

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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

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

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2014

Mayor

Edgar O. Murphrey, Jr.

City Council

Mike Butler

Keith Miller

Rodney L. Gordon

Rick Moore

Tommy Hawkins

Howard Shipp

Curtis Pressley

City Manager

Marilyn H. Sellers

Finance Officer

Beverly C. Moschler

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Kings Mountain's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, other schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, other schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 17, 2014 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 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 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 17, 2014

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Management's Discussion and Analysis

As management of the City of Kings Mountain, we offer readers of the City of Kings Mountain's financial statements this narrative overview and analysis of the financial activities of the City of Kings Mountain for the fiscal year ended June 30, 2014. 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

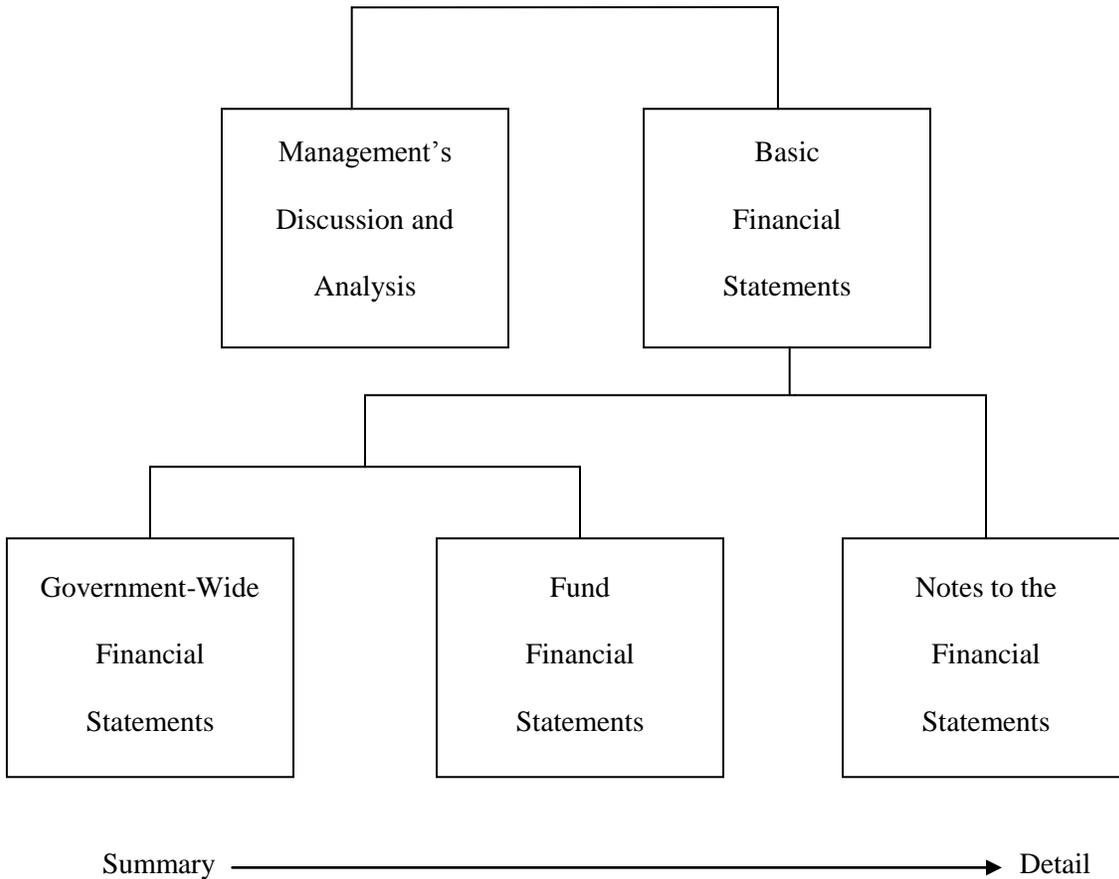
- The assets of the City of Kings Mountain exceeded its liabilities at the close of the fiscal year by \$47,274,580 (*Net Position*).
- The government's total net position increased by \$360,803.
- At the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$3,870,767, an increase of \$582,197 in comparison with the prior year.
- At the end of the current fiscal year, available fund balance for the General Fund was \$2,451,948, or 22.43 percent, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt increased by \$3,918,883 during the current fiscal year. The key factors in this increase were the new State Revolving Fund Bonds and debt issues to cover the smart meters.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through J) are **fund financial statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary 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 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. Information on the financial statements of the component units is included in note 1A.

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 two categories: governmental funds and proprietary 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*. This method also has a current financial resources 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.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit J of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kings Mountain’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes to the financial statements.

Government-Wide Financial Analysis

City of Kings Mountain's Net Position Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current assets	\$ 5,310,865	\$ 4,005,515	\$ 10,545,337	\$ 7,915,797	\$ 15,856,202	\$ 11,921,312
Other assets	174,012	318,377	323,141	307,266	497,153	625,643
Capital assets, net	<u>9,459,937</u>	<u>9,471,695</u>	<u>37,690,702</u>	<u>34,439,367</u>	<u>47,150,639</u>	<u>43,911,062</u>
Total assets	<u>14,944,814</u>	<u>13,795,587</u>	<u>48,559,180</u>	<u>42,662,430</u>	<u>63,503,994</u>	<u>56,458,017</u>
Liabilities:						
Long-term liabilities	3,440,453	3,006,223	6,706,711	3,394,663	10,147,164	6,400,886
Other liabilities	<u>1,209,305</u>	<u>605,891</u>	<u>4,872,945</u>	<u>2,537,645</u>	<u>6,082,250</u>	<u>3,143,536</u>
Total liabilities	<u>4,649,758</u>	<u>3,612,114</u>	<u>11,579,656</u>	<u>5,932,308</u>	<u>16,229,414</u>	<u>9,544,422</u>
Net Position:						
Net investment in capital assets	8,655,919	8,685,522	30,399,249	31,048,952	39,055,168	39,734,474
Restricted	1,341,307	1,037,918	-	-	1,341,307	1,037,918
Unrestricted	<u>297,830</u>	<u>460,033</u>	<u>6,580,275</u>	<u>5,681,352</u>	<u>6,878,105</u>	<u>6,141,385</u>
Total net position	<u>\$ 10,295,056</u>	<u>\$ 10,183,473</u>	<u>\$ 36,979,524</u>	<u>\$ 36,730,304</u>	<u>\$ 47,274,580</u>	<u>\$ 46,913,777</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 \$47,274,580 as of June 30, 2014. However, the largest portion (83%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Kings Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kings Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Kings Mountain's net position of \$1,341,307 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,878,105 is unrestricted.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,594,209	\$ 1,794,380	\$ 23,876,260	\$ 22,849,177	\$ 25,470,469	\$ 24,643,557
Operating grants and contributions	944,874	617,695	-	-	944,874	617,695
Capital grants and contributions	223,034	-	112,803	21,726	335,837	21,726
General revenues:						
Property taxes	4,035,714	3,177,297	-	-	4,035,714	3,177,297
Other taxes	2,469,887	2,288,798	-	-	2,469,887	2,288,798
Other	11,129	13,298	9,891	16,047	21,020	29,345
Total revenues	<u>9,278,847</u>	<u>7,891,468</u>	<u>23,998,954</u>	<u>22,886,950</u>	<u>33,277,801</u>	<u>30,778,418</u>
Expenses:						
General government	2,422,425	2,220,494	-	-	2,422,425	2,220,494
Public safety	4,165,564	4,022,239	-	-	4,165,564	4,022,239
Transportation	1,464,936	1,536,631	-	-	1,464,936	1,536,631
Environmental protection	892,698	1,194,949	-	-	892,698	1,194,949
Economic development	619,674	628,131	-	-	619,674	628,131
Culture and recreation	1,891,018	1,548,944	-	-	1,891,018	1,548,944
Interest expense	30,949	28,164	-	-	30,949	28,164
Water and sewer	-	-	4,474,183	4,536,612	4,474,183	4,536,612
Electric	-	-	11,710,392	11,724,571	11,710,392	11,724,571
Gas	-	-	5,104,764	4,537,051	5,104,764	4,537,051
Stormwater	-	-	140,395	-	140,395	-
Total expenses	<u>11,487,264</u>	<u>11,179,552</u>	<u>21,429,734</u>	<u>20,798,234</u>	<u>32,916,998</u>	<u>31,977,786</u>
Increase in net position before transfers	(2,208,417)	(3,288,084)	2,569,220	2,088,716	360,803	(1,199,368)
Transfers	<u>2,320,000</u>	<u>2,334,544</u>	<u>(2,320,000)</u>	<u>(2,334,544)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	111,583	(953,540)	249,220	(245,828)	360,803	(1,199,368)
Net Position:						
Beginning of year - July 1	<u>10,183,473</u>	<u>11,137,013</u>	<u>36,730,304</u>	<u>36,976,132</u>	<u>46,913,777</u>	<u>48,113,145</u>
End of year - June 30	<u>\$ 10,295,056</u>	<u>\$ 10,183,473</u>	<u>\$ 36,979,524</u>	<u>\$ 36,730,304</u>	<u>\$ 47,274,580</u>	<u>\$ 46,913,777</u>

Governmental Activities. Governmental activities increased the City's net position by \$111,583. Key elements of this increase are as follows:

- Increase in revenues from property and other taxes of \$1,039,506
- Increase in cultural and recreation expenses of \$342,074

Business-Type Activities. Business-type activities increased the City's net position by \$249,220. Key elements of this increase are as follows:

- Increase in business-type activities revenues overall from increase in water rates and colder winter
- Increase in business-type activities expenses overall from prior fiscal year due to smart meter project

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. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

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 \$2,451,948, while total fund balance reached \$3,682,209. 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 22.43 percent of total General Fund expenditures, while total fund balance represents 33.68 percent of that same amount.

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.

Revenues had a positive variance of \$353,657 due to an increase in property taxes and other franchise utility taxes. The General Fund recognized a positive variance of \$970,124 between the final amended budget and actual expenditures. The major components of this positive variance are as follows:

- Public safety - \$110,605
- Economic and physical development - \$564,624

In public safety, salaries and related fringe benefits, due to vacancies, contributed to the positive variance. Also, in economic and physical development, funds budgeted for tax incentives were not known at budget preparation time in Spring 2013 which contributed to the positive variance.

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 \$1,539,354. This amount for the Electric Fund was \$3,199,338, for the Gas Fund was \$1,790,930, and for the Stormwater Fund was \$50,653. The total changes in net position for the four funds were \$296,254, (\$221,364), \$123,677, and \$50,653, 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, 2014 totals \$47,150,639 (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:

- Other improvements
- Lines

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,662,528	\$ 2,662,528	\$ 7,115,023	\$ 7,013,151	\$ 9,777,551	\$ 9,675,679
Infrastructure	633,446	726,510	-	-	633,446	726,510
Buildings	2,738,909	3,070,690	4,671,102	4,890,932	7,410,011	7,961,622
Other improvements	672,384	479,255	7,096,699	7,552,757	7,769,083	8,032,012
Equipment	1,269,675	1,203,929	2,092,256	2,123,696	3,361,931	3,327,625
Vehicles	1,463,166	1,308,954	806,197	864,502	2,269,363	2,173,456
Lines	19,829	-	10,482,977	10,062,999	10,502,806	10,062,999
Construction in progress	-	19,829	5,426,448	1,931,330	5,426,448	1,951,159
Total	\$ 9,459,937	\$ 9,471,695	\$ 37,690,702	\$ 34,439,367	\$ 47,150,639	\$ 43,911,062

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, 2014, the City of Kings Mountain had total installment purchase debt outstanding of \$8,095,471. The City’s debt represents obligations secured solely by certain equipment of the City.

City of Kings Mountain’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment purchases	\$ 804,018	\$ 786,173	\$ 7,291,453	\$ 3,390,415	\$ 8,095,471	\$ 4,176,588
Total	\$ 804,018	\$ 786,173	\$ 7,291,453	\$ 3,390,415	\$ 8,095,471	\$ 4,176,588

The City of Kings Mountain’s total debt increased by \$3,918,883 during the current fiscal year. The key factors in this increase were the new State Revolving Fund Bonds and debt issues to cover the smart meters.

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 \$71,710,669.

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 continued its second year of a water and sewer rate increase of 7 ½ % as recommended by the rate study completed in 2012. NC Department of Natural Resources awarded the City two DW State Revolving Fund Loans totaling \$28,623,310 to complete a 36-inch waterline and to upgrade our Ellison Water Treatment Plant. A new energy company, NTE, announced its plan to come to Kings Mountain with anticipated completion set for 2018. NTE will produce and distribute electrical power utilizing a Combined Cycle Natural Gas Facility with its purchase of natural gas being delivered directly from Williams (Transco) with Kings Mountain providing domestic natural gas and electrical distribution needs. The City of Kings Mountain will be providing all new water and wastewater needs for this facility. This new plant will be the largest water customer regarding daily volume at this time. The City is now leasing its Dark Fiber to a local company. The Catawba Indian Council made application with the US Department of the Interior's Bureau of Indian Affairs to build and operate a casino and resort in Kings Mountain. They are awaiting approval of the application at this time.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. The property tax rate remains at 40 cents per \$100 in assessed property value. The General Fund budget is 6 percent higher than last year's budget due to a 2 percent COLA raise given to all full time employees and new positions created. The City continues to make improvements to the downtown business area.

Business-Type Activities. All four enterprise funds increased due to a cost of living given to all full time employees in 2014-15 and the continued expansion of the our Smart Meter Project to all meters in the Electric and Gas departments and up to half of the total meters in the Water/Sewer Fund. The Water/Sewer Fund increase of 7 percent from the prior year is also due to an increase in cost of supplies because of a change to industry standards. The Electric Fund increased by 5 percent due to additional Capital Outlay requested. The Gas Fund budget increased by 10 percent from the prior year due to the expansion of services in the area and an increase in cost of Natural Gas.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to:

City of Kings Mountain
Finance Director
PO Box 429
Kings Mountain, North Carolina 28086

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 3,937,077	\$ 6,557,356	\$ 10,494,433	\$ 268,308	\$ 90,985
Taxes receivable, net	123,243	-	123,243	-	-
Accounts receivable, net	605,357	2,976,495	3,581,852	50	-
Due from other governments	554,701	-	554,701	-	8,239
Inventories	90,487	1,011,486	1,101,973	127,417	-
Prepaid items	-	-	-	4,899	-
Total current assets	<u>5,310,865</u>	<u>10,545,337</u>	<u>15,856,202</u>	<u>400,674</u>	<u>99,224</u>
Restricted assets:					
Cash and cash equivalents	<u>174,012</u>	<u>323,141</u>	<u>497,153</u>	<u>-</u>	<u>-</u>
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,662,528	12,541,471	15,203,999	78,875	-
Other capital assets, net of depreciation	<u>6,797,409</u>	<u>25,149,231</u>	<u>31,946,640</u>	<u>17,356</u>	<u>-</u>
Total capital assets	<u>9,459,937</u>	<u>37,690,702</u>	<u>47,150,639</u>	<u>96,231</u>	<u>-</u>
Total assets	<u>14,944,814</u>	<u>48,559,180</u>	<u>63,503,994</u>	<u>496,905</u>	<u>99,224</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,071,390	2,965,705	4,037,095	111,807	14,348
Moss Lake unearned revenues	137,915	-	137,915	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	323,141	323,141	-	-
Long-term liabilities:					
Due within one year	296,048	1,584,099	1,880,147	-	-
Due in more than one year	<u>3,144,405</u>	<u>6,706,711</u>	<u>9,851,116</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,649,758</u>	<u>11,579,656</u>	<u>16,229,414</u>	<u>111,807</u>	<u>14,348</u>
Net Position:					
Net investment in capital assets	8,655,919	30,399,249	39,055,168	96,231	-
Restricted for:					
Perpetual maintenance	27,521	-	27,521	-	-
Stabilization by State statute	1,139,774	-	1,139,774	-	-
Streets - Powell Bill	93,754	-	93,754	-	-
Public Safety	29,742	-	29,742	-	-
Cultural and recreational	50,516	-	50,516	-	-
Tourism	-	-	-	-	84,876
Unrestricted	<u>297,830</u>	<u>6,580,275</u>	<u>6,878,105</u>	<u>288,867</u>	<u>-</u>
Total net position	<u>\$ 10,295,056</u>	<u>\$ 36,979,524</u>	<u>\$ 47,274,580</u>	<u>\$ 385,098</u>	<u>\$ 84,876</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, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,422,425	\$ 22,910	\$ 129,377	\$ -
Public safety	4,165,564	3,860	220,140	-
Transportation	1,464,936	-	391,567	-
Economic and physical development	619,674	96,563	57,453	223,034
Environmental protection	892,698	1,053,034	-	-
Culture and recreation	1,891,018	417,842	146,337	-
Interest expense	30,949	-	-	-
Total governmental activities	<u>11,487,264</u>	<u>1,594,209</u>	<u>944,874</u>	<u>223,034</u>
Business-Type Activities:				
Water and sewer	4,474,183	4,768,279	-	-
Electric	11,710,392	13,304,633	-	-
Gas	5,104,764	5,612,358	-	112,803
Stormwater	140,395	190,990	-	-
Total business-type activities	<u>21,429,734</u>	<u>23,876,260</u>	<u>-</u>	<u>112,803</u>
Total primary government	<u>\$ 32,916,998</u>	<u>\$ 25,470,469</u>	<u>\$ 944,874</u>	<u>\$ 335,837</u>
Component Units:				
ABC Board	\$ 1,258,723	\$ 1,267,866	\$ -	\$ -
Tourism Development Authority Board	<u>74,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 1,333,450</u>	<u>\$ 1,267,866</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Payment in lieu of taxes

Franchise taxes

Other taxes and licenses

Unrestricted investment earnings

Total general revenues before transfers

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
\$ (2,270,138)	\$ -	\$ (2,270,138)		
(3,941,564)	-	(3,941,564)		
(1,073,369)	-	(1,073,369)		
(242,624)	-	(242,624)		
160,336	-	160,336		
(1,326,839)	-	(1,326,839)		
(30,949)	-	(30,949)		
<u>(8,725,147)</u>	<u>-</u>	<u>(8,725,147)</u>		
-	294,096	294,096		
-	1,594,241	1,594,241		
-	620,397	620,397		
-	50,595	50,595		
-	<u>2,559,329</u>	<u>2,559,329</u>		
<u>(8,725,147)</u>	<u>2,559,329</u>	<u>(6,165,818)</u>		
			\$ 9,143	\$ -
			<u>-</u>	<u>(74,727)</u>
			<u>9,143</u>	<u>(74,727)</u>
4,035,714	-	4,035,714	-	-
947,531	-	947,531	-	-
116,958	-	116,958	-	-
946,338	-	946,338	-	-
459,060	-	459,060	-	80,908
11,129	9,891	21,020	388	27
<u>6,516,730</u>	<u>9,891</u>	<u>6,526,621</u>	<u>388</u>	<u>80,935</u>
<u>2,320,000</u>	<u>(2,320,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,836,730</u>	<u>(2,310,109)</u>	<u>6,526,621</u>	<u>388</u>	<u>80,935</u>
111,583	249,220	360,803	9,531	6,208
<u>10,183,473</u>	<u>36,730,304</u>	<u>46,913,777</u>	<u>375,567</u>	<u>78,668</u>
<u>\$ 10,295,056</u>	<u>\$ 36,979,524</u>	<u>\$ 47,274,580</u>	<u>\$ 385,098</u>	<u>\$ 84,876</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 3,319,547	\$ 196,788	\$ 3,516,335
Cash and cash equivalents, restricted	174,012	-	174,012
Taxes receivable, net	123,243	-	123,243
Accounts receivable, net	585,073	-	585,073
Due from other governments	554,701	-	554,701
Inventories	90,487	-	90,487
Total assets	<u>\$ 4,847,063</u>	<u>\$ 196,788</u>	<u>\$ 5,043,851</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 903,696	\$ 8,230	\$ 911,926
Moss Lake unearned revenues	<u>137,915</u>	<u>-</u>	<u>137,915</u>
Total liabilities	<u>1,041,611</u>	<u>8,230</u>	<u>1,049,841</u>
Deferred Inflows of Resources:			
Property taxes receivable	<u>123,243</u>	<u>-</u>	<u>123,243</u>
Total deferred inflows of resources	<u>123,243</u>	<u>-</u>	<u>123,243</u>
Fund Balances:			
Non-spendable:			
Inventories	90,487	-	90,487
Perpetual maintenance	-	27,521	27,521
Restricted:			
Stabilization by State statute	1,139,774	-	1,139,774
Streets	93,754	-	93,754
Public safety	29,742	-	29,742
Cultural and recreational	50,516	-	50,516
Committed:			
Future capital projects	-	161,037	161,037
Unassigned	<u>2,277,936</u>	<u>-</u>	<u>2,277,936</u>
Total fund balances	<u>3,682,209</u>	<u>188,558</u>	<u>3,870,767</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,847,063</u>	<u>\$ 196,788</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,459,937
The assets and liabilities of internal service funds are included in the Statement of Net Position.	290,033
Liabilities for earned revenues considered deferred inflows of resources in fund statements	123,243
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, not reported in the funds.	<u>(3,448,924)</u>
Net position of governmental activities	<u>\$ 10,295,056</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, 2014

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 4,019,602	\$ -	\$ 4,019,602
Other taxes and licenses	2,469,887	-	2,469,887
Restricted intergovernmental	729,906	-	729,906
Permits and fees	119,473	-	119,473
Sales and services	1,403,524	223,034	1,626,558
Donations			
Investment earnings	11,088	41	11,129
Miscellaneous	302,433	-	302,433
Total revenues	<u>9,055,913</u>	<u>223,075</u>	<u>9,278,988</u>
Expenditures:			
Current:			
General government	2,431,052	-	2,431,052
Public safety	3,907,623	-	3,907,623
Transportation	1,339,622	-	1,339,622
Economic and physical development	438,172	162,602	600,774
Environmental protection	1,064,729	-	1,064,729
Culture and recreation	1,668,358	-	1,668,358
Debt service:			
Principal	238,355	-	238,355
Interest	22,478	-	22,478
Total expenditures	<u>11,110,389</u>	<u>162,602</u>	<u>11,272,991</u>
Revenues over (under) expenditures	<u>(2,054,476)</u>	<u>60,473</u>	<u>(1,994,003)</u>
Other Financing Sources (Uses):			
Transfers in	2,320,000	79,305	2,399,305
Transfers out	(79,305)	-	(79,305)
Issuance of debt	256,200	-	256,200
Total other financing sources (uses)	<u>2,496,895</u>	<u>79,305</u>	<u>2,576,200</u>
Net change in fund balances	442,419	139,778	582,197
Fund Balances:			
Beginning of year - July 1	<u>3,239,790</u>	<u>48,780</u>	<u>3,288,570</u>
End of year - June 30	<u>\$ 3,682,209</u>	<u>\$ 188,558</u>	<u>\$ 3,870,767</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, 2014**

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 \$ 582,197

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	\$ 965,634	
Disposals, loss	(16,253)	
Depreciation expense	<u>(961,139)</u>	(11,758)

Change in deferred inflows for tax revenues 16,112

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	(256,200)	
Repayment of debt principal	238,355	
Accrual of net pension obligation	(44,905)	
OPEB	(327,391)	
Accrual of interest expense payable	(8,471)	
Accrual of compensated absences	<u>(44,089)</u>	(442,701)

Net revenue of internal service funds determined to be governmental-type (32,267)

Total change in net position of governmental activities (Exhibit B) \$ 111,583

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,140,170	\$ 3,981,670	\$ 4,019,602	\$ 37,932
Other taxes	2,299,821	2,332,821	2,469,887	137,066
Restricted intergovernmental	1,107,864	708,808	729,906	21,098
Permits and fees	75,000	95,000	119,473	24,473
Investment earnings	17,300	9,800	11,088	1,288
Sales and services	1,366,200	1,356,900	1,403,524	46,624
Miscellaneous	136,673	217,257	302,433	85,176
Total revenues	<u>8,143,028</u>	<u>8,702,256</u>	<u>9,055,913</u>	<u>353,657</u>
Expenditures:				
Current:				
General government	2,010,009	2,497,689	2,431,052	66,637
Public safety	3,981,305	4,018,228	3,907,623	110,605
Transportation	1,512,206	1,434,877	1,339,622	95,255
Economic and physical development	814,413	1,002,796	438,172	564,624
Environmental protection	1,086,140	1,127,040	1,064,729	62,311
Culture and recreation	1,612,738	1,738,938	1,668,358	70,580
Debt service:				
Principal retirement	238,355	238,355	238,355	-
Interest and fees	(21,808)	31,061	22,478	8,583
Total expenditures	<u>11,233,358</u>	<u>12,088,984</u>	<u>11,110,389</u>	<u>978,595</u>
Revenues over (under) expenditures	<u>(3,090,330)</u>	<u>(3,386,728)</u>	<u>(2,054,476)</u>	<u>1,332,252</u>
Other Financing Sources (Uses):				
Transfers in	2,320,000	2,320,000	2,320,000	-
Transfers out	(81,000)	(81,000)	(79,305)	1,695
Issuance of debt	-	256,200	256,200	-
Total other financing sources (uses)	<u>2,239,000</u>	<u>2,495,200</u>	<u>2,496,895</u>	<u>1,695</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(851,330)</u>	<u>(891,528)</u>	<u>442,419</u>	<u>1,333,947</u>
Fund balance appropriated	<u>851,330</u>	<u>891,528</u>	<u>-</u>	<u>891,528</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>442,419</u>	<u>\$ 442,419</u>
Fund Balance:				
Beginning of year - July 1			<u>3,239,790</u>	
End of year - June 30			<u>\$ 3,682,209</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, 2014

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 2,238,907	\$ 2,237,799	\$ 2,014,650	\$ 66,000	\$ 6,557,356	\$ 420,742
Cash - restricted	76,195	155,948	90,998	-	323,141	-
Accounts receivable, net	640,016	1,938,061	365,279	33,139	2,976,495	20,284
Inventories	384,093	510,460	116,933	-	1,011,486	-
Total current assets	<u>3,339,211</u>	<u>4,842,268</u>	<u>2,587,860</u>	<u>99,139</u>	<u>10,868,478</u>	<u>441,026</u>
Non-current assets:						
Capital assets:						
Land and other non-depreciable assets	11,856,938	380,262	304,271	-	12,541,471	-
Other capital assets, net of depreciation	<u>17,742,479</u>	<u>5,679,580</u>	<u>1,727,172</u>	<u>-</u>	<u>25,149,231</u>	<u>-</u>
Total capital assets	<u>29,599,417</u>	<u>6,059,842</u>	<u>2,031,443</u>	<u>-</u>	<u>37,690,702</u>	<u>-</u>
Total assets	<u>32,938,628</u>	<u>10,902,110</u>	<u>4,619,303</u>	<u>99,139</u>	<u>48,559,180</u>	<u>441,026</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	1,241,984	1,180,855	537,320	5,546	2,965,705	150,993
Liabilities to be paid from restricted assets:						
Customer deposits	76,195	155,948	90,998	-	323,141	-
Current portion of compensated absences	28,152	18,656	8,146	6,354	61,306	-
Current portion of long-term liabilities	<u>934,887</u>	<u>390,549</u>	<u>197,357</u>	<u>-</u>	<u>1,522,793</u>	<u>-</u>
Total current liabilities	<u>2,281,218</u>	<u>1,746,008</u>	<u>833,821</u>	<u>11,900</u>	<u>4,872,945</u>	<u>150,993</u>
Non-current liabilities:						
Notes payable	4,108,537	1,065,218	594,905	-	5,768,660	-
OPEB liability	425,375	268,815	152,322	30,233	876,745	-
Compensated absences	<u>28,152</u>	<u>18,657</u>	<u>8,145</u>	<u>6,354</u>	<u>61,306</u>	<u>-</u>
Total non-current liabilities	<u>4,562,064</u>	<u>1,352,690</u>	<u>755,372</u>	<u>36,587</u>	<u>6,706,711</u>	<u>-</u>
Total liabilities	<u>6,843,281</u>	<u>3,098,697</u>	<u>1,589,192</u>	<u>48,486</u>	<u>11,579,656</u>	<u>150,993</u>
Net Position:						
Net investment in capital assets	24,555,993	4,604,075	1,239,181	-	30,399,249	-
Unrestricted	<u>1,539,354</u>	<u>3,199,338</u>	<u>1,790,930</u>	<u>50,653</u>	<u>6,580,275</u>	<u>290,033</u>
Total net position	<u>\$ 26,095,347</u>	<u>\$ 7,803,413</u>	<u>\$ 3,030,111</u>	<u>\$ 50,653</u>	<u>\$ 36,979,524</u>	<u>\$ 290,033</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, 2014

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Operating Revenues:						
Charges for services	\$ 4,672,161	\$ 13,099,884	\$ 5,539,190	\$ 190,990	\$ 23,502,225	\$ 2,206,589
Miscellaneous revenues	96,118	204,749	73,168	-	374,035	-
Total operating revenues	<u>4,768,279</u>	<u>13,304,633</u>	<u>5,612,358</u>	<u>190,990</u>	<u>23,876,260</u>	<u>2,206,589</u>
Operating Expenses:						
Salaries and fringe benefits	1,462,717	1,034,521	612,693	115,393	3,225,324	-
Cost of merchandise sold	693,535	8,602,308	3,583,698	-	12,879,541	-
Other operating expenses	1,187,450	1,519,543	778,120	25,002	3,510,115	-
Depreciation	1,044,884	536,972	124,694	-	1,706,550	-
Excess policy fees	-	-	-	-	-	167,785
Administrative fees	-	-	-	-	-	155,237
Claims	-	-	-	-	-	1,916,948
Total operating expenses	<u>4,388,586</u>	<u>11,693,344</u>	<u>5,099,205</u>	<u>140,395</u>	<u>21,321,530</u>	<u>2,239,970</u>
Operating income (loss)	<u>379,693</u>	<u>1,611,289</u>	<u>513,153</u>	<u>50,595</u>	<u>2,554,730</u>	<u>(33,381)</u>
Non-Operating Revenues (Expenses):						
Interest income	2,158	4,395	3,280	58	9,891	1,114
Interest expense	(85,597)	(17,048)	(5,559)	-	(108,204)	-
Other non-operating income	-	-	112,803	-	112,803	-
Total non-operating revenues (expenses)	<u>(83,439)</u>	<u>(12,653)</u>	<u>110,524</u>	<u>58</u>	<u>14,490</u>	<u>1,114</u>
Income (loss) before transfers and capital contributions	<u>296,254</u>	<u>1,598,636</u>	<u>623,677</u>	<u>50,653</u>	<u>2,569,220</u>	<u>(32,267)</u>
Transfers to other funds	-	(1,820,000)	(500,000)	-	(2,320,000)	-
Total transfers and capital contributions	<u>-</u>	<u>(1,820,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(2,320,000)</u>	<u>-</u>
Change in net position	296,254	(221,364)	123,677	50,653	249,220	(32,267)
Net Position:						
Beginning of year - July 1	<u>25,799,093</u>	<u>8,024,777</u>	<u>2,906,434</u>	<u>-</u>	<u>36,730,304</u>	<u>322,300</u>
End of year - June 30	<u>\$ 26,095,347</u>	<u>\$ 7,803,413</u>	<u>\$ 3,030,111</u>	<u>\$ 50,653</u>	<u>\$ 36,979,524</u>	<u>\$ 290,033</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental
	Water and Sewer Fund	Electric Fund	Gas Fund	Stormwater Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 4,638,821	\$ 12,821,993	\$ 5,519,213	\$ 157,851	\$ 23,137,878	\$ 2,217,487
Cash paid for goods and services	(789,892)	(9,879,245)	(4,057,973)	(25,002)	(14,752,112)	(2,254,994)
Cash paid to employees for services	(1,421,726)	(996,074)	(588,166)	(66,907)	(3,072,873)	-
Customer deposits - net	-	9,495	-	-	9,495	-
Other operating revenues	96,118	204,749	73,168	-	374,035	-
Net cash provided (used) by operating activities	2,523,321	2,160,918	946,242	65,942	5,696,423	(37,507)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(3,855,946)	(679,630)	(423,556)	-	(4,959,132)	-
Principal paid on bonds and equipment contracts	(590,457)	(186,997)	(33,224)	-	(810,678)	-
Proceeds from issuance of note payable	3,128,558	917,216	665,942	-	4,711,716	-
Other non-operating revenues	-	-	112,803	-	112,803	-
Interest expense	(73,792)	(15,284)	(2,625)	-	(91,701)	-
Net cash provided (used) by capital and related financing activities	(1,391,637)	35,305	319,340	-	(1,036,992)	-
Cash Flows from Non-Capital Financing Activities:						
Operating transfers	-	(1,820,000)	(500,000)	-	(2,320,000)	-
Net cash provided (used) by non-capital financing activities	-	(1,820,000)	(500,000)	-	(2,320,000)	-
Cash Flows from Investing Activities:						
Interest income (loss)	2,158	4,395	3,280	58	9,891	1,114
Net increase (decrease) in cash and cash equivalents	1,133,842	380,618	768,862	66,000	2,349,322	(36,393)
Cash and Cash Equivalents:						
Beginning of year - July 1	1,181,260	2,013,129	1,336,786	-	4,531,175	457,135
End of year - June 30	\$ 2,315,102	\$ 2,393,747	\$ 2,105,648	\$ 66,000	\$ 6,880,497	\$ 420,742
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 379,693	\$ 1,611,289	\$ 513,153	\$ 50,595	\$ 2,554,730	\$ (33,381)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,044,884	536,972	124,694	-	1,706,550	-
Loss on disposal of capital assets	-	1,247	-	-	1,247	-
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(33,340)	(277,891)	(19,977)	(33,139)	(364,347)	10,898
Inventories	77,716	8,067	(17,347)	-	68,436	-
Increase (decrease) in:						
Accounts payable	1,011,813	234,076	320,445	18,253	1,584,587	(15,024)
OPEB	37,545	37,663	23,904	30,233	129,345	-
Customer deposits	5,010	9,495	1,370	-	15,875	-
Net cash provided (used) by operating activities	\$ 2,523,321	\$ 2,160,918	\$ 946,242	\$ 65,942	\$ 5,696,423	\$ (37,507)

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, 2014**

	<u>Firefighter's Retirement Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 218,881
Accounts receivable	<u>5,760</u>
	<u>\$ 224,641</u>
 Liabilities:	
Intergovernmental payable	<u>\$ 224,641</u>

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

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation, which 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 members of the Tourism Development Authority Board's governing board are appointed by the City. The City transfers a portion of the occupancy tax levied by the City to the Tourism Development Authority Board. The TDA Board, which has a June 30 year-end, is a discretely presented component unit. Separate financial statements have not been issued for the TDA Board.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 and 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

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, street maintenance and construction, sanitation services, and general governmental services.

The City reports the following nonmajor governmental funds:

Capital Project Funds

General Capital Projects Fund. This fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by the proprietary fund). The City has a General Capital Projects Fund, which includes a project for the bell tower.

Senior Center Capital Project Fund. This fund accounts for financial resources to be used for the expansion and improvements of the Senior Center.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Library Repairs and Improvements Fund. This fund accounts for financial resources to be used for the repairs and improvements of library facilities.

Permanent Fund

Cemetery Care Fund. This fund is used to account for perpetual care of the municipal cemetery.

The City reports the following enterprise funds:

Enterprise Funds

Major

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. The Water and Sewer Capital Projects Fund has been consolidated with the Water and Sewer Fund for financial reporting purposes.

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

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

Non-Major

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

The City reports the following fund type:

Internal Service Funds

Internal service funds account for operations that provide services to other departments of the government, or to other governments, on a cost-reimbursement basis. The City has two internal service funds that provide workers' compensation insurance claims and health insurance claims.

Agency Fund

Firefighter's Retirement Fund. This fund is used to account for the City's Firefighter's Supplemental Retirement and Relief Plan.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting except agency funds, which have no measurement focus and 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's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and most sales and service revenues are not susceptible to accrual because generally they are not measurable until received in cash. 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 are 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 enterprise funds, and the Cemetery Care Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the special revenue funds and the capital projects funds. The City's workers' compensation and health insurance funds and intergovernmental service funds operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. 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.

During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 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, ABC Board, and TDA Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City, 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, ABC Board and TDA Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered 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, 2014

Restricted Assets

In accordance with State law {G.S. 136-41.1 through 136-41.4}, Powell Bill funds are classified as restricted cash because it 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. Senior Center funds are classified as restricted for cultural and recreational purposes because they are donations obtained for the purpose 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. Customer deposits held by the City before any utility services are supplied are restricted to the service for which the deposit was collected.

City of Kings Mountain Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 93,754
Public safety	29,742
Cultural and recreation	<u>50,516</u>
Total governmental activities	<u>174,012</u>

Business-type Activities:

Water and Sewer Fund:

Customer deposits 76,195

Electric Fund:

Customer deposits 155,948

Gas Fund:

Customer deposits 90,998

Total business-type activities 323,141

Total restricted cash \$ 497,153

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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These tax levies are based on the assessed values as of January 1, 2013. 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Inventories and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The City has a minimum capitalization cost of \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2001, consist of the road network, sidewalks, and curb and guttering that were acquired or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-50 years
Buildings	20-50 years
Other improvements	10-50 years
Lines	20-50 years
Vehicles	5-20 years
Equipment	5-50 years

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20 years
Equipment	10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has one item that meets the criterion for this category – property taxes receivable.

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, as well as issuance costs, 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. 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, 2014

For the City's government-wide financial statements and proprietary fund type statements, 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 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 the 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 in tact.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted Fund Balance

Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for Streets – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is revenue source for public safety expenditures.

Restricted for Cultural and Recreational – portion of fund balance that is restricted for cultural and recreational expenditures.

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 Future Capital Projects – portion of fund balance committed for future capital projects.

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City of Kings Mountain has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

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

Total fund balance - General Fund	\$ 3,682,209
Less:	
Inventories	90,487
Stabilization by State statute	<u>1,139,774</u>
Total available fund balance	<u>\$ 2,451,948</u>

G. Revenues, Expenditures, and Expenses

Other Resources

The enterprise funds provide resources to the General Fund and the capital projects funds. These transactions are recorded as "Transfers to" in the Disbursing Fund and "Transfers from" in the Receiving Fund. Also, the ABC Board makes quarterly payments to the City's General Fund. These payments represent the City's portion of the Board's surpluses that the ABC Board is required by State statute to distribute to the City. The City makes quarterly payments to the TDA Board. These payments represent the TDA Board's portion of the occupancy tax levied by the City.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the City, ABC Board and 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, ABC Board, and 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, ABC Board, and TDA Board, these deposits are considered to be held by the City, ABC Board, and 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, ABC Board, and TDA or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the City, ABC Board, or TDA Board under the Pooling Method, the potential exists for undercollateralization, and 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, ABC Board, and Tourism Development Authority 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, 2014, the City's deposits had a carrying amount of \$11,192,183 and a bank balance of \$11,220,037. Of the bank balance, \$532,645 was covered by federal depository insurance and \$10,687,392 was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the TDA Board was \$90,985, and the bank balance was \$90,985. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$186,409 and the bank balance was \$177,822. The bank balance of the ABC Board was fully covered by federal depository insurance. The ABC Board had Certificates of Deposit of \$79,899 and petty cash funds of \$2,000.

At June 30, 2014, the City's petty cash funds totaled \$2,479.

As part of its banking arrangements, the City has agreed to maintain compensating balances with its primary bank of \$200,000.

Investments

At June 30, 2014, the City of Kings Mountain had \$15,805 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM, by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2014 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 585,073	\$ 147,056	\$ 554,701	\$ 1,286,830
Nonmajor - internal service funds	20,284	-	-	20,284
Allowance for doubtful accounts	-	(23,813)	-	(23,813)
Total governmental activities	<u>\$ 605,357</u>	<u>\$ 123,243</u>	<u>\$ 554,701</u>	<u>\$ 1,283,301</u>
Business-Type Activities:				
Water and sewer	\$ 731,895	\$ -	\$ -	\$ 731,895
Electric	2,213,772	-	-	2,213,772
Gas	426,022	-	-	426,022
Stormwater	39,947	-	-	39,947
Allowance for doubtful accounts	(435,141)	-	-	(435,141)
Total business-type activities	<u>\$ 2,976,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,976,495</u>

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

Governmental Activities:	
Local option sales tax	\$ 247,894
State sales tax reimbursement	196,814
County sales tax reimbursement	101,407
Occupancy tax	8,239
Miscellaneous	347
Total	<u>\$ 554,701</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,662,528	\$ -	\$ -	\$ 2,662,528
Construction in progress	19,829	-	(19,829)	-
Total non-depreciable capital assets	2,682,357	-	(19,829)	2,662,528
Depreciable Capital Assets:				
Infrastructure - Streets & Paving	3,068,780	-	-	3,068,780
Buildings	10,570,441	27,465	-	10,597,906
Other improvements	680,367	227,982	-	908,349
Equipment	3,066,504	293,959	(111,517)	3,248,946
Vehicles	5,016,942	416,228	(243,862)	5,189,308
Lines and pipes	-	19,829	-	19,829
Total depreciable capital assets	22,403,034	985,463	(355,379)	23,033,118
Less Accumulated Depreciation:				
Infrastructure - Streets & Paving	2,342,270	93,064	-	2,435,334
Buildings	7,499,751	359,246	-	7,858,997
Other improvements	201,112	34,853	-	235,965
Equipment	1,862,575	211,960	(95,264)	1,979,271
Vehicles	3,707,988	262,016	(243,862)	3,726,142
Lines and pipes	-	-	-	-
Total accumulated depreciation	15,613,696	\$ 961,139	\$ (339,126)	16,235,709
Total depreciable capital assets, net	6,789,338			6,797,409
Governmental activities capital assets, net	\$ 9,471,695			\$ 9,459,937

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Governmental Activities:	
General government	\$ 87,411
Public safety	342,959
Transportation	174,826
Human services	176,924
Economic and physical development	11,402
Environmental protection	52,177
Cultural and recreational	<u>115,440</u>
Total depreciation expense	<u>\$ 961,139</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 6,942,261	\$ 101,872	\$ -	\$ -	\$ 7,044,133
Construction in progress	<u>1,299,593</u>	<u>3,595,006</u>	<u>(81,794)</u>	<u>-</u>	<u>4,812,805</u>
Total non-depreciable capital assets	<u>8,241,854</u>	<u>3,696,878</u>	<u>(81,794)</u>	<u>-</u>	<u>11,856,938</u>
Depreciable Capital Assets:					
Buildings	14,641,491	-	(115,102)	-	14,526,389
Other improvements	39,112,475	11,758	-	-	39,124,233
Lines	8,347,980	81,794	-	-	8,429,774
Equipment	5,683,055	61,091	-	(167,868)	5,576,278
Vehicles	<u>895,223</u>	<u>86,219</u>	<u>-</u>	<u>-</u>	<u>981,442</u>
Total depreciable capital assets	<u>68,680,224</u>	<u>240,862</u>	<u>(115,102)</u>	<u>(167,868)</u>	<u>68,638,116</u>
Less Accumulated Depreciation:					
Buildings	11,158,910	132,601	(115,102)	-	11,176,409
Other improvements	32,148,856	407,134	-	-	32,555,990
Lines	1,963,248	271,004	-	-	2,234,252
Equipment	4,300,984	123,367	-	(167,868)	4,256,483
Vehicles	<u>561,725</u>	<u>110,778</u>	<u>-</u>	<u>-</u>	<u>672,503</u>
Total accumulated depreciation	<u>50,133,723</u>	<u>\$ 1,044,884</u>	<u>\$ (115,102)</u>	<u>\$ (167,868)</u>	<u>50,895,637</u>
Total depreciable capital assets, net	<u>18,546,501</u>				<u>17,742,479</u>
Water and Sewer Fund					
capital assets, net	<u>26,788,355</u>				<u>29,599,417</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	\$ -	\$ -	\$ -	39,890
Construction in progress	517,721	340,372	(517,721)	-	340,372
Total non-depreciable capital assets	<u>557,611</u>	<u>340,372</u>	<u>(517,721)</u>	<u>-</u>	<u>380,262</u>
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	879,969	14,040	-	-	894,009
Lines	4,864,678	728,324	-	-	5,593,002
Equipment	965,750	10,540	(1,247)	-	975,043
Vehicles	1,185,659	104,075	-	-	1,289,734
Total depreciable capital assets	<u>10,211,213</u>	<u>856,979</u>	<u>(1,247)</u>	<u>-</u>	<u>11,066,945</u>
Less Accumulated Depreciation:					
Buildings	1,061,156	79,504	-	-	1,140,660
Other improvements	290,831	74,722	-	-	365,553
Lines	2,284,730	190,728	-	-	2,475,458
Equipment	535,201	45,176	-	-	580,377
Vehicles	678,475	146,842	-	-	825,317
Total accumulated depreciation	<u>4,850,393</u>	<u>\$ 536,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,387,365</u>
Total depreciable capital assets, net	<u>5,360,820</u>				<u>5,679,580</u>
Electric Fund capital assets, net	<u>5,918,431</u>				<u>6,059,842</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	\$ -	\$ -	\$ -	31,000
Construction in progress	114,016	273,271	(114,016)	-	273,271
Total non-depreciable capital assets	145,016	273,271	(114,016)	-	304,271
Depreciable Capital Assets:					
Buildings	154,498	-	-	-	154,498
Lines	2,341,251	126,456	-	-	2,467,707
Equipment	440,702	115,936	-	-	556,638
Vehicles	206,119	21,909	-	-	228,028
Total depreciable capital assets	3,142,570	264,301	-	-	3,406,871
Less Accumulated Depreciation:					
Buildings	148	7,725	-	-	7,873
Lines	1,242,932	54,864	-	-	1,297,796
Equipment	129,626	49,217	-	-	178,843
Vehicles	182,299	12,888	-	-	195,187
Total accumulated depreciation	1,555,005	\$ 124,694	\$ -	\$ -	1,679,699
Total depreciable capital assets, net	1,587,565				1,727,172
Gas Fund capital assets, net	1,732,581				2,031,443
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Equipment	-	\$ -	\$ -	\$ 167,868	167,868
Total depreciable capital assets	-	-	-	167,868	167,868
Less Accumulated Depreciation:					
Equipment	-	-	-	167,868	167,868
Total accumulated depreciation	-	\$ -	\$ -	\$ 167,868	167,868
Total depreciable capital assets, net	-				-
Stormwater Fund capital assets, net	-				-
Total for Business-Type Activities:					
Non-depreciable capital assets	8,944,481				12,541,471
Depreciable capital assets, net of depreciation	25,494,886				25,149,231
Total business-type capital assets, net	\$ 34,439,367				\$ 37,690,702

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 9,459,937	\$ 37,690,702
Long-term debt	(804,018)	(7,291,453)
Net investment in capital assets	\$ 8,655,919	\$ 30,399,249

ABC Board

Activity for the ABC Board for the year ended June 30, 2014 was as follows:

	July 1, 2013	Additions	Retirements	June 30, 2014
Non-Depreciable Capital Assets:				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
Total capital assets not being depreciated	78,875	-	-	78,875
Depreciable Capital Assets:				
Buildings and improvements	216,257	-	-	216,257
Equipment	89,030	-	-	89,030
Total depreciable capital assets	305,287	-	-	305,287
Less Accumulated Depreciation:				
Buildings and improvements	216,257	-	-	216,257
Equipment	66,963	4,711	-	71,674
Total accumulated depreciation	283,220	\$ 4,711	\$ -	287,931
Total depreciable capital assets, net	22,067			17,356
ABC Board capital assets, net	\$ 100,942			\$ 96,231

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2014 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 722,664	\$ 181,032	\$ 8,471	\$ 912,167
Capital project funds	8,230	-	-	8,230
Internal service funds	<u>150,993</u>	<u>-</u>	<u>-</u>	<u>150,993</u>
Total governmental activities	<u>\$ 881,887</u>	<u>\$ 181,032</u>	<u>\$ 8,471</u>	<u>\$ 1,071,390</u>
Business-Type Activities:				
Water and sewer	\$ 706,998	\$ 33,921	\$ 501,065	\$ 1,241,984
Electric	1,147,363	24,388	9,104	1,180,855
Gas	523,473	10,351	3,496	537,320
Stormwater	<u>2,189</u>	<u>3,357</u>	<u>-</u>	<u>5,546</u>
Total business-type activities	<u>\$ 2,380,023</u>	<u>\$ 72,017</u>	<u>\$ 513,665</u>	<u>\$ 2,965,705</u>

Pension Plan Obligations

Local Government Employees' Retirement System

Plan Description. The City and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 7.0% of annual covered payroll. The contribution requirements of members and of the City and the ABC

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$471,339, \$426,003, and \$428,839, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$4,857, \$5,008, and \$5,966, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

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. The Separation Allowance is equal to .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.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>32</u>
Total	<u><u>32</u></u>

A separate report was not issued for the plan.

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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees during the

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

year June 30, 2014. The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return, and (b) projected salary increases ranging from 4.25 to 7.85 percent per year. The inflation component was 3.00 percent. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2013 was seventeen years.

Annual Pension Cost and Net Pension Obligation. The City’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 45,713
Interest on net pension obligation	5,091
Adjustment to the annual required contribution	<u>(5,899)</u>
Annual pension cost	44,905
Employer contributions made for fiscal year ending June 30, 2014	<u>-</u>
Increase in net pension obligation	44,905
Net pension obligation:	
Beginning of year - July 1	<u>99,422</u>
End of year - June 30	<u><u>\$ 144,327</u></u>

Three-Year Trend Information

Year Ended	Annual Pension	Percentage	Net
June 30	Cost (APC)	of APC	Pension
		Contributed	Obligation
2012	\$ 46,248	38.98%	\$ 44,521
2013	42,473	42.44%	68,967
2014	44,905	0.00%	144,327

Funded Status and Funding Progress. As of December 30, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$433,166. The covered payroll (annual payroll of active employees covered by the plan) was \$1,317,204, and the ratio of the UAAL to the covered payroll was 32.89 percent.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent 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. Contributions for the year ended June 30, 2014 were \$74,969, which consisted of \$64,098 from the City and \$10,871 from the law enforcement officers.

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. Contributions for the year ended June 30, 2014, were \$374,422, which consisted of \$273,094 from the City and \$101,328 from employees.

Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, the City has elected to provide healthcare benefits to retirees of the City through a single-employer defined benefit plan. At retirement, the City will pay the employees' medical insurance until Medicare coverage begins. After Medicare begins, the City will pay for a Medicare supplemental policy for the employee. To be eligible, the employee must have completed 20 years of creditable service if hired prior to January 29, 1997, or 25 years of service if hired on or after January 29, 1997. Additionally, employee must be eligible and approved to receive retirement benefits, in accordance with the regulations of the Local Governmental Employees Retirement System. The City funds this benefit when payments are due.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

During the year ended June 30, 2014, the City made contributions of \$75,409 on behalf of 23 retired employees. The City obtains health coverage through private insurers. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General	Law
	Employees	Enforcement
	<u> </u>	<u> </u>
Retirees and dependents receiving benefits	23	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	<u>143</u>	<u>32</u>
Total	<u>166</u>	<u>32</u>

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 8.6% of annual covered payroll. For the current year, the City contributed \$75,409, or 1.2% of annual covered payroll. The City purchases healthcare coverage through private insurers.

There were no contributions made by employees. The City’s obligation to contribute to the Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation. The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	525,714
Interest on net OPEB obligation		102,734
Adjustments to annual required contribution		<u>(98,142)</u>
Annual OPEB cost (expense)		530,306
Contributions made		<u>(75,409)</u>
Increase (decrease) in net OPEB obligation		454,897
Net OPEB obligation:		
Beginning of year - July 1		<u>2,568,358</u>
End of year - June 30	\$	<u><u>3,023,255</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ 530,306	14.2%	\$ 3,023,255
2013	530,306	14.2%	2,568,358
2012	608,015	12.5%	2,097,123

Fund Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$6,084,352. The covered payroll (annual payroll of active employees covered by the plan) was \$6,119,411, and the ratio of the UAAL to the covered payroll was 99.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

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. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>Fiscal Year Contributions Resume</u>
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City of Kings Mountain will have a three year reprieve because is has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

Deferred Inflows of Resources

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

	<u>Unavailable Revenue</u>
Taxes receivable, net	\$ 123,243
Total	<u>\$ 123,243</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 to protect these exposures. Arthur J. Gallagher & Co. is the City’s current insurance broker. State National Insurance Company provides all of the above coverage except for the excess workers' compensation that is placed with Midwest Employers Casualty Co., a Boiler & Machinery policy with Traveler's Property Casualty Co. of America, and an employee dishonesty policy and a public official bond, which are placed with Hartford Fire Insurance Co. These insurance carriers are all rated as “A” carriers by A.M. Best, the industry’s leading rating agency.

The City’s insurance program consists of general liability coverage of \$1,000,000 per occurrence and \$2,000,000 general aggregate and a per occurrence deductible of \$1,000; auto liability coverage of \$1,000,000 per occurrence and a per occurrence of \$1,000; law enforcement liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

with a \$10,000 per occurrence deductible; public officials liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; employment practices liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; umbrella liability coverage limit of \$1,000,000 with a \$10,000 self-insured retention; employee dishonesty coverage limit of \$250,000 with a per occurrence deductible of \$2,500; property coverage blanket limit of \$77,571,840 with a \$10,000 per occurrence deductible; flood coverage limit of \$1,000,000 with a \$25,000 minimum per occurrence deductible; earth quake coverage limit of \$1,000,000 with a \$25,000 per occurrence deductible; excess workers' compensation and employers liability/occupational accident coverage with a \$550,000 self-insured retention. There was a reduction in the excess liability limit effective September 1, 2014 from \$5,000,000 to \$1,000,000. Settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

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

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

	2014	2013
Unpaid claims, beginning	\$ 157,062	\$ 165,642
Incurred claims	1,717,742	1,612,013
Claim payments	(1,739,205)	(1,620,593)
Unpaid claims, ending	\$ 135,599	\$ 157,062

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

	2014	2013
Unpaid claims, beginning	\$ 1,500	\$ 82,105
Incurred claims	177,743	95,417
Claim payments	(167,610)	(176,022)
Unpaid claims, ending	\$ 11,633	\$ 1,500

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City of Kings Mountain ABC Board is exposed to various risks of loss related to torts; theft of; damage to, and the destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reduction in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Claims, Judgments, and Contingent Liabilities

At June 30, 2014, the City was defendant to various lawsuits; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Long-Term Obligations

Installment Purchases Agreements

The installment purchase agreements are secured by certain equipment of the City. The financing contracts are as follows:

Serviced by the Governmental Funds:

BB&T \$19,829 note payable in November 2012 for the fiber optic project, due in annual payments of \$4,086, including interest at 1.51% through November 2016	\$ 11,895
BB&T \$52,800 note payable in August 2011 for accounting software, due in annual payments of \$8,246, including interest at 2.28% through August 2018	33,570
BB&T \$150,249 note payable in September 2012 for a sanitation refuse truck, due in annual payments of \$31,209, including interest at 1.93% through September 2016	90,128
BB&T \$214,290 note payable in December 2008 for a refuse truck, due in annual payments of \$35,007, including interest at 3.47% through December 2015	66,531
BB&T \$117,357 note payable in October 2010 for a recycle garbage truck, due in annual payments of \$24,919, including interest at 2.03% through October 2015	48,362
BB&T \$210,000 note payable in February 2008 for library repairs and improvements, due in annual payments of \$21,000, plus interest at 3.41% through February 2018	84,000
BB&T \$57,576 note payable in August 2012 for a backhoe loader, due in annual payments of \$12,003, including interest at 2.12% through August 2016	38,555
BB&T \$313,200 note payable in March 2012 for the radio tower project, due in annual payments of \$48,003, including interest at 1.79% through March 2019	227,647
BB&T \$256,200 note payable in March 2014 for a heil front loader, due in annual payments of \$52,869, including interest at 1.59% through March 2018	<u>203,330</u>
Total governmental activities	<u>\$ 804,018</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Serviced by the Enterprise Funds:

BB&T \$475,893 note payable in November 2012 for the fiber optic project, due in annual payments of \$90,052, including interest at 1.51% through November 2016	\$ 282,451
BB&T \$71,865 note payable in August 2012 for a backhoe, due in annual payments of \$14,982, plus interest at 2.12% through August 2016	44,947
BB&T \$1,480,000 note payable in July 2004 for water and sewer project, due in annual payments of \$181,654, including interest at 3.91% through July 2014	174,819
BB&T \$2,359,786 note payable in November 2006 for energy project, due in quarterly payments, including interest at 4.21% through May 2019	1,233,270
BB&T \$660,000 note payable in January 2007 for Grace Street water tank, due in annual payments of \$80,766, including interest at 3.85% through January 2017	224,771
BB&T \$223,729 note payable in October 2010 for a line truck, due in annual payments of \$46,347, including interest at 1.79% through October 2014	45,532
BB&T \$2,378,363 note payable in April 2014 for the smart meters, due in annual payments of \$612,234, including interest at 1.18% through April 2018	2,378,363
BB&T \$46,521 note payable in August 2013 for a dump truck, due in annual payments of \$9,736, plus interest at 2.31% through August 2017	36,794
NCDENR \$2,202,043 note payable in May 2014 for water and sewer projects, due in annual payments of \$110,102, interest free through May 2034	2,202,043
BB&T \$84,789 note payable in August 2013 for a bucket truck, due in annual payments of \$17,697, plus interest at 2.17% through August 2017	<u>67,108</u>
Subtotal business-type activities	<u>6,690,098</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Serviced by the Enterprise Funds (continued):

BB&T \$167,200 note payable in August 2011 for accounting software, due in annual payments of \$26,113, including interest at 2.28% through August 2018	\$ 122,090
BB&T \$121,800 note payable in March 2012 for the radio tower project, due in annual payments of \$18,668, including interest at 1.79% through March 2019	88,529
BB&T \$258,954 note payable in October 2011 for a sewer cleaner, due in annual payments of \$39,204, including interest at 1.98% through October 2017	149,353
BB&T \$88,278 note payable in October 2011 for a freightliner dump truck, due in annual payments of \$13,365, including interest at 1.98% through October 2017	50,915
BB&T \$253,778 note payable in March 2012 for bar screen and belt press, due in annual payments of \$52,522, including interest at 1.74% through March 2016	102,364
BB&T \$218,546 note payable in September 2011 for a bucket truck, due in annual payments of \$45,125, including interest at 1.62% through September 2015	<u>88,104</u>
Total business-type activities	<u>\$ 7,291,453</u>

The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 223,948	\$ 16,993	\$ 1,522,793	\$ 278,031
2016	227,939	12,046	1,335,035	270,073
2017	172,096	7,003	1,264,864	264,631
2018	127,254	3,581	1,095,806	259,289
2019	52,781	1,028	421,422	258,945
2020-2024	-	-	550,511	-
2025-2029	-	-	550,511	-
2030-2034	-	-	550,511	-
Total	<u>\$ 804,018</u>	<u>\$ 40,651</u>	<u>\$ 7,291,453</u>	<u>\$ 1,330,969</u>

At June 30, 2014, the City had a legal debt margin of \$71,710,669.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases	\$ 786,173	\$ 256,200	\$ (238,355)	\$ 804,018	\$ 223,948
Compensated absences	301,509	44,089	-	345,598	-
OPEB obligation	1,819,119	380,931	(53,540)	2,146,510	-
Net pension obligation	<u>99,422</u>	<u>44,905</u>	<u>-</u>	<u>144,327</u>	<u>72,100</u>
Total governmental activities long-term liabilities	<u>\$ 3,006,223</u>	<u>\$ 726,125</u>	<u>\$ (291,895)</u>	<u>\$ 3,440,453</u>	<u>\$ 296,048</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases	\$ 2,505,323	\$ 3,128,558	\$ (590,457)	\$ 5,043,424	\$ 934,887
OPEB obligation	387,830	48,102	(10,557)	425,375	-
Compensated absences	<u>52,857</u>	<u>3,446</u>	<u>-</u>	<u>56,303</u>	<u>28,152</u>
Total water and sewer fund	<u>\$ 2,946,010</u>	<u>\$ 3,180,106</u>	<u>\$ (601,014)</u>	<u>\$ 5,525,102</u>	<u>\$ 963,039</u>
Electric Fund:					
Installment purchases	\$ 725,548	\$ 917,216	\$ (186,997)	\$ 1,455,767	\$ 390,549
OPEB obligation	231,152	44,450	(6,787)	268,815	-
Compensated absences	<u>36,528</u>	<u>783</u>	<u>-</u>	<u>37,311</u>	<u>18,656</u>
Total electric fund	<u>\$ 993,228</u>	<u>\$ 962,449</u>	<u>\$ (193,784)</u>	<u>\$ 1,761,893</u>	<u>\$ 409,205</u>
Gas Fund:					
Installment purchases	\$ 159,544	\$ 665,942	\$ (33,224)	\$ 792,262	\$ 197,357
OPEB obligation	128,418	27,674	(3,770)	152,322	-
Compensated absences	<u>15,667</u>	<u>624</u>	<u>-</u>	<u>16,291</u>	<u>8,146</u>
Total gas fund	<u>\$ 303,629</u>	<u>\$ 694,240</u>	<u>\$ (36,994)</u>	<u>\$ 960,875</u>	<u>\$ 205,503</u>
Stormwater Fund:					
OPEB obligation	\$ -	\$ 30,987	\$ (754)	\$ 30,233	\$ -
Compensated absences	<u>-</u>	<u>12,707</u>	<u>-</u>	<u>12,707</u>	<u>6,354</u>
Total stormwater fund	<u>\$ -</u>	<u>\$ 43,694</u>	<u>\$ (754)</u>	<u>\$ 42,940</u>	<u>\$ 6,354</u>
Total Business-Type Activities:					
Installment purchases	\$ 3,390,415	\$ 4,711,716	\$ (810,678)	\$ 7,291,453	\$ 1,522,793
OPEB obligation	747,400	151,213	(21,868)	876,745	-
Compensated absences	<u>105,052</u>	<u>17,560</u>	<u>-</u>	<u>122,612</u>	<u>61,306</u>
Total business-type activities long-term liabilities	<u>\$ 4,242,867</u>	<u>\$ 4,880,489</u>	<u>\$ (832,546)</u>	<u>\$ 8,290,810</u>	<u>\$ 1,584,099</u>

Interest expense paid during the year for governmental activities totaled \$30,949.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Compensated absences, net pension obligation, and other post-employment benefits for governmental activities have been liquidated in the General Fund.

Interfund Activity

Transfers to/from other funds for the year ended June 30, 2014 consist of the following:

From the Gas Fund to the General Fund for operating expenditures	\$ 500,000
From the Electric Fund to the General Fund for operating expenditures	1,820,000
From the General Fund to the Senior Center Capital Project Fund for the senior center expansion project	75,000
From the General Fund to the Cemetery Perpetual Care Fund for perpetual maintenance	<u>4,305</u>
Total	<u>\$ 2,399,305</u>

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued		Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
	Actuarial Value of Assets (A)	Liability (AAL) - Projected Unit Credit (B)				
12/31/2004	\$ -	\$ 260,925	\$ 260,925	0.00%	\$ 952,126	27.40%
12/31/2005	-	230,089	230,089	0.00%	1,024,647	22.46%
12/31/2006	-	232,844	232,844	0.00%	1,073,339	21.69%
12/31/2007	-	266,909	266,909	0.00%	1,209,478	22.07%
12/31/2008	-	249,141	249,141	0.00%	1,145,253	21.75%
12/31/2009	-	366,844	366,844	0.00%	1,177,710	31.15%
12/31/2010	-	334,496	334,496	0.00%	1,156,598	28.92%
12/31/2011	-	349,022	349,022	0.00%	1,187,866	29.38%
12/31/2013	-	433,166	433,166	0.00%	1,317,204	32.89%

Schedule of Employer Contributions

Year Ended June 30	Annual		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2012	\$ 42,903	\$ 18,027	42.02%
2013	42,903	12,018	28.01%
2014	45,713	-	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	17 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return*	5.00%
Projected salary increases *	4.25-7.85%
* Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (B)					
12/31/2008	\$ -	\$ 5,813,240		\$ 5,813,240	0.00%	\$ 5,978,231	97.2%
12/31/2010	-	5,565,799		5,565,799	0.00%	6,047,996	92.0%
12/31/2012	-	6,084,352		6,084,352	0.00%	6,119,411	99.4%

Schedule of Employer Contributions

Year Ended June 30	Annual		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2011	\$ 602,488	\$ 49,766	8.26%
2012	602,488	75,793	12.58%
2013	525,714	58,228	11.08%
2014	525,714	75,409	14.34%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return*	4.00%
Medical cost trend rate	8.5%-5.00%
Year of ultimate trend rate	2018

* Includes inflation at 3.00%

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 3,961,170	\$ 3,998,173	\$ 37,003	\$ 3,159,817
Penalties and interest	20,500	21,429	929	18,583
Total ad valorem taxes	<u>3,981,670</u>	<u>4,019,602</u>	<u>37,932</u>	<u>3,178,400</u>
Other Taxes:				
Local option sales tax	865,229	947,531	82,302	854,940
Hold-harmless sales tax	261,652	277,164	15,512	263,192
Utilities franchise tax	912,089	946,338	34,249	882,221
Payments in lieu of taxes	113,396	116,958	3,562	121,427
Miscellaneous	180,455	181,896	1,441	167,018
Total other taxes	<u>2,332,821</u>	<u>2,469,887</u>	<u>137,066</u>	<u>2,288,798</u>
Restricted Intergovernmental:				
Powell Bill allocation	316,066	316,066	-	312,023
Federal government grants	51,908	57,821	5,913	55,950
State government grants	66,664	67,288	624	35,422
Local government grants	274,170	288,731	14,561	214,300
Total restricted intergovernmental	<u>708,808</u>	<u>729,906</u>	<u>21,098</u>	<u>617,695</u>
Permits and Fees:				
Privilege licenses	15,000	22,910	7,910	17,577
General permits	80,000	96,563	16,563	58,780
Total permits and fees	<u>95,000</u>	<u>119,473</u>	<u>24,473</u>	<u>76,357</u>
Sales and Services:				
Lake authority income	342,550	354,552	12,002	339,431
Disposal fee revenue	782,000	803,271	21,271	678,833
Recycling fees	116,000	118,202	2,202	116,661
Cemetery income	95,000	104,590	9,590	87,515
Recreation	21,350	22,909	1,559	23,488
Total sales and services	<u>1,356,900</u>	<u>1,403,524</u>	<u>46,624</u>	<u>1,245,928</u>
Investment Earnings:				
Interest income (loss)	9,400	10,470	1,070	12,072
Interest income (loss) - Powell Bill	400	618	218	1,180
Total investment earnings	<u>9,800</u>	<u>11,088</u>	<u>1,288</u>	<u>13,252</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Miscellaneous:				
Library	17,100	23,632	6,532	23,913
Sale of capital assets	20,000	89,209	69,209	12,375
Court costs and jail fees	3,600	3,560	(40)	5,055
Other revenues	176,557	186,032	9,475	273,349
Total miscellaneous	217,257	302,433	85,176	314,692
Total revenues	8,702,256	9,055,913	353,657	7,735,122
Expenditures:				
General Government:				
Non-Departmental:				
Salaries and employee benefits	166,625	141,781	24,844	383,136
Operating expenses	428,404	462,732	(34,328)	481,803
Capital outlay	385,200	384,138	1,062	203,443
Total	980,229	988,651	(8,422)	1,068,382
Administration and Finance:				
Salaries and employee benefits	879,031	881,448	(2,417)	879,316
Operating expenses	281,852	269,098	12,754	224,248
Charges to other funds	(541,180)	(549,180)	8,000	(545,180)
Capital outlay	-	-	-	40,784
Total	619,703	601,366	18,337	599,168
Human Resources:				
Salaries and employee benefits	171,658	163,033	8,625	162,312
Operating expenses	56,753	45,705	11,048	51,414
Total	228,411	208,738	19,673	213,726
Elections Board:				
Operating expenses	6,500	6,330	170	2,000
Total	6,500	6,330	170	2,000
Garage:				
Salaries and employee benefits	243,098	230,653	12,445	214,933
Operating expenses	27,896	19,907	7,989	33,247
Capital outlay	50,155	49,746	409	29,615
Total	321,149	300,306	20,843	277,795

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Public Works:				
Salaries and employee benefits	131,805	130,365	1,440	142,493
Operating expenses	51,515	41,002	10,513	53,250
Total	183,320	171,367	11,953	195,743
Information Technology:				
Salaries and employee benefits	136,517	132,517	4,000	83,897
Operating expenses	21,860	21,777	83	11,897
Total	158,377	154,294	4,083	95,794
Total general government	2,497,689	2,431,052	66,637	2,452,608
Public Safety:				
Police:				
Salaries and employee benefits	2,181,771	2,161,065	20,706	2,119,872
Operating expenses	509,702	441,397	68,305	363,403
Capital outlay	146,000	148,354	(2,354)	162,328
Total	2,837,473	2,750,816	86,657	2,645,603
Fire:				
Salaries and employee benefits	622,826	598,924	23,902	573,265
Operating expenses	136,406	160,129	(23,723)	178,383
Capital outlay	-	-	-	26,957
Total	759,232	759,053	179	778,605
Communications:				
Phone and furniture	15,287	10,016	5,271	33,336
Software	26,763	26,763	-	-
Hardware	129,677	129,677	-	-
Total	171,727	166,456	5,271	33,336

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Codes and Inspections:				
Salaries and employee benefits	252,596	242,919	9,677	261,852
Operating expenses	37,460	28,639	8,821	57,237
Charges to other departments	(40,260)	(40,260)	-	(29,283)
Total	<u>249,796</u>	<u>231,298</u>	<u>18,498</u>	<u>289,806</u>
Total public safety	<u>4,018,228</u>	<u>3,907,623</u>	<u>110,605</u>	<u>3,747,350</u>
Transportation:				
Streets:				
Salaries and employee benefits	809,485	773,625	35,860	756,982
Operating expenses	200,577	171,696	28,881	228,163
Capital outlay	-	-	-	9,700
Total	<u>1,010,062</u>	<u>945,321</u>	<u>64,741</u>	<u>994,845</u>
Streets - Powell Bill:				
Operating expenses	225,000	201,308	23,692	272,392
Capital outlay	102,000	102,000	-	120,033
Total	<u>327,000</u>	<u>303,308</u>	<u>23,692</u>	<u>392,425</u>
Streets - Mainstreet:				
Salaries and employee benefits	66,148	62,865	3,283	38,633
Operating expenses	28,667	25,128	3,539	23,421
Capital outlay	3,000	3,000	-	-
Total	<u>97,815</u>	<u>90,993</u>	<u>6,822</u>	<u>62,054</u>
Total transportation	<u>1,434,877</u>	<u>1,339,622</u>	<u>95,255</u>	<u>1,449,324</u>
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	172,194	160,550	11,644	185,948
Operating expenses	830,602	277,622	552,980	104,879
Capital outlay	-	-	-	26,580
Total	<u>1,002,796</u>	<u>438,172</u>	<u>564,624</u>	<u>317,407</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	419,803	408,295	11,508	416,942
Operating expenses	469,951	436,472	33,479	421,888
Capital outlay	-	-	-	176,575
Total	889,754	844,767	44,987	1,015,405
Cemetery:				
Salaries and employee benefits	92,608	85,738	6,870	73,987
Operating expenses	32,339	23,272	9,067	31,586
Capital outlay	-	-	-	65,597
Total	124,947	109,010	15,937	171,170
Recycling:				
Salaries and employee benefits	71,791	71,374	417	65,384
Operating expenses	40,548	39,578	970	18,826
Total	112,339	110,952	1,387	84,210
Total environmental protection	1,127,040	1,064,729	62,311	1,270,785
Culture and Recreation:				
Library:				
Salaries and employee benefits	346,938	346,861	77	335,635
Operating expenses	227,278	199,658	27,620	196,831
Capital outlay	70,000	72,990	(2,990)	20,483
Total	644,216	619,509	24,707	552,949
Senior Services:				
Salaries and employee benefits	269,242	265,997	3,245	263,542
Operating expenses	182,142	176,785	5,357	180,678
Capital outlay	-	-	-	6,000
Total	451,384	442,782	8,602	450,220
Recreation:				
Salaries and employee benefits	57,487	57,889	(402)	57,899
Operating expenses	133,750	119,691	14,059	110,534
Capital outlay	33,500	32,214	1,286	-
Total	224,737	209,794	14,943	168,433

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Lake Authority:				
Salaries and employee benefits	176,178	168,679	7,499	167,905
Operating expenses	102,573	102,531	42	123,057
Capital outlay	56,850	44,155	12,695	-
Total	<u>335,601</u>	<u>315,365</u>	<u>20,236</u>	<u>290,962</u>
Tourism and Development:				
Operating expenses	83,000	80,908	2,092	73,898
Total	<u>83,000</u>	<u>80,908</u>	<u>2,092</u>	<u>73,898</u>
Total culture and recreation	<u>1,738,938</u>	<u>1,668,358</u>	<u>70,580</u>	<u>1,536,462</u>
Debt Service:				
Principal retirement	238,355	238,355	-	185,099
Interest and fees	31,061	22,478	8,583	28,164
Total debt service	<u>269,416</u>	<u>260,833</u>	<u>8,583</u>	<u>213,263</u>
Total expenditures	<u>12,088,984</u>	<u>11,110,389</u>	<u>978,595</u>	<u>10,987,199</u>
Revenues over (under) expenditures	<u>(3,386,728)</u>	<u>(2,054,476)</u>	<u>1,332,252</u>	<u>(3,252,077)</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,320,000	2,320,000	-	2,348,350
Transfers to other funds:				
Fiduciary Fund	(6,000)	(4,305)	1,695	(4,914)
Proprietary Fund	-	-	-	(13,806)
Internal Service Fund	(75,000)	(75,000)	-	-
Appropriated fund balance	891,528	-	(891,528)	-
Issuance of debt	256,200	256,200	-	227,654
Total other financing sources (uses)	<u>3,386,728</u>	<u>2,496,895</u>	<u>(889,833)</u>	<u>2,557,284</u>
Net change in fund balance	<u>\$ -</u>	442,419	<u>\$ 442,419</u>	(694,793)
Fund Balance:				
Beginning of year - July 1		<u>3,239,790</u>		<u>3,934,583</u>
End of year - June 30		<u>\$ 3,682,209</u>		<u>\$ 3,239,790</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	General Capital Projects Fund	Senior Center Capital Project Fund	Library Repairs and Improvements	Cemetery Care Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	\$ 47,948	\$ 109,100	\$ 12,219	\$ 27,521	\$ 196,788
Total assets	<u>\$ 47,948</u>	<u>\$ 109,100</u>	<u>\$ 12,219</u>	<u>\$ 27,521</u>	<u>\$ 196,788</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ 8,230	\$ -	\$ -	\$ 8,230
Total liabilities	<u>-</u>	<u>8,230</u>	<u>-</u>	<u>-</u>	<u>8,230</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	27,521	27,521
Committed:					
Future capital projects	47,948	100,870	12,219	-	161,037
Total fund balances	<u>47,948</u>	<u>100,870</u>	<u>12,219</u>	<u>27,521</u>	<u>188,558</u>
Total liabilities and fund balances	<u>\$ 47,948</u>	<u>\$ 109,100</u>	<u>\$ 12,219</u>	<u>\$ 27,521</u>	<u>\$ 196,788</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, 2014

	<u>General Capital Projects Fund</u>	<u>Senior Center Capital Project Fund</u>	<u>Library Repairs and Improvements</u>	<u>Cemetery Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Donations	\$ 38,423	\$ 184,611	\$ -	\$ -	\$ 223,034
Investment earnings	<u>13</u>	<u>-</u>	<u>15</u>	<u>13</u>	<u>41</u>
Total revenues	<u>38,436</u>	<u>184,611</u>	<u>15</u>	<u>13</u>	<u>223,075</u>
Expenditures:					
Current:					
Economic and physical development	<u>-</u>	<u>158,741</u>	<u>-</u>	<u>3,861</u>	<u>162,602</u>
Total expenditures	<u>-</u>	<u>158,741</u>	<u>-</u>	<u>3,861</u>	<u>162,602</u>
Revenues over (under) expenditures	<u>38,436</u>	<u>25,870</u>	<u>15</u>	<u>(3,848)</u>	<u>60,473</u>
Other Financing Sources (Uses):					
Transfers in	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>4,305</u>	<u>79,305</u>
Total other financing sources (uses)	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>4,305</u>	<u>79,305</u>
Net change in fund balances	38,436	100,870	15	457	139,778
Fund Balances:					
Beginning of year - July 1	<u>9,512</u>	<u>-</u>	<u>12,204</u>	<u>27,064</u>	<u>48,780</u>
End of year - June 30	<u>\$ 47,948</u>	<u>\$ 100,870</u>	<u>\$ 12,219</u>	<u>\$ 27,521</u>	<u>\$ 188,558</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**GENERAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 70,000	\$ 52,400	\$ 38,423	\$ 90,823
Investment earnings	-	1,271	13	1,284
Total revenues	<u>70,000</u>	<u>53,671</u>	<u>38,436</u>	<u>92,107</u>
Expenditures:				
Capital outlay:				
Bell Tower	<u>70,000</u>	<u>44,159</u>	-	<u>44,159</u>
Total expenditures	<u>70,000</u>	<u>44,159</u>	-	<u>44,159</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,512</u>	38,436	<u>\$ 47,948</u>
Fund Balance:				
Beginning of year - July 1			<u>9,512</u>	
End of year - June 30			<u>\$ 47,948</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, 2014**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 184,226	\$ -	\$ 184,611	\$ 184,611
Total revenues	<u>184,226</u>	<u>-</u>	<u>184,611</u>	<u>184,611</u>
Expenditures:				
Architectural fees	71,583	-	58,813	58,813
Construction	87,715	-	-	-
Project development	99,928	-	99,928	99,928
Total expenditures	<u>259,226</u>	<u>-</u>	<u>158,741</u>	<u>158,741</u>
Revenues over (under) expenditures	(75,000)	-	25,870	25,870
Other Financing Sources (Uses):				
Transfer from General Fund	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	100,870	<u>\$ 100,870</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 100,870</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

LIBRARY REPAIRS AND IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Interest	\$ -	\$ 362	\$ 15	\$ 377
Expenditures:				
Library renovations	210,000	198,158	-	198,158
Total expenditures	<u>210,000</u>	<u>198,158</u>	<u>-</u>	<u>198,158</u>
Revenues over (under) expenditures	<u>(210,000)</u>	<u>(197,796)</u>	<u>15</u>	<u>(197,781)</u>
Other Financing Sources (Uses):				
Issuance of debt	210,000	210,000	-	210,000
Total other financing sources (uses)	<u>210,000</u>	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,204</u>	15	<u>\$ 12,219</u>
Fund Balance:				
Beginning of year - July 1			<u>12,204</u>	
End of year - June 30			<u>\$ 12,219</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Total
Revenues:				
Investment earnings	\$ 20	\$ 13	\$ 7	\$ 24
Expenditures:				
Current:				
Operating expenses	10,000	3,861	6,139	6,220
Capital outlay	14,000	-	14,000	-
Total expenditures	24,000	3,861	20,139	6,220
Revenues over (under) expenditures	(23,980)	(3,848)	(20,132)	(6,196)
Other Financing Sources (Uses):				
Transfers in (out)	4,500	4,305	(195)	4,914
Total other financing sources (uses)	4,500	4,305	(195)	4,914
Revenues and other financing sources over (under) expenditures and other financing uses	(19,480)	457	(19,937)	(1,282)
Fund balance appropriated	19,480	-	19,480	-
Net change in fund balance	\$ -	457	\$ 457	(1,282)
Fund Balance:				
Beginning of year - July 1		27,064		28,346
End of year - June 30		\$ 27,521		\$ 27,064

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 4,504,553	\$ 4,672,161	\$ 167,608	\$ 4,815,397
Miscellaneous revenues	95,985	96,118	133	69,670
Total operating revenues	4,600,538	4,768,279	167,741	4,885,067
Non-operating revenues:				
Interest income (loss)	1,000	2,158	1,158	3,552
Total non-operating revenues	1,000	2,158	1,158	3,552
Total revenues	4,601,538	4,770,437	168,899	4,888,619
Expenditures:				
Administration:				
Salaries and employee benefits	148,711	149,344	(633)	273,797
Other operating expenditures	335,733	295,565	40,168	405,471
Capital outlay	333,000	368,475	(35,475)	80,084
Total administration	817,444	813,384	4,060	759,352
Plant:				
Salaries and employee benefits	256,587	245,238	11,349	244,757
Other operating expenditures	210,713	146,716	63,997	110,444
Capital outlay	60,373	60,373	-	175,096
Cost of merchandise sold	262,000	223,644	38,356	207,279
Total plant	789,673	675,971	113,702	737,576
System Maintenance and Extension:				
Salaries and employee benefits	310,122	311,514	(1,392)	319,783
Other operating expenditures	315,123	300,037	15,086	167,156
Capital outlay	-	-	-	177,223
Total system maintenance and extension	625,245	611,551	13,694	664,162
Waste Water Treatment:				
Salaries and employee benefits	275,787	275,327	460	243,958
Other operating expenditures	302,300	220,406	81,894	237,076
Capital outlay	53,010	53,010	-	118,199
Cost of merchandise sold	420,000	436,108	(16,108)	380,787
Total waste water treatment	1,051,097	984,851	66,246	980,020
Industrial Pre-Treatment:				
Salaries and employee benefits	42,951	42,951	-	65,477
Other operating expenditures	8,124	8,097	27	7,008
Total industrial pre-treatment	51,075	51,048	27	72,485

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Total
Pump Station Maintenance:				
Salaries and employee benefits	409,349	400,797	8,552	322,643
Other operating expenditures	208,500	216,629	(8,129)	213,546
Capital outlay	37,604	37,604	-	102,762
Cost of merchandise sold	40,000	111,501	(71,501)	123,342
Total pump station maintenance	<u>695,453</u>	<u>766,531</u>	<u>(71,078)</u>	<u>762,293</u>
Debt Service:				
Principal retirement	590,458	590,457	1	557,626
LPA interest	<u>73,883</u>	<u>73,792</u>	<u>91</u>	<u>83,120</u>
Total debt service	<u>664,341</u>	<u>664,249</u>	<u>92</u>	<u>640,746</u>
Total expenditures	<u>4,694,328</u>	<u>4,567,585</u>	<u>126,743</u>	<u>4,616,634</u>
Revenues over (under) expenditures	<u>(92,790)</u>	<u>202,852</u>	<u>295,642</u>	<u>271,985</u>
Other Financing Sources (Uses):				
Transfers in	13,806	-	(13,806)	13,806
Transfers out	(958,823)	-	958,823	-
Proceeds from debt	<u>879,940</u>	<u>926,515</u>	<u>46,575</u>	<u>235,453</u>
Total other financing sources (uses)	<u>(65,077)</u>	<u>926,515</u>	<u>991,592</u>	<u>249,259</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(157,867)</u>	<u>1,129,367</u>	<u>1,287,234</u>	<u>521,244</u>
Appropriated fund balance	<u>157,867</u>	<u>-</u>	<u>(157,867)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,129,367</u>	<u>\$ 1,129,367</u>	<u>521,244</u>
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Proceeds from issuance of debt		(926,515)		(235,453)
Change in inventories		77,717		83,531
Capital outlay		519,462		655,755
OPEB liability		(37,545)		(70,685)
Capital contributions		-		21,726
Accrued interest		(11,805)		-
Principal retirement		590,457		557,626
Depreciation expense		<u>(1,044,884)</u>		<u>(1,146,205)</u>
Change in net position		<u>\$ 296,254</u>		<u>\$ 387,539</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - WATER PLANT UPGRADE AND LINE REHAB PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Professional Services	\$ -	\$ 455,274	\$ -	\$ 455,274
36" Water Line Project	1,257,680	258,746	488,921	747,667
Water Line Rehabilitation Project	2,812,141	110,096	2,659,359	2,769,455
Water Plant Improvement Project	517,845	292,844	184,204	477,048
Spillway Project	<u>19,045</u>	<u>19,045</u>	<u>4,000</u>	<u>23,045</u>
Total expenditures	<u>4,606,711</u>	<u>1,136,005</u>	<u>3,336,484</u>	<u>4,472,489</u>
Revenues over (under) expenditures	<u>(4,606,711)</u>	<u>(1,136,005)</u>	<u>(3,336,484)</u>	<u>(4,472,489)</u>
Other Financing Sources (Uses):				
Proceeds from financing	2,991,043	-	2,202,043	2,202,043
Transfer from Water Sewer Fund	<u>1,615,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (Uses)	<u>4,606,711</u>	<u>-</u>	<u>2,202,043</u>	<u>2,202,043</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,136,005)</u>	(1,134,441)	<u>\$ (2,270,446)</u>
Fund Balance:				
Beginning of year - July 1			<u>(1,136,005)</u>	
End of year - June 30			<u>\$ (2,270,446)</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, 2014
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 12,924,668	\$ 13,099,884	\$ 175,216	\$ 12,575,730
Miscellaneous revenues	198,811	204,749	5,938	310,248
Total operating revenues	<u>13,123,479</u>	<u>13,304,633</u>	<u>181,154</u>	<u>12,885,978</u>
Non-operating revenues:				
Interest income	12,000	4,395	(7,605)	8,074
Total non-operating revenues	<u>12,000</u>	<u>4,395</u>	<u>(7,605)</u>	<u>8,074</u>
Total revenues	<u>13,135,479</u>	<u>13,309,028</u>	<u>173,549</u>	<u>12,894,052</u>
Expenditures:				
Meter reading:				
Salaries and employee benefits	188,472	189,487	(1,015)	188,376
Operating expenditures	36,025	31,330	4,695	32,608
Capital outlay	16,750	16,736	14	23,500
Total meter reading	<u>241,247</u>	<u>237,553</u>	<u>3,694</u>	<u>244,484</u>
System:				
Salaries and employee benefits	823,243	811,231	12,012	889,030
Other operating expenditures	1,644,795	1,492,416	152,379	1,321,048
Capital outlay	881,934	666,758	215,176	681,646
Cost of merchandise sold	8,870,000	8,602,308	267,692	8,798,268
Debt service - principal	186,697	186,997	(300)	160,298
Debt service - interest	11,424	11,424	-	6,752
Total system	<u>12,418,093</u>	<u>11,771,134</u>	<u>646,959</u>	<u>11,857,042</u>
Total expenditures	<u>12,659,340</u>	<u>12,008,687</u>	<u>650,653</u>	<u>12,101,526</u>
Revenues over (under) expenditures	<u>476,139</u>	<u>1,300,341</u>	<u>824,202</u>	<u>792,526</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, 2014
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Total
Other Financing Sources (Uses):				
Appropriated from fund balance	426,595	-	(426,595)	-
Sale of capital assets	50	-	(50)	-
Transfers in (out)	(1,820,000)	(1,820,000)	-	(1,898,350)
Proceeds from issuance of debt	917,216	917,216	-	198,289
Total other financing sources (uses)	<u>(476,139)</u>	<u>(902,784)</u>	<u>(426,645)</u>	<u>(1,700,061)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	397,557	<u>\$ 397,557</u>	(907,535)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		8,067		28,526
Capital outlay		679,630		705,146
Proceeds from issuance of debt		(917,216)		(198,289)
Accrued interest		(1,764)		-
OPEB liability		(37,663)		(42,411)
Principal retirement		186,997		160,298
Depreciation expense		<u>(536,972)</u>		<u>(474,604)</u>
Change in net position		<u>\$ (221,364)</u>		<u>\$ (728,869)</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, 2014
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 5,156,421	\$ 5,539,190	\$ 382,769	\$ 5,009,092
Miscellaneous revenues	176,778	184,946	8,168	69,040
Total operating revenues	<u>5,333,199</u>	<u>5,724,136</u>	<u>390,937</u>	<u>5,078,132</u>
Non-operating revenues:				
Interest income	5,500	3,280	(2,220)	4,421
Total non-operating revenues	<u>5,500</u>	<u>3,280</u>	<u>(2,220)</u>	<u>4,421</u>
Total revenues	<u>5,338,699</u>	<u>5,727,416</u>	<u>388,717</u>	<u>5,082,553</u>
Expenditures:				
Salaries and employee benefits	589,573	588,789	784	547,912
Other operating expenditures	805,430	760,400	45,030	902,767
Capital outlay	413,695	441,276	(27,581)	552,603
Cost of merchandise sold	3,660,000	3,566,351	93,649	2,941,654
Debt service - principal	33,322	33,224	98	51,934
Debt service - interest	2,625	2,625	-	1,117
Total expenditures	<u>5,504,645</u>	<u>5,392,665</u>	<u>111,980</u>	<u>4,997,987</u>
Revenues over (under) expenditures	<u>(165,946)</u>	<u>334,751</u>	<u>500,697</u>	<u>84,566</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	665,946	665,942	(4)	114,016
Sales of capital assets	-	1,025	1,025	-
Transfer to other fund:				
General Fund	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(450,000)</u>
Total other financing sources (uses)	<u>165,946</u>	<u>166,967</u>	<u>1,021</u>	<u>(335,984)</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, 2014
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	501,718	\$ 501,718	(251,418)
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(17,347)		(18,022)
Proceeds from issuance of debt		(665,942)		(114,016)
Capital outlay		423,556		552,601
Accrued interest		(2,934)		-
OPEB liability		(23,904)		(23,562)
Principal retirement		33,224		51,934
Depreciation expense		(124,694)		(102,015)
Change in net position		\$ 123,677		\$ 95,502

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, 2014
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 188,000	\$ 190,990	\$ 2,990	\$ -
Total operating revenues	188,000	190,990	2,990	-
Non-operating revenues:				
Interest income	-	58	58	-
Total non-operating revenues	-	58	58	-
Total revenues	188,000	191,048	3,048	-
Expenditures:				
Salaries and employee benefits	85,197	85,160	37	-
Other operating expenditures	42,803	25,002	17,801	-
Capital outlay	60,000	-	60,000	-
Total expenditures	188,000	110,162	77,838	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	80,886	\$ 80,886	-
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
OPEB liability		(30,233)		-
Change in net position		\$ 50,653		\$ -

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 140,990	\$ 279,752	\$ 420,742
Accounts receivable	<u>-</u>	<u>20,284</u>	<u>20,284</u>
Total assets	<u>140,990</u>	<u>300,036</u>	<u>441,026</u>
Liabilities:			
Accounts payable	11,633	135,599	147,232
Accrued liabilities	<u>3,761</u>	<u>-</u>	<u>3,761</u>
Total liabilities	<u>15,394</u>	<u>135,599</u>	<u>150,993</u>
Net Position:			
Unrestricted	<u>\$ 125,596</u>	<u>\$ 164,437</u>	<u>\$ 290,033</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, 2014**

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 197,432	\$ 2,009,157	\$ 2,206,589
Operating Expenses:			
Excess policy fees	68,798	98,987	167,785
Administrative fees	14,500	140,737	155,237
Claims	177,743	1,739,205	1,916,948
Total operating expenses	<u>261,041</u>	<u>1,978,929</u>	<u>2,239,970</u>
Operating income (loss)	(63,609)	30,228	(33,381)
Non-Operating Revenues:			
Investment income (loss)	<u>257</u>	<u>857</u>	<u>1,114</u>
Change in net position	(63,352)	31,085	(32,267)
Net Position:			
Beginning of year - July 1	<u>188,948</u>	<u>133,352</u>	<u>322,300</u>
End of year - June 30	<u>\$ 125,596</u>	<u>\$ 164,437</u>	<u>\$ 290,033</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 197,432	\$ 2,020,055	\$ 2,217,487
Cash paid for goods and services	<u>(254,602)</u>	<u>(2,000,392)</u>	<u>(2,254,994)</u>
Net cash provided (used) by operating activities	<u>(57,170)</u>	<u>19,663</u>	<u>(37,507)</u>
Cash Flows from Investing Activities:			
Interest income	<u>257</u>	<u>857</u>	<u>1,114</u>
Net increase (decrease) in cash and cash equivalents	(56,913)	20,520	(36,393)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>197,903</u>	<u>259,232</u>	<u>457,135</u>
End of year - June 30	<u>\$ 140,990</u>	<u>\$ 279,752</u>	<u>\$ 420,742</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	<u>\$ (63,609)</u>	<u>\$ 30,228</u>	<u>\$ (33,381)</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in operating accounts receivable	-	10,898	10,898
Increase (decrease) in operating accounts payable and accrued liabilities	<u>6,439</u>	<u>(21,463)</u>	<u>(15,024)</u>
Total adjustments	<u>6,439</u>	<u>(10,565)</u>	<u>(4,126)</u>
Net cash provided (used) by operating activities	<u>\$ (57,170)</u>	<u>\$ 19,663</u>	<u>\$ (37,507)</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, 2014**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 196,854	\$ 197,432	\$ (578)
Non-operating revenues:			
Interest income (loss)	235	257	(22)
Total revenues	<u>197,089</u>	<u>197,689</u>	<u>(600)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	67,023	68,798	(1,775)
Administrative fees	14,500	14,500	-
Claims	<u>172,066</u>	<u>177,743</u>	<u>(5,677)</u>
Total expenditures	<u>253,589</u>	<u>261,041</u>	<u>(7,452)</u>
Operating income (loss)	(56,500)	(63,352)	(6,852)
Other Financing Sources (Uses):			
Appropriated fund balance	<u>56,500</u>	<u>-</u>	<u>(56,500)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (63,352)</u>	<u>\$ (63,352)</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, 2014**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 2,172,819	\$ 2,009,157	\$ 163,662
Non-operating revenues:			
Interest income	850	857	(7)
Total revenues	<u>2,173,669</u>	<u>2,010,014</u>	<u>163,655</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	292,383	98,987	193,396
Administrative fees	135,998	140,737	(4,739)
Claims	<u>1,798,788</u>	<u>1,739,205</u>	<u>59,583</u>
Total expenditures	<u>2,227,169</u>	<u>1,978,929</u>	<u>248,240</u>
Operating income (loss)	(53,500)	31,085	(84,585)
Other Financing Sources (Uses):			
Appropriated fund balance	<u>53,500</u>	<u>-</u>	<u>53,500</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 31,085</u>	<u>\$ 31,085</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2014

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 90,985
Due from other governments	<u>8,239</u>
Total assets	<u>99,224</u>
Liabilities:	
Accounts payable	<u>14,348</u>
Total liabilities	<u>14,348</u>
Net Position:	
Restricted for tourism	<u>\$ 84,876</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**TOURISM DEVELOPMENT AUTHORITY BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 78,000	\$ 80,908	\$ 2,908
Non-operating revenues:			
Investment earnings	<u>27</u>	<u>27</u>	<u>-</u>
Total revenues	<u>78,027</u>	<u>80,935</u>	<u>2,908</u>
Expenditures:			
Current:			
Operating expenses	9,800	8,925	875
Cultural and recreation	<u>70,000</u>	<u>65,802</u>	<u>4,198</u>
Total expenditures	<u>79,800</u>	<u>74,727</u>	<u>5,073</u>
Revenues over (under) expenditures	(1,773)	6,208	7,981
Other Financing Sources (Uses):			
Appropriated fund balance	<u>1,773</u>	<u>-</u>	<u>(1,773)</u>
Net change in fund balance	<u>\$ -</u>	<u>6,208</u>	<u>\$ 6,208</u>
Fund Balance:			
Beginning of year - July 1		<u>78,668</u>	
End of year - June 30		<u>\$ 84,876</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 01, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash and cash equivalents	\$ 175,381	\$ 51,018	\$ 7,518	\$ 218,881
Accounts receivable	<u>-</u>	<u>5,760</u>	<u>-</u>	<u>5,760</u>
Total assets	<u>\$ 175,381</u>	<u>\$ 56,778</u>	<u>\$ 7,518</u>	<u>\$ 224,641</u>
Liabilities:				
Intergovernmental payable	<u>\$ 175,381</u>	<u>\$ 56,778</u>	<u>\$ 7,518</u>	<u>\$ 224,641</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 3,990,307	\$ 3,922,388	\$ 67,919
2012-2013	91,533	-	68,927	22,606
2011-2012	22,868	-	10,620	12,248
2010-2011	15,334	-	6,613	8,721
2009-2010	8,713	-	(2,018)	10,731
2008-2009	8,196	-	751	7,445
2007-2008	7,347	-	484	6,863
2006-2007	6,033	-	290	5,743
2005-2006	4,927	-	147	4,780
2004-2005	10,423	-	10,423	-
Total	<u>\$ 175,374</u>	<u>\$ 3,990,307</u>	<u>\$ 4,018,625</u>	147,056
Less: Allowance for uncollectible accounts				<u>(23,813)</u>
Ad valorem taxes receivable, net				<u>\$ 123,243</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 3,998,173
Reconciling items:				
Taxes written off				(10,423)
Miscellaneous adjustments				<u>30,875</u>
Total collections and credits				<u>\$ 4,018,625</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	City-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 997,576,750	\$ 0.40	\$ 3,990,307	\$ 3,693,848	\$ 296,459
Total property valuation	\$ 997,576,750				
Net Levy			3,990,307	3,693,848	296,459
Uncollected taxes at June 30, 2014			(67,919)	(54,210)	(13,709)
Current Year's Taxes Collected			\$ 3,922,388	\$ 3,639,638	\$ 282,750
Current Levy Collection Percentage			<u>98.30%</u>	<u>98.53%</u>	<u>95.38%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property					\$678,058,470
Personal property					248,727,516
Public service companies					70,790,764
Total assessed valuation					\$ 997,576,750
Tax rate per \$100					0.40
Levy (includes discoveries, releases, and abatements)					\$ 3,990,307

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2014

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

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

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2014

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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
Kings Mountain, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2014, not presented here, 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 17, 2014. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kings Mountain's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kings Mountain's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kings Mountain's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency 2014-001 described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kings Mountain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Kings Mountain's Response to Finding

The City of Kings Mountain's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Kings Mountain's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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, NC
November 17, 2014

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; Report on the Schedule of Expenditures of Federal and State Awards Required by OMB A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major Federal Program

We have audited the City of Kings Mountain, North Carolina's compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2014. The City of Kings Mountain's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kings Mountain's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kings Mountain's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kings Mountain's compliance.

Opinion On Each Major Federal Program

In our opinion, the City of Kings Mountain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report On Internal Control Over Compliance

Management of the City of Kings Mountain is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kings Mountain's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kings Mountain's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act

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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Kings Mountain's basic financial statements. We issued our report thereon dated November 17, 2014, which contained unmodified opinions on those financial statements. 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 accompanying Schedule of Expenditures of Federal and State Awards is presented for

purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 17, 2014

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency identified that are not considered to be material weaknesses?	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 identified that are not considered to be material weaknesses?	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 Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Drinking Water State Revolving Fund Loan	66.468
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	No

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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

Finding 2014-001:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the City's personnel with regards to drafting full accrual, full disclosure financial statements.

Effect: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Context: City personnel cannot draft full disclosure GAAP financial statements.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the City should exercise due care in reviewing the financial statements drafted by the external auditor, as the City is responsible for the accuracy of the audited financial statements.

Name of Contact Person: Beverly Moschler, Finance Officer

Corrective Action/Management's Response: Management concurs and will diligently review financial data to ensure agreement with audited financial statements.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding 2013-001 was repeated as 2014-001.

Finding 2013-002 was corrected during the current year.

Finding 2013-003 was corrected during the current year.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Federal Awards:			
U.S. Environmental Protection Agency:			
Passed-through N.C. Department of Environment and Natural Resources:			
Public Water Supply Section			
Drinking Water State Revolving Fund Loan	66.468	\$ 2,202,043	\$ -
U.S. Department of Health and Human Services:			
Passed-through Isothermal Planning and Development Commission:			
Special Programs for the Aging - Title III B Grants for Supportive Services and Senior Centers	93.044	4,304	-
U.S. Department of Health and Human Services:			
Passed-through the N.C. Department of Insurance:			
Centers for Medicare & Medicaid Services Research, Demonstrations and Evaluations	93.779	8,981	-
U.S. Department of Transportation FHWA:			
Passed-through the N.C. Department of Transportation:			
Highway Planning and Construction	20.205	75,501	-
Total Federal Awards		<u>\$ 2,290,829</u>	<u>\$ -</u>
State Awards:			
N.C. Department of Cultural Resources:			
State Aid - Library		\$ -	\$ 9,108
N.C. Department of Aging:			
Senior Center General Purpose		-	11,680
N.C. Department of Transportation:			
Powell Bill		-	399,307
Total State Awards		<u>\$ -</u>	<u>\$ 420,095</u>
Total Federal and State Awards		<u>\$ 2,290,829</u>	<u>\$ 420,095</u>

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Kings Mountain and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the City's basic financial statements. However, due to the City's involvement in determining eligibility, they are considered federal awards to the City and are included on this schedule.

2. Loans Outstanding

City of Kings Mountain had the following loan balance outstanding at June 30, 2014. This loan balance outstanding is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Amount Outstanding</u>
Drinking Water State Revolving Fund Loan	\$ 2,202,043

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