proprietary funds for the year ended June 30, 2024 was as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2024</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	5,728,318	14,468,090	-	(1,610,894)	18,585,514
Total non-depreciable capital assets	<u>12,902,373</u>	<u>14,468,090</u>	<u>-</u>	<u>(1,610,894)</u>	<u>25,759,569</u>
<b>Depreciable Capital Assets:</b>					
Buildings	14,550,217	-	-	-	14,550,217
Other improvements	55,428,154	8,874	-	-	55,437,028
Lines	31,372,624	1,164,303	-	1,610,894	34,147,821
Equipment	8,297,547	340,439	(52,525)	-	8,585,461
Vehicles	1,695,723	-	(22,449)	-	1,673,274
Total depreciable capital assets	<u>111,344,265</u>	<u>1,513,616</u>	<u>(74,974)</u>	<u>1,610,894</u>	<u>114,393,801</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	13,253,326	161,319	-	-	13,414,645
Other improvements	40,857,876	1,217,583	-	-	42,075,459
Lines	9,757,295	1,132,830	-	-	10,890,125
Equipment	6,556,455	359,501	(52,525)	-	6,863,431
Vehicles	1,139,588	155,628	(22,449)	-	1,272,767
Total accumulated depreciation	<u>71,564,540</u>	<u>3,026,861</u>	<u>(74,974)</u>	<u>-</u>	<u>74,516,427</u>
Total depreciable capital assets, net	<u>39,779,725</u>				<u>39,877,374</u>
Water and Sewer Fund capital assets, net	<u>52,682,098</u>				<u>65,636,943</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2024</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	39,890	-	-	-	39,890
Construction in progress	5,366,485	1,684,637	-	-	7,051,122
Total non-depreciable capital assets	<u>5,406,375</u>	<u>1,684,637</u>	<u>-</u>	<u>-</u>	<u>7,091,012</u>
<b>Depreciable Capital Assets:</b>					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	2,088,318	50,670	-	-	2,138,988
Lines	6,479,478	1,185,962	-	-	7,665,440
Equipment	2,324,814	237,341	-	-	2,562,155
Vehicles	2,077,461	38,335	(23,891)	-	2,091,905
Total depreciable capital assets	<u>15,285,228</u>	<u>1,512,308</u>	<u>(23,891)</u>	<u>-</u>	<u>16,773,645</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	1,856,631	79,722	-	-	1,936,353
Other improvements	1,027,907	73,057	-	-	1,100,964
Lines	4,300,784	181,058	-	-	4,481,842
Equipment	1,755,771	158,015	-	-	1,913,786
Vehicles	1,874,247	106,369	(23,891)	-	1,956,725
Total accumulated depreciation	<u>10,815,340</u>	<u>598,221</u>	<u>(23,891)</u>	<u>-</u>	<u>11,389,670</u>
Total depreciable capital assets, net	<u>4,469,888</u>				<u>5,383,975</u>
<b>Capital assets being amortized:</b>					
Right to use assets:					
Equipment	4,828	-	-	-	4,828
IT subscriptions	-	3,719	-	-	3,719
Total right to use assets	<u>4,828</u>	<u>3,719</u>	<u>-</u>	<u>-</u>	<u>8,547</u>
<b>Less accumulated amortization:</b>					
Right to use assets:					
Equipment	3,382	723	-	-	4,105
IT subscriptions	-	1,860	-	-	1,860
Total accumulated amortization	<u>3,382</u>	<u>2,583</u>	<u>-</u>	<u>-</u>	<u>5,965</u>
Total capital assets being amortized, net	<u>1,446</u>				<u>2,582</u>
Electric Fund capital assets, net	<u>9,877,709</u>				<u>12,477,569</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2024</u>
<b>Gas Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	31,000	-	-	-	31,000
Construction in progress	2,013,857	-	-	(2,013,857)	-
Total non-depreciable capital assets	<u>2,044,857</u>	<u>-</u>	<u>-</u>	<u>(2,013,857)</u>	<u>31,000</u>
<b>Depreciable Capital Assets:</b>					
Buildings	253,559	45,456	-	-	299,015
Lines	4,476,706	516,996	-	2,013,857	7,007,559
Equipment	2,047,265	204,786	-	-	2,252,051
Vehicles	382,076	128,194	-	-	510,270
Total depreciable capital assets	<u>7,159,606</u>	<u>895,432</u>	<u>-</u>	<u>2,013,857</u>	<u>10,068,895</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	99,897	13,173	-	-	113,070
Lines	2,274,637	206,841	-	-	2,481,478
Equipment	1,070,414	90,510	-	-	1,160,924
Vehicles	304,922	37,428	-	-	342,350
Total accumulated depreciation	<u>3,749,870</u>	<u>347,952</u>	<u>-</u>	<u>-</u>	<u>4,097,822</u>
Total depreciable capital assets, net	<u>3,409,736</u>				<u>5,971,073</u>
Gas Fund capital assets, net	<u>5,454,593</u>				<u>6,002,073</u>
	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2024</u>
<b>Stormwater Fund:</b>					
<b>Depreciable Capital Assets:</b>					
Buildings	23,907	-	-	-	23,907
Other improvements	140,124	-	-	-	140,124
Equipment	311,434	16,990	-	-	328,424
Vehicles	113,754	40,438	-	-	154,192
Total depreciable capital assets	<u>589,219</u>	<u>57,428</u>	<u>-</u>	<u>-</u>	<u>646,647</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	10,216	1,199	-	-	11,415
Other improvements	37,550	7,025	-	-	44,575
Equipment	285,181	16,900	-	-	302,081
Vehicles	113,753	3,656	-	-	117,409
Total accumulated depreciation	<u>446,700</u>	<u>28,780</u>	<u>-</u>	<u>-</u>	<u>475,480</u>
Total depreciable capital assets, net	<u>142,519</u>				<u>171,167</u>
Stormwater Fund capital assets, net	<u>142,519</u>				<u>171,167</u>
<b>Total for Business-Type Activities:</b>					
Non-depreciable capital assets	20,353,605				32,881,581
Depreciable capital assets, net of depreciation	47,801,868				51,403,589
Total capital assets being amortized, net	1,446				2,582
Total business-type capital assets, net	<u>\$ 68,156,919</u>				<u>\$ 84,287,752</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2024 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 17,395,042	\$ 84,287,752
Long-term debt	(5,866,163)	(24,517,209)
Add unspent debt proceeds	3,078,562	338,112
Net investment in capital assets	\$ 14,607,441	\$ 60,108,655

**Construction Commitments**

The government has active construction projects as of June 30, 2024. At year-end, the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Streetscape	\$ 2,270,233	\$ -
Water and Sewer projects	5,411,087	39,718,637
Electric projects	7,051,117	1,040,612

**ABC Board**

Activity for the ABC Board for the year ended June 30, 2024 was as follows:

	<b>July 1, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2024</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	521,933	-	-	521,933
Equipment	118,587	1,088	-	119,675
Total depreciable capital assets	640,520	1,088	-	641,608
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	243,467	7,642	-	251,109
Equipment	50,819	9,260	-	60,079
Total accumulated depreciation	294,286	16,902	-	311,188
Total depreciable capital assets, net	346,234			330,420
ABC Board capital assets, net	\$ 425,109			\$ 409,295

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**B. Liabilities**

**Payables**

Payables at the government-wide level, Exhibit A, at June 30, 2024 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>TDA</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 481,607	\$ 321,179	\$ 116,000	\$ 16,741	\$ 935,527
Special revenue fund	51,416	-	-	-	51,416
Internal service funds	243,064	-	-	-	243,064
Total governmental activities	<u>\$ 776,087</u>	<u>\$ 321,179</u>	<u>\$ 116,000</u>	<u>\$ 16,741</u>	<u>\$ 1,230,007</u>
<b>Business-Type Activities:</b>					
Water and sewer	\$ 2,621,351	\$ 53,500	\$ 4,200	\$ -	\$ 2,679,051
Electric	1,294,029	39,743	96,000	-	1,429,772
Gas	408,632	25,935	23,000	-	457,567
Stormwater	14,966	8,850	-	-	23,816
Total business-type activities	<u>\$ 4,338,978</u>	<u>\$ 128,028</u>	<u>\$ 123,200</u>	<u>\$ -</u>	<u>\$ 4,590,206</u>

As of June 30, 2024, 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](http://www.osc.nc.gov).

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

**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, 2024, was 14.04% of compensation for law enforcement officers and 12.95% 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 \$1,561,672 for the year ended June 30, 2024.

**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, 2024**

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

At June 30, 2024, the City reported a liability of \$8,621,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024, the City's proportion was 0.13018%, (measured as of June 30, 2023), which was an increase of 0.008440% from its proportion as of June 30, 2023 (Measured as of June 30, 2022).

For the year ended June 30, 2024, the City recognized pension expense of \$2,388,638. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 960,724	\$ 20,683
Changes of assumptions	366,378	-
Net difference between projected and actual earnings on pension plan investments	2,307,572	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	278,031	117,104
City contributions subsequent to the measurement date	1,561,672	-
Total	\$ 5,474,377	\$ 137,787

\$1,561,672 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, 2025. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2025	\$ 1,335,773
2026	706,806
2027	1,634,762
2028	97,577
2029	-
Thereafter	-
Total	\$ 3,774,918

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

**Actuarial Assumptions.** The total pension liability in the December 31, 2022 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 and methods used in the December 31, 2022 actuarial 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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, 2024**

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:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
City's proportionate share of the net pension liability (asset)	\$ 14,936,934	\$ 8,621,804	\$ 3,422,594

**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, 2024

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>32</u>
Total	<u><u>37</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, 2022 valuation. The total pension liability in the December 31, 2022 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	4.00 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, 2022, 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, 2024**

*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 \$90,854 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, 2024, the City reported a total pension liability of \$1,613,187. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$199,915.

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 174,595	\$ 92,762
Changes of assumptions	185,876	172,666
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>46,629</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 407,100</u></b>	<b><u>\$ 265,428</u></b>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

\$46,629 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2025	\$ 75,083
2026	41,277
2027	(38,406)
2028	8,072
2029	9,017
Thereafter	-
<b>Total</b>	<b>\$ 95,043</b>

*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 4.00 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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	<b>1% Decrease (3.00%)</b>	<b>Discount Rate (4.00%)</b>	<b>1% Increase (5.00%)</b>
Total pension liability	<u>\$ 1,742,139</u>	<u>\$ 1,613,187</u>	<u>\$ 1,496,354</u>

**Schedule of Changes in Total Pension Liability**

**Law Enforcement Officers' Special Separation Allowance**

	<b>2024</b>
Beginning balance	\$ 1,394,763
Service cost	61,810
Interest on the total pension liability	58,156
Differences between expected and actual experience in the measurement of the total pension liability	154,278
Changes of assumptions or other inputs	35,034
Benefit payments	<u>(90,854)</u>
Ending balance of the total pension liability	<u>\$ 1,613,187</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 4.31% at December 31, 2022 (measurement date), to 4.00% at December 31, 2023 (measurement date).

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, 2022 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:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension expense	\$ 2,388,638	\$ 199,915	\$ 2,588,553
Pension liability	8,621,804	1,613,187	10,234,991
Proportionate share of the net pension liability	0.13018%	n/a	-

**Deferred of Outflows of Resources:**

Differences between expected and actual experience	\$ 960,724	\$ 174,595	\$ 1,135,319
Changes of assumptions	366,378	185,876	552,254
Net difference between projected and actual earnings on plan investments	2,307,572	-	2,307,572
Changes in proportion and differences between contributions and proportionate share of contributions	278,031	-	278,031
Benefit payments and administrative costs paid subsequent to the measurement date	1,561,672	46,629	1,608,301
Total deferred outflows of resources	\$ 5,474,377	\$ 407,100	\$ 5,881,477

**Deferred of Inflows of Resources:**

Differences between expected and actual experience	\$ 20,683	\$ 92,762	\$ 113,445
Changes of assumptions	-	172,666	172,666
Changes in proportion and differences between contributions and proportionate share of contributions	117,104	-	117,104
Total deferred inflows of resources	\$ 137,787	\$ 265,428	\$ 403,215

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **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 \$175,507 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 \$593,674 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, 2024**

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:

	<b>General Employees</b>
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 \$12,060,349 was measured as of June 30, 2023 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	3.65 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, 2024**

**Changes in Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance at July 1, 2023	\$ 11,687,692
Changes for the year	
Service cost	491,191
Interest	426,832
Differences between expected and actual experience	(88,795)
Changes in assumptions or other inputs	(211,453)
Benefit payments	<u>(245,118)</u>
Net changes	<u>372,657</u>
Balance at June 30, 2024	\$ <u>12,060,349</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.

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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	<b>1% Decrease (2.65%)</b>	<b>Discount Rate (3.65%)</b>	<b>1% Increase (4.65%)</b>
Total OPEB liability	\$ <u>14,209,214</u>	\$ <u>12,060,349</u>	\$ <u>10,369,091</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 10,080,600	\$ 12,060,349	\$ 14,663,574

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$524,215. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,303	\$ 1,148,470
Changes of assumptions	1,803,116	2,651,428
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>273,012</u>	<u>-</u>
Total	<u>\$ 2,127,431</u>	<u>\$ 3,799,898</u>

\$273,012 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, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2025	\$ (393,808)
2026	(349,324)
2027	(259,272)
2028	(180,771)
2029	(326,045)
Thereafter	<u>(436,259)</u>
Total	<u>\$ (1,945,479)</u>

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### Other Employment Benefits

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

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

### Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year (LGERS)	\$ 1,561,672
Benefit payments made for LEOSSA subsequent to measurement date	46,629
Difference between expected and actual experience - Pensions & OPEB	1,186,622
Changes of assumptions - Pensions	552,254
Benefit payments for OPEB subsequent to measurement date	273,012
Net difference between projected and actual - Pensions	2,307,572
Changes of assumptions - OPEB	1,803,116
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	<u>278,031</u>
Total	<u>\$ 8,008,908</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

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

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
<b>Deferred Inflows:</b>		
Taxes receivable, net (General Fund)	\$ -	\$ 111,830
Differences between expected and actual experience - Pensions & OPEB	1,261,915	-
Change in assumptions - Pensions & OPEB	2,824,094	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	117,104	-
Leases	<u>130,786</u>	<u>130,786</u>
Total	<u>\$ 4,333,899</u>	<u>\$ 242,616</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 McGriff Insurance Service (agent) to protect these exposures. Saville Public Entity is the City’s current insurance broker. US Specialty 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 \$3,000,000 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 \$25,000 per occurrence deductible; public officials liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$25,000 deductible; employment practices liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with \$25,000 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 \$25,000 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 \$50,000 per occurrence deductible; equipment breakdown limit of \$107,692.267 with a \$10,000

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

deductible; excess workers' compensation and employers liability/occupational accident coverage with a \$550,000 self-insured retention with \$750,000 for Law Enforcement. Settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

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

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

	<u>2024</u>	<u>2023</u>
Unpaid claims, beginning	\$ 69,761	\$ 375,000
Incurred claims	4,536,253	2,840,614
Claim payments	<u>(4,404,065)</u>	<u>(3,145,853)</u>
Unpaid claims, ending	<u>\$ 201,949</u>	<u>\$ 69,761</u>

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

	<u>2024</u>	<u>2023</u>
Unpaid claims, beginning	\$ 90,000	\$ 116,249
Incurred claims	80,555	501,940
Claim payments	<u>(130,555)</u>	<u>(528,189)</u>
Unpaid claims, ending	<u>\$ 40,000</u>	<u>\$ 90,000</u>

The City of Kings Mountain ABC Board is exposed to various risks of loss related to torts; theft of; damage to, and the destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There 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, 2024

### Claims, Judgments, and Contingent Liabilities

At June 30, 2024, 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 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, 2024, the value of the lease liability is \$275. 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, 2024 of \$5,077 with accumulated amortization of \$4,810 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, 2024, the value of the lease liability is \$2,472. 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, 2024 of \$21,497 with accumulated amortization of \$19,445 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, 2024, the value of the lease liability is \$1,156. 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, 2024 of \$3,503 with accumulated amortization of \$2,379 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 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, 2024, the value of the lease liability is \$1,556. 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, 2024 of \$3,881 with accumulated amortization of \$2,368 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, 2024

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, 2024, the value of the lease liability is \$674. 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, 2024 of \$2,627 with accumulated amortization of \$1,970 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, 2024, the value of the lease liability is \$1,957. 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, 2024 of \$3,480 with accumulated amortization of \$1,566 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, 2024, the value of the lease liability is \$1,957. 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, 2024 of \$3,480 with accumulated amortization of \$1,566 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, 2024, the value of the lease liability is \$2,241. 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, 2024 of \$14,595 with accumulated amortization of \$11,864 is included with vehicle on the Lease Class Activities in the capital asset table.

#### **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, 2024, the value of the lease liability is \$701. 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, 2024 of \$4,828 with accumulated amortization of \$4,105 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, 2024**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 8,680	\$ 171	\$ 8,851	\$ 701	\$ 8	\$ 709
2026	2,521	47	2,568	-	-	-
2027	1,087	9	1,096	-	-	-
Total	<u>\$ 12,288</u>	<u>\$ 227</u>	<u>\$ 12,515</u>	<u>\$ 701</u>	<u>\$ 8</u>	<u>\$ 709</u>

**Subscriptions**

The City has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

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, 2024, the value of the subscription liability is \$49,379. 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, 2024 of \$99,162 with accumulated amortization of \$33,285 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, 2024, the value of the subscription liability is \$2,280. 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, 2024 of \$4,408 with accumulated amortization of \$2,204 is included with IT subscription Class activities in the capital assets table.

On July 1, 2023, the City of Kings Mountain entered into a 24-month Subscription for the use of Katalyst/Cisco. An initial subscription liability was recorded in the amount of \$29,411. As of June 30, 2024, the value of the subscription liability is \$20,082. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$10,800. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024 of \$29,411 with accumulated amortization of \$14,706 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, 2024

On March 6, 2024, the City of Kings Mountain entered into a 72-month Subscription for the use of Carolina Digital Phone. An initial subscription liability was recorded in the amount of \$65,793. As of June 30, 2024, the value of the subscription liability is \$65,100. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$15,186. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024, of \$64,329 with accumulated amortization of \$2,144 is included with IT subscription Class activities in the capital assets table.

On July 3, 2023, the City of Kings Mountain entered into a 36-month Subscription for the use of Katalyst Managed Infrastructure. An initial subscription liability was recorded in the amount of \$111,517. As of June 30, 2024, the value of the subscription liability is \$72,517. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$39,000. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024, of \$111,517 with accumulated amortization of \$37,172 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, 2024, the value of the subscription liability is \$0. 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, 2024, of \$82,580 with accumulated amortization of \$82,580 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, 2024, 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, 2024, of \$28,089 with accumulated amortization of \$28,089 is included with IT subscription Class activities in the capital assets table.

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, 2024, the value of the subscription liability is \$0. 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 \$25,843 is included with IT subscription Class activities in the capital assets table.

On July 7, 2024, the City of Kings Mountain entered into a 36-month Subscription for the use of Esri. An initial subscription liability was recorded in the amount of \$43,867. As of June 30, 2024, the value of the subscription liability is \$28,367. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$15,500. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024, of \$43,867 with accumulated amortization of \$14,622 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, 2024**

On February 1, 2024, the City of Kings Mountain entered into a 60-month Subscription for the use of Axon Fleet Cam. An initial subscription liability was recorded in the amount of \$263,939. As of June 30, 2024, the value of the subscription liability is \$216,187. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$60,967. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024 of \$263,939 with accumulated amortization of \$52,788 is included with IT subscription Class activities in the capital assets table.

On May 15, 2024, the City of Kings Mountain entered into a 24-month Subscription for the use of Monday.com. An initial subscription liability was recorded in the amount of \$3,719. As of June 30, 2024, the value of the subscription liability is \$1,905. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$2,000. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024 of \$3,719 with accumulated amortization of \$1,859 is included with IT subscription Class activities in the capital assets table.

On July 1, 2023, the City of Kings Mountain entered into a 36-month Subscription for the use of Granicus. An initial subscription liability was recorded in the amount of \$45,601. As of June 30, 2024, the value of the subscription liability is \$26,748. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$14,042. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024 of \$45,601 with accumulated amortization of \$15,200 is included with IT subscription Class activities in the capital assets table.

On August 1, 2023, the City of Kings Mountain entered into a 36-month Subscription for the use of KnowBe4. An initial subscription liability was recorded in the amount of \$8,330. As of June 30, 2024, the value of the subscription liability is \$5,417. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$2,913. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024 of \$8,330 with accumulated amortization of \$2,777 is included with IT subscription Class activities in the capital assets table.

On August 1, 2023, the City of Kings Mountain entered into a 60-month Subscription for the use of Softdocs. An initial subscription liability was recorded in the amount of \$144,395. As of June 30, 2024, the value of the subscription liability is \$114,395. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$30,900. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024 of \$144,395 with accumulated amortization of \$28,533 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, 2024**

**Business-Type Activities:**

On May 15, 2024, the City of Kings Mountain entered into a 24-month Subscription for the use of Monday.com. An initial subscription liability was recorded in the amount of \$3,719. As of June 30, 2024, the value of the subscription liability is \$1,905. The City of Kings Mountain is required to make annual fixed principal and interest payments of \$2,000. The Subscription has an interest rate of 3.5%. The value of the right-to-use asset as of June 30, 2024, of \$3,719 with accumulated amortization of \$1,860 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, 2024 were as follows for IT subscriptions:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 189,440	\$ 29,063	\$ 218,503	\$ 1,905	\$ 95	\$ 2,000
2026	197,674	19,957	217,631	-	-	-
2027	98,483	10,453	108,936	-	-	-
2028	104,407	5,513	109,920	-	-	-
2029	12,373	282	12,655	-	-	-
<b>Total</b>	<b>\$ 602,377</b>	<b>\$ 65,268</b>	<b>\$ 667,645</b>	<b>\$ 1,905</b>	<b>\$ 95</b>	<b>\$ 2,000</b>

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### 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	\$	155,127
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 2021		112,398
Home Trust Bank \$390,081 note payable in October 2021 for servers, due in annual payments of \$80,595, including interest at 2.99% through October 2025		158,641
Home Trust Bank \$510,075 note payable in April 2019 for software, due in annual payments of \$64,322, including interest at 2.99% through April 2025		81,817
Home Trust Bank \$127,530 note payable in October 2021 for IT connectivity, due in annual payments of \$26,349, including interest at 2.99% through October 2025		51,864
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		132,207
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		299,994
Home Trust Bank \$2,585,000 note payable in January 2024 for Fire pumper truck, due in annual payments of \$329,155, plus interest at 4.98% through September 2033		2,585,000
Home Trust Bank \$76,422 note payable in April 2024 for Super Duty Truck and related equipment due in annual payments of \$12,662, plus interest at 4.75% through August 2028		76,422
Home Trust Bank \$145,598 note payable in March 2024 for Caterpillar backhoe, due in annual payments of \$24,347, plus interest at 4.19% through February 2031		145,598
Home Trust Bank \$209,624 note payable in March 2024 for Leaf Vac Truck, due in annual payments of \$35,054 plus interest at 4.19% through February 2031		209,624
Home Trust Bank \$209,624 note payable in March 2024 for Leaf Vac Truck, due in annual payments of \$35,054, plus interest at 4.19% through February 2031		209,624
Home Trust Bank \$223,074 note payable in March 2024 for rear loader, due in annual payments of \$37,303, plus interest at 4.19% through February 2031		223,074
Home Trust Bank \$440,503 note payable in March 2024 for front loader, due in annual payments of \$73,663, plus interest at 4.19% through February 2031		440,503
Home Trust Bank \$369,605 note payable in November 2023 for street sweeper, due in annual payments of \$81,848, through August 2030		<u>369,605</u>
Total governmental activities	\$	<u>5,251,498</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Serviced by the Enterprise Funds:**

*Water and Sewer Fund:*

NC DWSRF \$5,118,697 note payable in October 2014 for water and sewer projects, due in annual payments of \$255,935, interest free through May 2034	\$ 2,559,348
NC DWSRF \$12,504,211 note payable in June 2015 for water and sewer projects, due in annual payments of \$604,886, interest free through May 2035	6,653,743
NC DWSRF \$13,236,160 note payable in May 2016 for water and sewer projects, due in annual payments of \$661,808, interest free through May 2036	7,941,696
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>390,444</u>
Total Water and Sewer Fund	<u>17,545,231</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 2037	5,287,780
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	45,260
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>132,800</u>
Total Electric Fund	<u>5,465,840</u>

*Gas Fund:*

Truist Bank \$1,316,532 note payable in September 2023 for Gas Connector, due in Semi-annual payments of \$90,795, plus interest at 3.12% through September 2037	1,225,737
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	15,751
Carter Bank & Trust \$1,600,000 note payable in October 2015 for NTE Gateway in semi-annual payments of \$89,189, including interest at 2.10% through November 2025	<u>262,044</u>
Total Gas Fund	<u>1,503,532</u>
Total business-type activities	<u>\$ 24,514,603</u>

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **GASB 88 Disclosures**

#### **Governmental Activities:**

The City's outstanding note from direct placements related to governmental activities of \$155,127, 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 \$81,817, 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 \$158,641, 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 \$51,864, 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 \$132,207, 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 \$112,398, from Community FNB, is secured with the property acquired as collateral, software, fire equipment. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The City's outstanding note from direct placements related to governmental activities of \$299,994 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.

The City's outstanding note from direct placements related to governmental activities of \$2,585,000 from Home Trust Bank, is secured with the property acquired as collateral, Fire pumper 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 \$76,422 from Home Trust Bank, is secured with the property acquired as collateral, Super Duty truck and related equipment. There is no acceleration clause in the agreement. In the event of 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, 2024

The City's outstanding note from direct placements related to governmental activities of \$145,598 from Home Trust Bank, is secured with the property acquired as collateral, Catepillar backhoe. 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 \$209,624 from Home Trust Bank, is secured with the property acquired as collateral, Leaf Vac 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.

The City's outstanding note from direct placements related to governmental activities of \$209,624 from Home Trust Bank, is secured with the property acquired as collateral, Leaf Vac 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.

The City's outstanding note from direct placements related to governmental activities of \$223,074 from Home Trust Bank, is secured with the property acquired as collateral, Rear loader. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The City's outstanding note from direct placements related to governmental activities of \$440,503 from Home Trust Bank, is secured with the property acquired as collateral, Front Loader. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The City's outstanding note from direct placements related to governmental activities of \$369,605 from Home Trust Bank, is secured with the property acquired as collateral, Street Sweeper. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

#### **Business-Type Activities:**

##### *Water and Sewer Fund:*

The City's outstanding note from direct borrowings related to business-type activities of \$2,559,348, 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 \$6,653,743, 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 \$7,941,696, 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.

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

The City's outstanding note from direct placements related to business-type activities of \$390,444, 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 \$5,287,780, 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 \$132,800, 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 \$45,260, from SunTrust Bank, is secured with the property acquired as collateral, a hydraulic articulating aerial device. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Wells Fargo Equipment, Inc.

*Gas Fund:*

The City's outstanding note from direct placements related to business-type activities of \$15,751, 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 \$262,044, 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 \$1,225,737, 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.

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Business-Type Activities (continued):**

The future minimum payments of the notes payable related to direct placements and direct borrowings as of June 30, 2024 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 869,830	\$ 174,490	\$ 2,381,780	\$ 212,562
2026	765,941	193,270	2,237,203	190,662
2027	618,221	166,905	2,083,185	172,701
2028	550,648	141,214	2,084,286	156,546
2029	493,488	116,526	2,085,402	139,244
2030-2034	1,953,370	254,128	10,025,556	470,421
2035-2038	-	-	3,617,191	105,374
<b>Total</b>	<b>\$ 5,251,498</b>	<b>\$ 1,046,533</b>	<b>\$ 24,514,603</b>	<b>\$ 1,447,510</b>

At June 30, 2024, the City had a legal debt margin of approximately \$142,000,000.

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**Changes in Long-Term Liabilities**

A summary of changes in long-term obligations follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Installment purchases - direct placements	\$ 1,535,608	\$ 4,259,450	\$ (543,560)	\$ 5,251,498	\$ 869,830
Lease liabilities	24,600	-	(12,312)	12,288	8,680
IT subscription liabilities	128,399	716,574	(242,596)	602,377	189,440
Compensated absences	480,064	385,889	(309,082)	556,871	278,436
Net pension liability - LGERS	5,036,441	1,171,257	-	6,207,698	-
OPEB obligation	8,570,974	658,338	(580,530)	8,648,782	-
Total pension obligation - LEC	<u>1,394,763</u>	<u>309,278</u>	<u>(90,854)</u>	<u>1,613,187</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 17,170,849</u>	<u>\$ 7,500,786</u>	<u>\$ (1,778,934)</u>	<u>\$ 22,892,701</u>	<u>\$ 1,346,386</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Installment purchases - direct placements & direct borrowings	\$ 19,202,720	\$ -	\$ (1,657,489)	\$ 17,545,231	\$ 1,598,546
Net pension liability - LGERS	883,013	151,604	-	1,034,617	-
OPEB obligation	1,502,703	113,700	(122,691)	1,493,712	-
Compensated absences	70,065	67,610	(46,653)	91,022	45,511
Total Water and Sewer Fund	<u>\$ 21,658,501</u>	<u>\$ 332,914</u>	<u>\$ (1,826,833)</u>	<u>\$ 20,164,582</u>	<u>\$ 1,644,057</u>
<b>Electric Fund:</b>					
Installment purchases - direct placements	\$ 5,966,984	\$ -	\$ (501,144)	\$ 5,465,840	\$ 502,906
Leases liabilities	1,417	-	(716)	701	701
IT subscription liabilities	-	3,719	(1,814)	1,905	1,905
Net pension liability - LGERS	490,563	199,182	-	689,745	-
OPEB obligation	834,836	105,651	-	940,487	-
Compensated absences	73,548	69,728	(54,043)	89,233	44,617
Total Electric Fund	<u>\$ 7,367,348</u>	<u>\$ 378,280</u>	<u>\$ (557,717)</u>	<u>\$ 7,187,911</u>	<u>\$ 550,129</u>
<b>Gas Fund:</b>					
Installment purchases - direct placements	\$ 1,779,957	\$ -	\$ (276,425)	\$ 1,503,532	\$ 280,328
Net pension liability - LGERS	327,040	190,267	-	517,307	-
OPEB obligation	556,557	162,638	-	719,195	-
Compensated absences	40,166	34,929	(30,880)	44,215	22,108
Total Gas Fund	<u>\$ 2,703,720</u>	<u>\$ 387,834</u>	<u>\$ (307,305)</u>	<u>\$ 2,784,249</u>	<u>\$ 302,436</u>
<b>Stormwater Fund:</b>					
Net pension liability - LGERS	\$ 130,818	\$ 41,619	\$ -	\$ 172,437	\$ -
OPEB obligation	222,623	35,550	-	258,173	-
Compensated absences	15,354	15,954	(9,858)	21,450	10,725
Total Stormwater Fund	<u>\$ 368,795</u>	<u>\$ 93,123</u>	<u>\$ (9,858)</u>	<u>\$ 452,060</u>	<u>\$ 10,725</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
<b>Total Business-Type Activities:</b>					
Installment purchases - direct placements & direct borrowings	\$ 26,949,661	\$ -	\$ (2,435,058)	\$ 24,514,603	\$ 2,381,780
Lease liabilities	1,417	-	(716)	701	701
IT subscription liabilities	-	3,719	(1,814)	1,905	1,905
Net pension liability - LGERS	1,831,434	582,672	-	2,414,106	-
OPEB obligation	3,116,719	417,539	(122,691)	3,411,567	-
Compensated absences	199,133	188,221	(141,434)	245,920	122,961
Total business-type activities long-term liabilities	<u>\$ 32,098,364</u>	<u>\$ 1,192,151</u>	<u>\$ (2,701,713)</u>	<u>\$ 30,588,802</u>	<u>\$ 2,507,347</u>

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, 2024 consist of the following:

From the Electric Fund to the General Fund for operating and capital expenditures	\$ 1,350,000
From the General Fund to the Emergency Telephone System Fund to cover prior year disallowed costs by E911 Board	<u>685</u>
Total	<u>\$ 1,350,685</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.

**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.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **On-Behalf Payments for Fringe Benefits and Salaries**

The City has recognized a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$5,200 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2024. 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.

### **4. Related Party Transactions**

The City and the TDA engaged in the following transactions during the year ended June 30, 2024. Accounts Receivable due to the TDA from the City in the amount of \$16,741, Occupancy Tax Revenue of \$194,120 from the City to the TDA. The City and the ABC Board engaged in the following transactions during the year ended June 30, 2024. Profit distribution to the City of Kings Mountain in the amount of \$180,531.

### **5. Subsequent Event**

Damage in certain areas of the State of North Carolina resulting from Hurricane Helene beginning on September 27, 2024, and continuing, was of sufficient severity and magnitude to warrant a major disaster declaration by the President. Hurricane Helene struck North Carolina and caused serious flooding and wind damage in several counties including areas of Cleveland County. While there has been damage to buildings and other assets, as of the date of this report, it is unknown as to the extent of that damage.

The City entered into a design build contract (January 2023) with Metcon for the design and construction of approximately \$78.385M in sewer infrastructure (formerly known as project South, now renamed the Bethlehem Sewer Project.) As part of the process, procedurally, the City/Metcon will do contract amendments as phases of the project are bid to lock in the guaranteed maximum price the City will have to pay for those particular phases of the project. This is simply the nature of how such design build contracts work for large projects conducted in multiple phases. The total GMP for the Bethlehem Church Road force main portion of the project is \$5.642M., and the total GMP for the Bethlehem Church Road force main, gravity lines, new office and belt press portion of the project is \$29.751M. These GMPs were entered into subsequent to June 30, 2024. The total project will not exceed the \$78.385M grant funding available.

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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 EIGHT FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 1,394,763	\$ 1,685,091	\$ 1,737,355	\$ 1,023,349
Service cost	61,810	76,922	83,917	51,406
Interest on the total pension liability	58,156	37,030	33,100	32,792
Difference between expected and actual experience	154,278	(85,640)	(81,457)	159,829
Changes in assumptions or other inputs	35,034	(240,052)	(43,202)	504,902
Benefit payments	<u>(90,854)</u>	<u>(78,588)</u>	<u>(44,622)</u>	<u>(34,923)</u>
Ending balance of the total pension liability	<u>\$ 1,613,187</u>	<u>\$ 1,394,763</u>	<u>\$ 1,685,091</u>	<u>\$ 1,737,355</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 EIGHT FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 948,517	\$ 893,642	\$ 837,142	\$ 798,699
Service cost	38,233	41,154	36,246	36,018
Interest on the total pension liability	33,890	27,687	31,862	28,401
Difference between expected and actual experience	8,128	57,751	(43,051)	-
Changes in assumptions or other inputs	29,504	(36,794)	54,859	(19,644)
Benefit payments	<u>(34,923)</u>	<u>(34,923)</u>	<u>(23,416)</u>	<u>(6,332)</u>
Ending balance of the total pension liability	<u>\$ 1,023,349</u>	<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 PAY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST EIGHT FISCAL YEARS

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Total pension liability	\$ 1,613,187	\$ 1,394,763	\$ 1,685,091	\$ 1,737,355
Covered employee payroll	2,061,893	1,814,229	1,913,714	1,865,535
Total pension liability as a percentage of covered employee payroll	78.24%	76.88%	88.05%	93.13%

**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 PAY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST EIGHT FISCAL YEARS

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 1,023,349	\$ 948,517	\$ 893,642	\$ 837,142
Covered employee payroll	1,493,529	1,467,968	1,446,631	1,382,847
Total pension liability as a percentage of covered employee payroll	68.52%	64.61%	61.77%	60.54%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	<b>Other Post-Employment Benefits</b>			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Service cost	\$ 491,191	\$ 704,440	\$ 738,305	\$ 510,940
Interest	426,832	327,159	316,717	407,064
Differences between expected and actual experience	(88,795)	(808,488)	(4,030)	(753,145)
Changes in assumptions	(211,454)	(2,726,989)	173,790	2,548,170
Benefit payments	<u>(245,118)</u>	<u>(497,784)</u>	<u>(255,002)</u>	<u>(223,921)</u>
Net change in total OPEB liability	372,656	(3,001,662)	969,780	2,489,108
Total OPEB liability - beginning	<u>11,687,693</u>	<u>14,689,355</u>	<u>13,719,575</u>	<u>11,230,467</u>
Total OPEB liability - ending	<u>\$ 12,060,349</u>	<u>\$ 11,687,693</u>	<u>\$ 14,689,355</u>	<u>\$ 13,719,575</u>
Covered employee payroll	\$ 8,475,101	\$ 8,475,101	\$ 8,837,115	\$ 8,837,115
Total OPEB liability as a percentage of covered employee payroll	142.30%	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:

<u>Fiscal Year</u>	<u>Rate</u>
2024	3.65%
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 SEVEN FISCAL YEARS

	<b>Other Post-Employment Benefits</b>		
	<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\***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Proportion of the net pension liability (asset) (%)	0.13018%	0.12174%	0.12915%	0.13334%	0.12123%
Proportion of the net pension liability (asset) (\$)	\$ 8,621,804	\$ 6,867,875	\$ 1,980,637	\$ 4,764,806	\$ 3,310,698
Covered payroll	\$10,734,766	\$ 9,401,670	\$ 9,234,171	\$ 9,200,402	\$ 8,368,291
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	80.32%	73.05%	21.45%	51.79%	39.56%
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%	88.61%	90.86%

\* 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\***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportion of the net pension liability (asset) (%)	0.12386%	0.11773%	0.12219%	0.11936%	0.11345%
Proportion of the net pension liability (asset) (\$)	\$ 2,938,382	\$ 1,798,588	\$ 2,593,281	\$ 535,681	\$ (669,066)
Covered payroll	\$ 8,090,102	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.32%	24.36%	36.27%	7.73%	-10.07%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

<b>Local Governmental Employees' Retirement System</b>					
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 1,561,672	\$ 1,326,372	\$ 1,084,276	\$ 952,213	\$ 839,297
Contributions in relation to the contractually required contribution	<u>1,561,672</u>	<u>1,326,372</u>	<u>1,084,276</u>	<u>952,213</u>	<u>839,297</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$11,874,661	\$ 10,734,766	\$ 9,401,670	\$ 9,234,171	\$ 9,200,402
Contributions as a percentage of covered payroll	13.15%	12.36%	11.53%	10.31%	9.12%

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

<b>Local Governmental Employees' Retirement System</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 660,622	\$ 617,811	\$ 545,783	\$ 483,200	\$ 493,511
Contributions in relation to the contractually required contribution	<u>660,622</u>	<u>617,811</u>	<u>545,783</u>	<u>483,200</u>	<u>493,511</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 8,368,291	\$ 8,090,102	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373
Contributions as a percentage of covered payroll	7.89%	7.64%	7.39%	6.76%	7.12%

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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, 2024  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current levy	\$ 9,110,760	\$ 9,838,919	\$ 728,159	\$ 7,875,768
Penalties and interest	10,000	18,327	8,327	13,456
Total ad valorem taxes	9,120,760	9,857,246	736,486	7,889,224
<b>Other Taxes:</b>				
Local option sales tax	3,154,411	3,461,859	307,448	3,177,047
Hold-harmless sales tax	929,453	972,381	42,928	912,637
Utilities franchise tax	1,060,000	1,122,506	62,506	1,067,033
Payments in lieu of taxes	268,336	329,963	61,627	595,840
Miscellaneous	290,000	281,234	(8,766)	291,667
Total other taxes	5,702,200	6,167,943	465,743	6,044,224
<b>Restricted Intergovernmental:</b>				
Powell Bill allocation	350,000	392,562	42,562	352,062
Federal government grants	191,804	190,602	(1,202)	113,077
State government grants	43,250	24,661	(18,589)	20,919
Local government grants	468,200	521,071	52,871	583,622
Total restricted intergovernmental	1,053,254	1,128,896	75,642	1,069,680
<b>Permits and Fees:</b>				
Privilege licenses	-	868	868	761
General permits	332,500	603,040	270,540	418,885
Total permits and fees	332,500	603,908	271,408	419,646
<b>Sales and Services:</b>				
Lake authority income	394,500	427,140	32,640	423,027
Disposal fee revenue	1,837,500	1,843,708	6,208	1,537,897
Cemetery income	125,000	127,585	2,585	175,265
Recreation	73,500	74,333	833	117,332
Total sales and services	2,430,500	2,472,766	42,266	2,253,521
<b>Investment Earnings:</b>				
Interest income (loss)	300,000	976,100	676,100	991,176
Interest income (loss) - Powell Bill	-	3,539	3,539	405
Total investment earnings	300,000	979,639	679,639	991,581
<b>Miscellaneous:</b>				
Library	3,500	22,237	18,737	15,056
Sale of capital assets	25,000	17,214	(7,786)	41,507
Court costs and jail fees	3,000	3,193	193	3,016
Other revenues	140,876	253,566	112,690	250,729
Total miscellaneous	172,376	296,210	123,834	310,308
Total revenues	19,111,590	21,506,608	2,395,018	18,978,184

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, 2024  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>General Administration:</b>				
Salaries and employee benefits	517,482	457,689	59,793	423,028
Operating expenses	198,438	150,332	48,106	164,463
Charges to other funds	(300,000)	(300,000)	-	(135,000)
Total	415,920	308,021	107,899	452,491
<b>Administration and Finance:</b>				
Salaries and employee benefits	1,249,100	1,232,519	16,581	1,294,017
Operating expenses	1,111,119	953,798	157,321	595,102
Charges to other funds	(1,459,759)	(1,462,875)	3,116	(1,230,465)
Capital outlay	846,012	388,402	457,610	65,924
Total	1,746,472	1,111,844	634,628	724,578
<b>Human Resources:</b>				
Salaries and employee benefits	380,450	328,895	51,555	289,548
Operating expenses	136,550	93,762	42,788	83,021
Charges to other funds	(131,750)	(131,751)	1	(120,175)
Capital outlay	10,000	10,000	-	-
Total	395,250	300,906	94,344	252,394
<b>Elections Board:</b>				
Operating expenses	7,000	4,008	2,992	-
<b>Garage:</b>				
Salaries and employee benefits	375,300	357,068	18,232	329,153
Operating expenses	113,100	110,509	2,591	103,348
Charges to other departments	(140,600)	(151,734)	11,134	(39,892)
Total	347,800	315,843	31,957	392,609
<b>Public Works:</b>				
Salaries and employee benefits	431,500	428,132	3,368	254,292
Operating expenses	132,500	128,702	3,798	78,590
Charges to other departments	(158,895)	(158,895)	-	(19,000)
Capital outlay	210,000	172,396	37,604	189,077
Total	615,105	570,335	44,770	502,959
<b>Information Technology:</b>				
Salaries and employee benefits	310,000	302,848	7,152	287,271
Operating expenses	363,465	249,672	113,793	197,365
Charges to other departments	(297,240)	(297,241)	1	(264,360)
Capital outlay	272,126	226,769	45,357	-
Total	648,351	482,048	166,303	220,276
Total general government	4,175,898	3,093,005	1,082,893	2,545,307

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, 2024  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Actual
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	4,713,366	4,202,049	511,317	3,781,366
Operating expenses	834,966	806,074	28,892	725,211
Capital outlay	816,927	400,963	415,964	286,497
Total	6,365,259	5,409,086	956,173	4,793,074
<b>Fire:</b>				
Salaries and employee benefits	1,987,000	1,929,439	57,561	1,687,252
Operating expenses	366,776	328,506	38,270	239,580
Capital outlay	2,897,274	154,413	2,742,861	-
Total	5,251,050	2,412,358	2,838,692	1,926,832
<b>Inspections and Codes:</b>				
Salaries and employee benefits	362,075	352,211	9,864	329,591
Operating expenses	159,925	111,604	48,321	94,021
Capital outlay	32,000	25,282	6,718	-
Total	554,000	489,097	64,903	423,612
Total public safety	12,170,309	8,310,541	3,859,768	7,143,518
<b>Transportation:</b>				
<b>Streets:</b>				
Salaries and employee benefits	1,327,100	1,251,103	75,997	1,118,144
Operating expenses	333,265	315,458	17,807	320,396
Capital outlay	3,678,471	3,013,338	665,133	118,634
Total	5,338,836	4,579,899	758,937	1,557,174
<b>Streets - Powell Bill:</b>				
Operating expenses	150,000	116,706	33,294	450,239
Capital outlay	200,000	200,000	-	-
Total	350,000	316,706	33,294	450,239
Total transportation	5,688,836	4,896,605	792,231	2,007,413
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits	587,500	497,538	89,962	449,260
Operating expenses	403,000	323,201	79,799	299,317
Charges to other departments	(109,000)	(107,910)	(1,090)	-
Capital outlay	323,867	306,087	17,780	10,192
Total	1,205,367	1,018,916	186,451	758,769
Total economic and physical development	1,205,367	1,018,916	186,451	758,769

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, 2024  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Actual
<b>Environmental Protection:</b>				
<b>Solid Waste:</b>				
Salaries and employee benefits	674,700	671,282	3,418	616,187
Operating expenses	753,218	750,968	2,250	835,001
Capital outlay	663,577	223,074	440,503	468,109
Total	2,091,495	1,645,324	446,171	1,919,297
<b>Cemetery:</b>				
Salaries and employee benefits	172,240	145,763	26,477	163,704
Operating expenses	52,417	45,996	6,421	32,972
Capital outlay	88,343	86,042	2,301	-
Total	313,000	277,801	35,199	196,676
Total environmental protection	2,404,495	1,923,125	481,370	2,115,973
<b>Culture and Recreation:</b>				
<b>Library:</b>				
Salaries and employee benefits	507,800	498,979	8,821	459,657
Operating expenses	383,351	325,902	57,449	286,424
Capital outlay	43,218	43,218	-	-
Total	934,369	868,099	66,270	746,081
<b>Parks and Recreation:</b>				
Operating expenses	559,000	554,193	4,807	751,324
Capital outlay	205,320	141,996	63,324	-
Total	764,320	696,189	68,131	751,324
<b>Senior Services:</b>				
Salaries and employee benefits	478,933	457,294	21,639	436,512
Operating expenses	346,317	283,741	62,576	207,466
Capital outlay	46,000	39,757	6,243	79,500
Total	871,250	780,792	90,458	723,478
<b>Marketing, Tourism and Events:</b>				
Salaries and employee benefits	269,500	264,048	5,452	250,779
Operating expenses	355,600	352,096	3,504	357,981
Capital outlay	-	-	-	51,927
Total	625,100	616,144	8,956	660,687
<b>Lake Authority:</b>				
Salaries and employee benefits	273,000	268,959	4,041	261,767
Operating expenses	114,000	54,047	59,953	80,716
Capital outlay	50,000	49,308	692	162,856
Total	437,000	372,314	64,686	505,339

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, 2024**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023**

	2024			2023
	Budget	Actual	Variance Over/Under	Actual
<b>Tourism Development Authority (TDA):</b>				
Operating expenses	210,000	188,297	21,703	199,749
Total culture and recreation	3,842,039	3,521,835	320,204	3,586,658
<b>Debt Service:</b>				
Principal retirement and lease liability payments	798,468	798,468	-	742,017
Interest and fees	59,674	48,100	11,574	37,351
Total debt service	858,142	846,568	11,574	779,368
Total expenditures	30,345,086	23,610,595	6,734,491	18,937,006
Revenues over (under) expenditures	(11,233,496)	(2,103,987)	9,129,509	41,178
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
Electric Fund	1,350,000	1,350,000	-	1,000,000
Governmental Capital Reserve Fund	2,000,000	-	(2,000,000)	-
Economic Incentive Fund	601,015	-	(601,015)	-
ARPA Fund	-	-	-	1,752,659
Transfers to other funds:				
Governmental Capital Reserve Fund	-	-	-	(600,000)
Emergency Telephone Special Revenue Fund	(685)	(685)	-	(440)
Workers' Compensation Fund	-	-	-	(750,000)
Appropriated fund balance	1,348,937	-	(1,348,937)	-
Issuance of debt	4,259,450	4,259,450	-	375,109
IT subscription liabilities issued	1,674,779	716,574	(958,205)	22,043
Total other financing sources (uses)	11,233,496	6,325,339	(4,908,157)	1,799,371
Net change in fund balance	\$ -	4,221,352	\$ 4,221,352	1,840,549
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Initial implementation of SBITA standard:				
IT subscription liabilities issued		-		213,892
Capital outlay		-		(213,892)
<b>Fund Balance:</b>				
Beginning of year - July 1		13,510,306		11,669,757
End of year - June 30		\$ 17,731,658		\$ 13,510,306

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2024

	Special Revenue Funds		Capital Project Funds	
	Emergency Telephone System Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund
<b>Assets:</b>				
Cash and cash equivalents	\$ 91,894	\$ 3,652,927	\$ 83,674	\$ 83,819
Cash and cash equivalents, restricted	-	-	-	-
Due from other governments	7,637	-	-	-
Total assets	<u>\$ 99,531</u>	<u>\$ 3,652,927</u>	<u>\$ 83,674</u>	<u>\$ 83,819</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 51,416	\$ -	\$ -	\$ -
Advance from grantors	-	-	-	-
Total liabilities	<u>51,416</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Non-spendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by state statute	7,637	-	-	-
Public safety	40,478	-	-	-
Senior Center project	-	-	-	83,819
Economic Development	-	3,652,927	-	-
Library project	-	-	83,674	-
Committed:				
General government	-	-	-	-
Total fund balances	<u>48,115</u>	<u>3,652,927</u>	<u>83,674</u>	<u>83,819</u>
Total liabilities and fund balances	<u>\$ 99,531</u>	<u>\$ 3,652,927</u>	<u>\$ 83,674</u>	<u>\$ 83,819</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2024

	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	
<b>Assets:</b>					
Cash and cash equivalents	\$ 4,196,395	\$ 522	\$ 88,147	\$ -	\$ 8,197,378
Cash and cash equivalents, restricted	-	1,304	-	17,113	18,417
Due from other governments	-	-	-	-	7,637
Total assets	<u>\$ 4,196,395</u>	<u>\$ 1,826</u>	<u>\$ 88,147</u>	<u>\$ 17,113</u>	<u>\$ 8,223,432</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 51,416
Advance from grantors	-	1,304	-	-	1,304
Total liabilities	<u>-</u>	<u>1,304</u>	<u>-</u>	<u>-</u>	<u>52,720</u>
<b>Fund Balances:</b>					
Non-spendable:					
Perpetual maintenance	-	-	-	17,113	17,113
Restricted:					
Stabilization by state statute	-	-	-	-	7,637
Public safety	-	-	-	-	40,478
Senior Center project	-	-	-	-	83,819
Economic Development	-	-	-	-	3,652,927
Library project	-	-	-	-	83,674
Committed:					
General government	4,196,395	522	88,147	-	4,285,064
Total fund balances	<u>4,196,395</u>	<u>522</u>	<u>88,147</u>	<u>17,113</u>	<u>8,170,712</u>
Total liabilities and fund balances	<u>\$ 4,196,395</u>	<u>\$ 1,826</u>	<u>\$ 88,147</u>	<u>\$ 17,113</u>	<u>\$ 8,223,432</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, 2024

	Special Revenue Funds		Capital Project Funds	
	Emergency Telephone System Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ 388,044	\$ -	\$ -
Restricted intergovernmental	91,640	-	-	-
Investment earnings	3,714	166,660	830	4,157
Total revenues	<u>95,354</u>	<u>554,704</u>	<u>830</u>	<u>4,157</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	-	388,044	-	-
Public safety	116,518	-	-	-
Total expenditures	<u>116,518</u>	<u>388,044</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(21,164)	166,660	830	4,157
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>685</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(20,479)	166,660	830	4,157
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>68,594</u>	<u>3,486,267</u>	<u>82,844</u>	<u>79,662</u>
End of year - June 30	<u>\$ 48,115</u>	<u>\$ 3,652,927</u>	<u>\$ 83,674</u>	<u>\$ 83,819</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, 2024

	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	
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 388,044
Restricted intergovernmental	-	48,696	-	-	140,336
Investment earnings	177,733	122	5,061	199	358,476
Total revenues	<u>177,733</u>	<u>48,818</u>	<u>5,061</u>	<u>199</u>	<u>886,856</u>
<b>Expenditures:</b>					
Current:					
Economic and physical development	-	48,696	50,060	2,318	489,118
Public safety	-	-	-	-	116,518
Total expenditures	<u>-</u>	<u>48,696</u>	<u>50,060</u>	<u>2,318</u>	<u>605,636</u>
Revenues over (under) expenditures	177,733	122	(44,999)	(2,119)	281,220
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	-	685
Net change in fund balances	177,733	122	(44,999)	(2,119)	281,905
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>4,018,662</u>	<u>400</u>	<u>133,146</u>	<u>19,232</u>	<u>7,888,807</u>
End of year - June 30	<u>\$ 4,196,395</u>	<u>\$ 522</u>	<u>\$ 88,147</u>	<u>\$ 17,113</u>	<u>\$ 8,170,712</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, 2024**

	<b>2024</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 91,500	\$ 91,640	\$ 140
Investment earnings	-	3,714	3,714
Total revenues	<u>91,500</u>	<u>95,354</u>	<u>3,854</u>
<b>Expenditures:</b>			
Telephone & furniture	35,000	26,686	8,314
Training	5,000	308	4,692
Capital outlay	<u>96,965</u>	<u>89,524</u>	<u>7,441</u>
Total expenditures	<u>136,965</u>	<u>116,518</u>	<u>20,447</u>
Revenues over (under) expenditures	(45,465)	(21,164)	24,301
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	-	685	685
Appropriated fund balance	<u>45,465</u>	-	<u>(45,465)</u>
Net change in fund balance	<u>\$ -</u>	<u>(20,479)</u>	<u>\$ (20,479)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>68,594</u>	
End of year - June 30		<u>\$ 48,115</u>	
<b>PSAP RECONCILIATION FOR THE YEAR ENDED JUNE 30, 2024</b>			
Amounts reported on the Emergency Telephone System Fund budget and actual are different from the PSAP revenue-expenditure report because:			
Beginning fund balance, budget and actual schedule		\$ 68,594	
Cumulative prior period revenues and expenditures not reported on the PSAP report but reported on the Emergency Telephone System Fund budget and actual schedule		<u>1,436</u>	
Beginning fund balance, PSAP revenue-expenditure report		<u>70,030</u>	
Net change in fund balance, reported budget and actual		(20,479)	
Current revenues and expenditures not reported on the PSAP report but reported on the Emergency Telephone System Fund budget and actual schedule		<u>(2,117)</u>	
Net change in fund balance, PSAP report		<u>(22,596)</u>	
Ending fund balance, PSAP revenue-expenditure report		<u>\$ 47,434</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, 2024**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023**

	2024			2023
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 455,000	\$ 388,044	\$ (66,956)	\$ 962,775
Investment earnings	-	166,660	166,660	13,193
Total revenues	455,000	554,704	99,704	975,968
<b>Expenditures:</b>				
Economic development	455,000	388,044	66,956	355,464
Net change in fund balance	\$ -	166,660	\$ 166,660	620,504
<b>Fund Balance:</b>				
Beginning of year - July 1		3,486,267		2,865,763
End of year - June 30		\$ 3,652,927		\$ 3,486,267

## 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, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Donations	\$ 180,000	\$ 223,090	\$ -	\$ 223,090
Investment earnings	-	3,754	830	4,584
Total revenues	<u>180,000</u>	<u>226,844</u>	<u>830</u>	<u>227,674</u>
Revenues over (under) expenditures	180,000	226,844	830	227,674
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(180,000)</u>	<u>(144,000)</u>	<u>-</u>	<u>(144,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 82,844</u>	830	<u>\$ 83,674</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>82,844</u>	
End of year - June 30			<u>\$ 83,674</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, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Donations	\$ 215,782	\$ 223,497	\$ -	\$ 223,497
Investment earnings	-	1,165	4,157	5,322
Total revenues	<u>215,782</u>	<u>224,662</u>	<u>4,157</u>	<u>228,819</u>
<b>Expenditures:</b>				
General capital outlay	<u>70,782</u>	-	-	-
Revenues over (under) expenditures	145,000	224,662	4,157	228,819
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(145,000)</u>	<u>(145,000)</u>	-	<u>(145,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 79,662</u>	4,157	<u>\$ 83,819</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>79,662</u>	
End of year - June 30			<u>\$ 83,819</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, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 18,662	\$ 177,733	\$ 196,395
Revenues over (under) expenditures	-	18,662	177,733	196,395
<b>Other Financing Sources (Uses):</b>				
Transfers out	(4,500,000)	(500,000)	-	(500,000)
Transfers in	4,500,000	4,500,000	-	4,500,000
Total other financing sources (uses)	-	4,000,000	-	4,000,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,018,662</u>	177,733	<u>\$ 4,196,395</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>4,018,662</u>	
End of year - June 30			<u>\$ 4,196,395</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, 2024

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
SCIF Gateway Trail Grant	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
OSBM Directed Grant Liberty Mtn	50,000	-	48,696	48,696
Investment earnings	100	482	122	604
Total revenues	<u>100,100</u>	<u>50,482</u>	<u>48,818</u>	<u>99,300</u>
<b>Expenditures:</b>				
Capital outlay:				
SCIF Gateway Trail Grant	50,100	50,082	-	50,082
OSBM Directed Grant Liberty Mtn	50,000	-	48,696	48,696
Total expenditures	<u>100,100</u>	<u>50,082</u>	<u>48,696</u>	<u>98,778</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 400</u>	122	<u>\$ 522</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>400</u>	
End of year - June 30			<u>\$ 522</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, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 3,319	\$ 5,061	\$ 8,380
<b>Expenditures:</b>				
Streetscape Phase II	<u>2,350,000</u>	<u>2,220,173</u>	<u>50,060</u>	<u>2,270,233</u>
Revenues over (under) expenditures	(2,350,000)	(2,216,854)	(44,999)	(2,261,853)
<b>Other Financing Sources (Uses):</b>				
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>\$ 133,146</u>	(44,999)	<u>\$ 88,147</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>133,146</u>	
End of year - June 30			<u>\$ 88,147</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, 2024

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

	2024			2023
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 199	\$ 199	\$ 39
<b>Expenditures:</b>				
Current:				
Operating expenses	5,000	2,318	2,682	3,918
Revenues over (under) expenditures	(5,000)	(2,119)	2,881	(3,879)
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	5,000	-	(5,000)	-
Net change in fund balance	\$ -	(2,119)	\$ (2,119)	(3,879)
<b>Fund Balance:</b>				
Beginning of year - July 1		19,232		23,111
End of year - June 30		\$ 17,113		\$ 19,232

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, 2024  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024		Variance Over/Under	2023
	Budget	Actual		Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 7,767,500	\$ 8,199,160	\$ 431,660	\$ 7,122,768
Miscellaneous revenues	27,000	70,653	43,653	115,105
Total operating revenues	<u>7,794,500</u>	<u>8,269,813</u>	<u>475,313</u>	<u>7,237,873</u>
Non-operating revenues:				
Interest income (loss)	5,000	220,431	215,431	18,861
Total revenues	<u>7,799,500</u>	<u>8,490,244</u>	<u>690,744</u>	<u>7,256,734</u>
<b>Expenditures:</b>				
Administration:				
Salaries and employee benefits	460,700	458,700	2,000	308,530
Other operating expenditures	1,236,131	1,194,987	41,144	1,236,635
Capital outlay	15,000	8,874	6,126	168,987
Total administration	<u>1,711,831</u>	<u>1,662,561</u>	<u>49,270</u>	<u>1,714,152</u>
Plant:				
Salaries and employee benefits	425,900	423,073	2,827	418,361
Other operating expenditures	344,300	322,110	22,190	197,772
Capital outlay	82,185	82,185	-	119,452
Cost of merchandise sold	772,000	759,019	12,981	579,084
Total plant	<u>1,624,385</u>	<u>1,586,387</u>	<u>37,998</u>	<u>1,314,669</u>
System maintenance and extension:				
Salaries and employee benefits	635,400	633,126	2,274	457,437
Other operating expenditures	426,000	393,766	32,234	450,365
Capital outlay	332,400	310,205	22,195	270,223
Total system maintenance and extension	<u>1,393,800</u>	<u>1,337,097</u>	<u>56,703</u>	<u>1,178,025</u>
Waste water treatment:				
Salaries and employee benefits	463,900	446,740	17,160	425,151
Other operating expenditures	381,825	329,036	52,789	428,150
Capital outlay	148,175	33,789	114,386	893,732
Cost of merchandise sold	479,500	456,157	23,343	384,080
Total waste water treatment	<u>1,473,400</u>	<u>1,265,722</u>	<u>207,678</u>	<u>2,131,113</u>
Pump station maintenance:				
Salaries and employee benefits	182,400	171,518	10,882	354,243
Other operating expenditures	324,300	279,707	44,593	280,802
Capital outlay	23,700	11,400	12,300	465,306
Cost of merchandise sold	51,500	51,486	14	43,534
Total pump station maintenance	<u>581,900</u>	<u>514,111</u>	<u>67,789</u>	<u>1,143,885</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, 2024  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024		Variance Over/Under	2023
	Budget	Actual		Total
<b>Debt Service:</b>				
Principal retirement	1,657,489	1,657,489	-	1,582,627
LPA interest	13,511	8,115	5,396	3,108
Total debt service	1,671,000	1,665,604	5,396	1,585,735
Total expenditures	8,456,316	8,031,482	424,834	9,067,579
Revenues over (under) expenditures	(656,816)	458,762	1,115,578	(1,810,845)
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,955,000)	(1,919,600)	35,400	(330,000)
Sale of capital assets previously disposed	5,000	16,271	11,271	835
Proceeds from debt	-	-	-	465,306
Total other financing sources (uses)	(1,950,000)	(1,903,329)	46,671	136,141
Revenues and other financing sources over (under) expenditures and other financing uses	(2,606,816)	(1,444,567)	1,162,249	(1,674,704)
Appropriated net position	2,606,816	-	(2,606,816)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(1,444,567)	\$ (1,444,567)	(1,674,704)
<b>Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:</b>				
Project revenue		19,032		3,022,303
Capital project transfers		1,919,600		330,000
Proceeds from issuance of debt		-		(465,306)
Change in inventories		14,373		(47,705)
Capital outlay		446,453		1,917,700
Change in deferred outflows - OPEB		(61,737)		(52,987)
Change in deferred inflows - OPEB		82,945		(355,885)
Change in net pension liability		(151,604)		(628,359)
Change in deferred outflows - pensions		61,581		199,988
Change in deferred inflows - pensions		11,858		346,654
OPEB liability		8,990		385,928
Compensated absences		(20,957)		(2,069)
Capital contributions		13,160,323		129,588
Accrued interest		800		6,000
Principal retirement		1,657,489		1,582,627
Depreciation expense		(3,026,861)		(2,964,463)
Change in net position		\$ 12,677,718		\$ 1,729,310

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - PROJECT SOUTH WATER SEWER  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 78,350,000	\$ 3,019,092	\$ 6,315,670	\$ 9,334,762
<b>Expenditures:</b>				
Capital outlay construction	70,630,000	-	2,371,511	2,371,511
Capital outlay engineering and admin	6,186,000	1,910,147	3,950,634	5,860,781
Capital outlay easement and land purchase	<u>1,534,000</u>	<u>1,108,945</u>	<u>-</u>	<u>1,108,945</u>
Total expenditures	<u>78,350,000</u>	<u>3,019,092</u>	<u>6,322,145</u>	<u>9,341,237</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,475)</u>	<u>\$ (6,475)</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS - LIFT STATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Developer contribution	\$ 1,491,425	\$ 1,200,000	\$ 291,425	\$ 1,491,425
Investment earnings	-	4,609	15,102	19,711
Total revenues	<u>1,491,425</u>	<u>1,204,609</u>	<u>306,527</u>	<u>1,511,136</u>
<b>Expenditures:</b>				
Kings Mountain Blvd Lift Station	<u>2,791,425</u>	<u>1,610,894</u>	<u>1,067,163</u>	<u>2,678,057</u>
Revenues over (under) expenditures	(1,300,000)	(406,285)	(760,636)	(1,166,921)
<b>Other Financing Sources (Uses):</b>				
Transfer from Water Sewer Fund	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>1,300,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 893,715</u>	<u>\$ (760,636)</u>	<u>\$ 133,079</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS - EDA GRANT  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Federal EDA Grant	\$ 1,304,320	\$ -	\$ 1,133,976	\$ 1,133,976
<b>Expenditures:</b>				
<b>EDA Grant-Sewer Project</b>				
Administration	48,544	24,544	24,000	48,544
Construction	<u>3,501,456</u>	<u>138,400</u>	<u>2,852,633</u>	<u>2,991,033</u>
Total expenditures	<u>3,550,000</u>	<u>162,944</u>	<u>2,876,633</u>	<u>3,039,577</u>
Revenues over (under) expenditures	(2,245,680)	(162,944)	(1,742,657)	(1,905,601)
<b>Other Financing Sources (Uses):</b>				
Transfer from Water Sewer Fund	<u>2,245,680</u>	<u>330,000</u>	<u>1,919,600</u>	<u>2,249,600</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 167,056</u>	<u>\$ 176,943</u>	<u>\$ 343,999</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - MOSS LAKE SEDIMENT REMEDIATION  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
ARPA Grant	\$ 400,000	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Planning, Engineering, Design	<u>400,000</u>	<u>-</u>	<u>20,100</u>	<u>20,100</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,100)</u>	<u>\$ (20,100)</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - WATER AND SEWER SYSTEM DEVELOPMENT FEES  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
System Development Fees - Water	\$ 500,000	\$ -	\$ 75,240	\$ 75,240
System Development Fees - Sewer	500,000	-	94,800	94,800
Investment earnings	<u>-</u>	<u>-</u>	<u>3,930</u>	<u>3,930</u>
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>173,970</u>	<u>173,970</u>
Revenues over (under) expenditures	1,000,000	-	173,970	173,970
<b>Other Financing Sources (Uses):</b>				
Transfer to Water Sewer Fund	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,970</u>	<u>\$ 173,970</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, 2024  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 16,991,203	\$ 16,247,979	\$ (743,224)	\$ 16,653,945
Miscellaneous revenues	189,704	575,556	385,852	176,107
Total operating revenues	<u>17,180,907</u>	<u>16,823,535</u>	<u>(357,372)</u>	<u>16,830,052</u>
Non-operating revenues:				
Interest income	<u>10,000</u>	<u>290,061</u>	<u>280,061</u>	<u>18,347</u>
Total revenues	<u>17,190,907</u>	<u>17,113,596</u>	<u>(77,311)</u>	<u>16,848,399</u>
<b>Expenditures:</b>				
Meter reading:				
Salaries and employee benefits	148,200	140,074	8,126	132,242
Operating expenditures	<u>22,715</u>	<u>21,166</u>	<u>1,549</u>	<u>5,782</u>
Total meter reading	<u>170,915</u>	<u>161,240</u>	<u>9,675</u>	<u>138,024</u>
System:				
Salaries and employee benefits	1,879,500	1,720,787	158,713	1,479,924
Other operating expenditures	3,319,582	2,770,679	548,903	2,505,111
Capital outlay	2,921,060	1,516,027	1,405,033	241,584
Cost of merchandise sold	7,890,185	7,522,890	367,295	9,846,461
Debt service - principal and lease payments	503,674	503,674	-	151,984
Debt service - interest	<u>259,326</u>	<u>255,131</u>	<u>4,195</u>	<u>4,053</u>
Total system	<u>16,773,327</u>	<u>14,289,188</u>	<u>2,484,139</u>	<u>14,229,117</u>
Total expenditures	<u>16,944,242</u>	<u>14,450,428</u>	<u>2,493,814</u>	<u>14,367,141</u>
Revenues over (under) expenditures	<u>246,665</u>	<u>2,663,168</u>	<u>2,416,503</u>	<u>2,481,258</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, 2024  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Total
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	449,615	-	(449,615)	-
Sale of capital assets	-	2,364	2,364	-
Lease Liability issued	-	3,719	3,719	-
Transfer to other fund:				
General Fund	(1,350,000)	(1,350,000)	-	(1,000,000)
Electric Capital Project Fund	-	-	-	(55,000)
Governmental Capital Reserve Fund	-	-	-	(500,000)
Proceeds from issuance of debt	653,720	-	(653,720)	-
Total other financing sources (uses)	(246,665)	(1,343,917)	(1,097,252)	(1,555,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	1,319,251	\$ 1,319,251	926,258
<b>Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:</b>				
Change in inventories		9,044		(9,217)
Lease liability issued		(3,719)		-
Capital project transfers		-		55,000
Capital outlay		1,516,027		241,584
Change in deferred outflows - OPEB		(17,285)		(29,437)
Change in deferred inflows - OPEB		11,219		(197,713)
Change in net pension liability		(199,182)		(349,089)
Change in deferred outflows - pensions		107,203		111,105
Change in deferred inflows - pensions		4,750		192,586
Interest earned from project funds		-		229
Accrued interest		74,000		(167,000)
OPEB liability		(105,651)		214,404
Compensated absences		(15,685)		(4,838)
Principal retirement and lease payments		503,674		151,984
Depreciation and amortization		(600,804)		(664,836)
Change in net position		\$ 2,602,842		\$ 471,020

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - ELECTRIC PROJECT  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 229	\$ -	\$ 229
<b>Expenditures:</b>				
Delivery	4,620,000	1,460,983	1,099,968	2,560,951
Substation	4,470,000	3,420,887	174,390	3,595,277
Distribution	2,110,000	484,615	410,279	894,894
Total expenditures	<u>11,200,000</u>	<u>5,366,485</u>	<u>1,684,637</u>	<u>7,051,122</u>
Revenues over (under) expenditures	<u>(11,200,000)</u>	<u>(5,366,256)</u>	<u>(1,684,637)</u>	<u>(7,050,893)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from long-term debt	8,200,000	5,679,468	-	5,679,468
Transfer from Electric Fund	3,000,000	3,000,000	-	3,000,000
Total other financing sources (uses)	<u>11,200,000</u>	<u>8,679,468</u>	<u>-</u>	<u>8,679,468</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,313,212</u>	<u>\$ (1,684,637)</u>	<u>\$ 1,628,575</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, 2024  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024			2023
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 5,286,400	\$ 4,993,852	\$ (292,548)	\$ 6,575,196
Miscellaneous revenues	358,000	374,383	16,383	350,636
Total operating revenues	<u>5,644,400</u>	<u>5,368,235</u>	<u>(276,165)</u>	<u>6,925,832</u>
Non-operating revenues:				
Interest income	<u>2,500</u>	<u>152,726</u>	<u>150,226</u>	<u>11,656</u>
Total revenues	<u>5,646,900</u>	<u>5,520,961</u>	<u>(125,939)</u>	<u>6,937,488</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,277,300	1,204,232	73,068	1,103,549
Other operating expenditures	1,390,810	1,228,376	162,434	1,031,930
Capital outlay	914,951	866,938	48,013	291,889
Cost of merchandise sold	2,074,975	2,019,285	55,690	3,456,920
Debt service - principal	276,425	276,425	-	181,808
Debt service - interest	<u>68,649</u>	<u>68,649</u>	<u>-</u>	<u>12,635</u>
Total expenditures	<u>6,003,110</u>	<u>5,663,905</u>	<u>339,205</u>	<u>6,078,731</u>
Revenues over (under) expenditures	<u>(356,210)</u>	<u>(142,944)</u>	<u>213,266</u>	<u>858,757</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	356,210	-	(356,210)	-
Transfer to other fund:				
Gas Capital Project Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>356,210</u>	<u>-</u>	<u>(356,210)</u>	<u>(200,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(142,944)</u>	<u>\$ (142,944)</u>	<u>658,757</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, 2024  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023

	2024		2023
	Budget	Actual	Total
<b>Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:</b>			
Change in inventories		(55,445)	51,343
Capital project transfers		-	200,000
Capital outlay		866,938	291,889
Change in deferred outflows - OPEB		2,654	(19,625)
Change in deferred inflows - OPEB		(21,572)	(131,810)
Change in net pension liability		(190,267)	(232,724)
Change in deferred outflows - pensions		107,965	74,070
Change in deferred inflows - pensions		2,248	128,390
Accrued interest		18,000	(38,000)
OPEB liability		(162,638)	142,936
Compensated absences		(4,049)	(7,834)
Principal retirement		276,425	181,808
Depreciation expense		(347,952)	(301,572)
Change in net position		<u>\$ 349,363</u>	<u>\$ 997,628</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND CAPITAL PROJECT - GAS PROJECTS**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Capital Outlay-I85 Connector	\$ 1,350,000	\$ 1,322,894	\$ 28,494	\$ 1,351,388
Capital Outlay-Gate Station	<u>625,000</u>	<u>574,533</u>	<u>-</u>	<u>574,533</u>
Total expenditures	<u>1,975,000</u>	<u>1,897,427</u>	<u>28,494</u>	<u>1,925,921</u>
Revenues over (under) expenditures	<u>(1,975,000)</u>	<u>(1,897,427)</u>	<u>(28,494)</u>	<u>(1,925,921)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Gas Fund	658,500	690,000	-	690,000
Proceeds from issuance of debt	<u>1,316,500</u>	<u>1,316,532</u>	<u>-</u>	<u>1,316,532</u>
Total other financing sources (uses)	<u>1,975,000</u>	<u>2,006,532</u>	<u>-</u>	<u>2,006,532</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 109,105</u>	<u>\$ (28,494)</u>	<u>\$ 80,611</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, 2024**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2023**

	2024			2023
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 736,000	\$ 785,056	\$ 49,056	\$ 471,560
Miscellaneous revenues	-	827	827	3,235
Total operating revenues	<u>736,000</u>	<u>785,883</u>	<u>49,883</u>	<u>474,795</u>
Non-operating revenues:				
Interest income	-	20,723	20,723	1,238
Total revenues	<u>736,000</u>	<u>806,606</u>	<u>70,606</u>	<u>476,033</u>
<b>Expenditures:</b>				
Salaries and employee benefits	470,785	396,811	73,974	341,649
Other operating expenditures	207,335	193,972	13,363	117,132
Capital outlay	57,880	57,428	452	14,344
Charges to other funds	-	-	-	(30,000)
Total expenditures	<u>736,000</u>	<u>648,211</u>	<u>87,789</u>	<u>443,125</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>158,395</u>	<u>\$ 158,395</u>	<u>32,908</u>
<b>Reconciliation From Budgetary Basis</b>				
<b>(Modified Accrual) To Full Accrual:</b>				
Capital outlay		57,428		14,344
Change in deferred outflows - OPEB		(3,475)		(7,850)
Change in deferred inflows - OPEB		668		(52,727)
Change in net pension liability		(41,619)		(93,092)
Change in deferred outflows - pensions		21,288		29,628
Change in deferred inflows - pensions		1,450		51,356
OPEB liability		(35,550)		57,174
Compensated absences		(6,096)		(4,677)
Depreciation expense		(28,780)		(22,365)
Change in net position		<u>\$ 123,709</u>		<u>\$ 4,699</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2024

	<b>Workers' Compensation Insurance</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,267,967	\$ 2,304,833	\$ 3,572,800
Prepays	<u>76,031</u>	<u>-</u>	<u>76,031</u>
Total assets	<u>1,343,998</u>	<u>2,304,833</u>	<u>3,648,831</u>
<b>Liabilities:</b>			
Accounts payable	<u>40,000</u>	<u>203,064</u>	<u>243,064</u>
<b>Net Position:</b>			
Unrestricted	<u>\$ 1,303,998</u>	<u>\$ 2,101,769</u>	<u>\$ 3,405,767</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, 2024**

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 294,800	\$ 3,348,317	\$ 3,643,117
<b>Expenditures:</b>			
Operating expenses	<u>124,914</u>	<u>3,925,515</u>	<u>4,050,429</u>
Operating income (loss)	169,886	(577,198)	(407,312)
<b>Non-Operating Revenues:</b>			
Investment income	<u>62,277</u>	<u>91,444</u>	<u>153,721</u>
Change in net position	232,163	(485,754)	(253,591)
<b>Net Position:</b>			
Beginning of year - July 1	<u>1,071,835</u>	<u>2,587,523</u>	<u>3,659,358</u>
End of year - June 30	<u>\$ 1,303,998</u>	<u>\$ 2,101,769</u>	<u>\$ 3,405,767</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024

	<b>Workers' Compensation Insurance</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 218,769	\$ 3,348,317	\$ 3,567,086
Cash paid for goods and services	<u>(174,914)</u>	<u>(3,793,082)</u>	<u>(3,967,996)</u>
Net cash provided (used) by operating activities	<u>43,855</u>	<u>(444,765)</u>	<u>(400,910)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest income	<u>62,277</u>	<u>91,444</u>	<u>153,721</u>
Net increase (decrease) in cash and cash equivalents	106,132	(353,321)	(247,189)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>1,161,835</u>	<u>2,658,154</u>	<u>3,819,989</u>
End of year - June 30	<u>\$ 1,267,967</u>	<u>\$ 2,304,833</u>	<u>\$ 3,572,800</u>
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Net operating income (loss)	\$ 169,886	\$ (577,198)	\$ (407,312)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in prepaid items	(76,031)	-	(76,031)
Increase (decrease) in operating accounts payable and accrued liabilities	<u>(50,000)</u>	<u>132,433</u>	<u>82,433</u>
Total adjustments	<u>(126,031)</u>	<u>132,433</u>	<u>6,402</u>
Net cash provided (used) by operating activities	<u>\$ 43,855</u>	<u>\$ (444,765)</u>	<u>\$ (400,910)</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, 2024**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 249,700	\$ 294,800	\$ 45,100
Non-operating revenues:			
Interest income	-	62,277	62,277
Total revenues	<u>249,700</u>	<u>357,077</u>	<u>107,377</u>
<b>Expenditures:</b>			
Operating expenditures	<u>380,000</u>	<u>124,914</u>	<u>255,086</u>
Operating income (loss)	(130,300)	232,163	362,463
<b>Other Financing Sources (Uses):</b>			
Appropriated net position	<u>130,300</u>	<u>-</u>	<u>(130,300)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 232,163</u>	<u>\$ 232,163</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, 2024**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 3,440,000	\$ 3,348,317	\$ (91,683)
Non-operating revenues:			
Interest income	-	91,444	91,444
Total revenues	<u>3,440,000</u>	<u>3,439,761</u>	<u>(239)</u>
<b>Expenditures:</b>			
Operating expenditures	<u>4,090,000</u>	<u>3,925,515</u>	<u>164,485</u>
Operating income (loss)	(650,000)	(485,754)	164,246
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>650,000</u>	-	<u>(650,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (485,754)</u>	<u>\$ (485,754)</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## TOURISM DEVELOPMENT AUTHORITY BOARD

## STATEMENT OF NET POSITION

JUNE 30, 2024

	<b>Tourism Development Authority</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 381,733
Due primary government	<u>16,741</u>
Total assets	<u>398,474</u>
<b>Liabilities:</b>	
Accounts payable	<u>20,505</u>
<b>Net Position:</b>	
Restricted:	
Stabilization by state statute	16,741
Tourism promotion	<u>361,228</u>
Total net position	<u>\$ 377,969</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, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Occupancy taxes	\$ 210,000	\$ 194,120	\$ (15,880)
Non-operating revenues:			
Miscellaneous	750	1,495	745
Investment earnings	-	3,562	3,562
Total revenues	<u>210,750</u>	<u>199,177</u>	<u>(11,573)</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	101,800	40,806	60,994
Grants and contributions	108,950	106,000	2,950
Total expenditures	<u>210,750</u>	<u>146,806</u>	<u>63,944</u>
Net change in fund balance	<u>\$ -</u>	52,371	<u>\$ 52,371</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>325,598</u>	
End of year - June 30		<u>\$ 377,969</u>	

**SUPPLEMENTARY INFORMATION**  
**SUPPLEMENTAL FINANCIAL DATA**

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## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2024

Fiscal Year	Uncollected Balance July 1, 2023	Additions	Collections and Credits	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 10,276,240	\$ 10,187,349	\$ 88,891
2022-2023	66,919	-	33,081	33,838
2021-2022	29,384	-	9,248	20,136
2020-2021	15,584	-	3,775	11,809
2019-2020	9,412	-	3,780	5,632
2018-2019	5,536	-	1,495	4,041
2017-2018	5,057	-	1,137	3,920
2016-2017	5,293	-	1,149	4,144
2015-2016	3,477	-	690	2,787
2014-2015	8,367	-	8,367	-
Total	<u>\$ 149,029</u>	<u>\$ 10,276,240</u>	<u>\$ 10,250,071</u>	175,198
Less: Allowance for uncollectible accounts				<u>63,368</u>
Ad valorem taxes receivable, net				<u>\$ 111,830</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes:				
General Fund				\$ 9,838,919
Economic Incentive Fund				<u>388,044</u>
Total ad valorem tax revenues				10,226,963
Reconciling items:				
Taxes written off				(8,367)
Interest				18,327
Miscellaneous adjustments				<u>13,148</u>
Total collections and credits				<u>\$ 10,250,071</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2024

	City-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 2,140,883,333	\$ 0.48	\$ 10,276,240	\$ 9,758,571	\$ 517,669
Total property valuation	<u>\$ 2,140,883,333</u>				
<b>Net Levy</b>			10,276,240	9,758,571	517,669
Uncollected taxes at June 30, 2024			<u>88,891</u>	<u>88,891</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 10,187,349</u>	<u>\$ 9,669,680</u>	<u>\$ 517,669</u>
<b>Current Levy Collection Percentage</b>			<u>99.13%</u>	<u>99.09%</u>	<u>100.00%</u>
<b>Secondary Market Disclosures:</b>					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 1,082,277,626	
Personal property				942,432,007	
Public service companies				<u>116,173,700</u>	
Total assessed valuation				\$ 2,140,883,333	
Tax rate per \$100				<u>0.48</u>	
Levy (includes discoveries, releases, and abatements)				<u>\$ 10,276,240</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, 2024, 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 15, 2024. 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 compliance and other matters associated with the City of Kings Mountain ABC Board or that are reported on separately by those auditors who audited the financial statements of 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 15, 2024

# 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, 2024. 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, 2024.

##### ***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 15, 2024

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**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**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:

<b><u>Program Name</u></b>	<b><u>AL#</u></b>
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027
Investments for Public Works and Economic Development Facilities	11.300
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	Yes

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024**

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

None reported.

**3. Federal 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, 2024**

None reported.

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State Pass-Through Grantor's Number	Fed. (Direct & Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>Federal Grant:</b>					
<b>US Department of Treasury</b>					
<b>Passed through NCDEQ</b>					
COVID 19 Coronavirus State and Fiscal Recovery Funds - Project South (Bethlehem Sewer)	21.027	SRP-W-ARP-007	\$ 6,315,670	\$ -	-
COVID 19 Coronavirus State and Fiscal Recovery Funds -Buffalo Creek & Moss Lake Sediment Remediation & Water Quality Study	21.027	SRP-SW-ARP-0080	20,100	-	-
<b>Passed through NC Department of Natural &amp; Cultural Resources</b>					
COVID 19 Coronavirus State and Fiscal Recovery Funds - 22-23 ARPA Aid to Libraries Grant	21.027	2000057929	43,218	-	-
<b>Passed through NC Division of Aging and Adult Services</b>					
<b>Recovery Office</b>					
<b>Passed through Isothermal Planning and Development Commission</b>					
COVID 19 Coronavirus State and Fiscal Recovery Funds-ICC -Senior Ctr	21.027	ICC	13,733	-	-
<b>Total US Department of Treasury</b>			<u>6,392,721</u>	-	-
<b>US Department of Health and Human Services</b>					
<b>Passed through Isothermal Planning and Development Commission</b>					
<b>Aging Cluster:</b>					
Special Programs for the Aging-Title III, Part B Grants for Supporting Services and Senior Centers	93.044	10-1776695	67,615	-	-
<b>Total Aging Cluster</b>			<u>67,615</u>	-	-
<b>Passed through NC Department of Health and Human Services</b>					
State Health Insurance Assistance Program	93.324	90SA0090-01-00	4,708	-	-
Medicare Enrollment Assistance Program	93.071	14AANCMSI	12,109	-	-
<b>Total US Department of Health and Human Services</b>			<u>84,432</u>	-	-
<b>U.S. Department of Commerce</b>					
<b>Economic Development Cluster</b>					
Investments for Public Works and Economic Development Facilities	11.300	04-01-07964	1,133,976	-	-
<b>Total Economic Development Cluster</b>			<u>1,133,976</u>	-	-
<b>Total U.S. Department of Commerce</b>			<u>1,133,976</u>	-	-
<b>National Endowment for the Humanities</b>					
<b>Passed through Division of State Library</b>					
Grants to States -Moss Lake Lending Library	45.310	2024	46,836	-	-
<b>State Programs:</b>					
N.C. Department of Natural and Cultural Resources:					
State Aid to Libraries		2021-22	-	13,282	-
NC Office of State Budget and Management (OSBM)					
City of Kings Mountain - Liberty Mountain (Directed Grant)			-	48,696	-
N.C Department of Aging					
Senior Center General Purpose Grant		2021-22	-	11,379	-
N.C. Department of Transportation:					
Powell Bill		DOT-4	-	309,030	-
Total federal expenditures			<u>\$ 7,657,965</u>		<u>\$ -</u>
Total state expenditures				<u>\$ 382,387</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, 2024. 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.