

# **CITY OF KINGS MOUNTAIN NORTH CAROLINA**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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

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



**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2012**

**Mayor**

Edgar O. Murphrey, Jr.

**City Council**

Mike Butler

Keith Miller

Rodney L. Gordon

Rick Moore

Tommy Hawkins

Howard Shipp

Dean Spears

**City Manager**

Marilyn H. Sellers

**Finance Officer**

Beverly C. Moschler

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# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

### TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<b>Independent Auditors' Report</b>	1-2
	<b>Management's Discussion and Analysis</b>	3-12
	<b>Basic Financial Statements:</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Assets	13
B	Statement of Activities	14-15
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	16
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	19
G	Statement of Net Assets - Proprietary Funds	20
H	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	21
I	Statement of Cash Flows - Proprietary Funds	22
J	Statement of Fiduciary Net Assets - Fiduciary Funds	23
	<b>Notes to the Financial Statements</b>	24-54

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplemental Financial Data:</b>	
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	55
A-2	Other Post-Employment Benefits - Retiree Health Plan Required Supplementary Information -	56
	<b>Supplementary Information:</b>	
	<b>General Fund -</b>	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	57-62
	<b>Nonmajor Governmental Funds:</b>	
2	Combining Balance Sheet	63-64
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65-66
	<b>Special Revenue Funds:</b>	
4	2006 Concentrated Needs Community Development Block Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	67
5	2009 Battleground Waterline Community Development Block Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	68
6	2010 SBEA - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69
	<b>Capital Projects Funds:</b>	
7	General Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Capital Projects Funds (continued):</b>	
8	Sewer Line Rehabilitation - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	71
9	Library Repairs and Improvements - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72
10	Cemetery Care Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73
	<b>Enterprise Funds:</b>	
11	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	74-75
12	Enterprise Fund Capital Project - Water Plant Upgrade and Line and Line Rehab Project Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non-GAAP)	76
13	Electric Utility Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	77-78
14	Gas Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	79
	<b>Internal Service Funds:</b>	
15	Combining Statement of Net Assets	80
16	Combining Statement of Revenues, Expenses, and Changes in Net Assets	81
17	Combining Statement of Cash Flows	82

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Internal Service Funds (continued):</b>	
18	Workers' Compensation Insurance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	83
19	Health Insurance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	84
20	Tourism Development Authority Board - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	85
	<b>Agency Fund:</b>	
21	Statement of Changes in Assets and Liabilities	86
	<b>Additional Financial Data:</b>	
22	Schedule of Ad Valorem Taxes Receivable	87
23	Analysis of Current Year Levy	88

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

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kings Mountain, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the City of Kings Mountain ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Kings Mountain ABC Board, is based solely on the report of the other auditors.

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 of material misstatement. The financial statements of the City of Kings Mountain ABC Board and the Tourism Development Authority Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, 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 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, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of the City of Kings Mountain's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officer's 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 assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Kings Mountain, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, 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, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
December 10, 2012

## **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, 2012. 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**

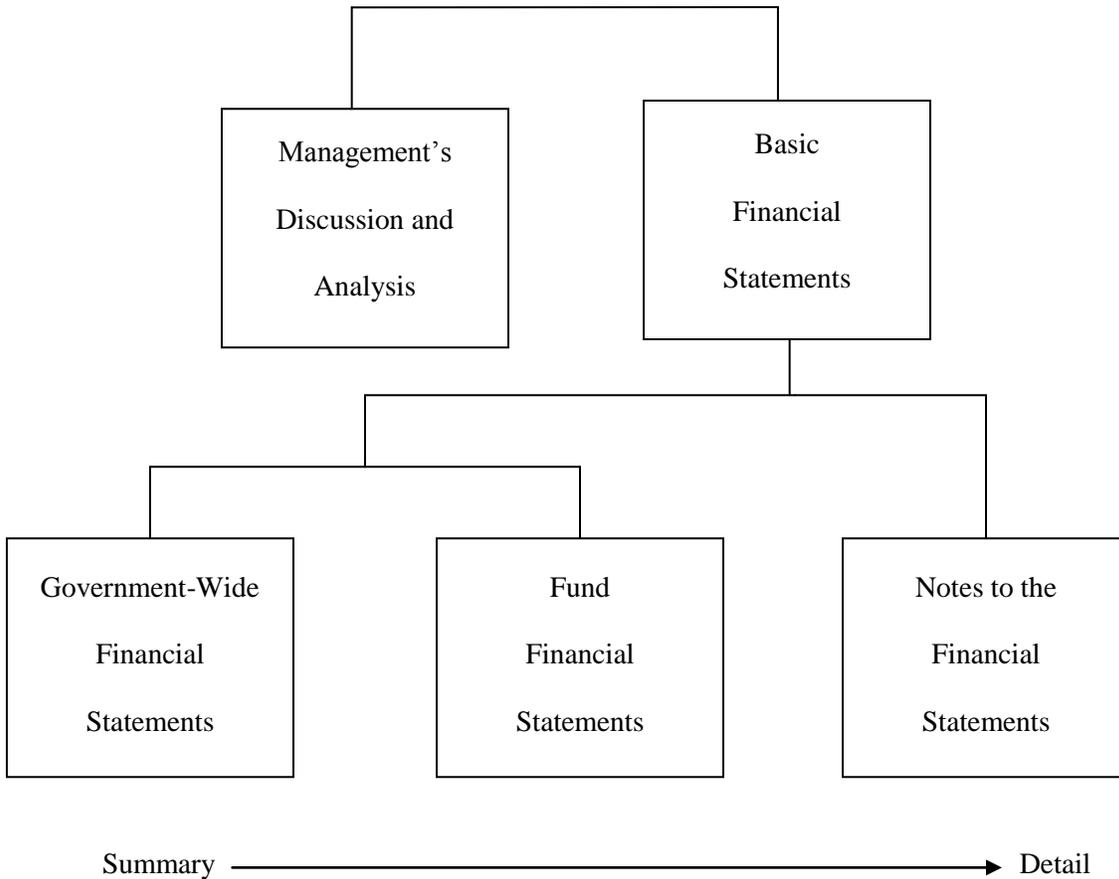
- The assets of the City of Kings Mountain exceeded its liabilities at the close of the fiscal year by \$48,113,145 (*Net Assets*).
- The government's total net assets decreased by \$137,327.
- At the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$3,981,623, an increase of \$647,912 in comparison with the prior year.
- At the end of the current fiscal year, available fund balance for the General Fund was \$3,176,549, or 34 percent, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt increased by \$627,771 during the current fiscal year. The key factor in this increase was new installment financings exceeding principal payments.

### **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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets 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 Assets 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 Assets 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' Net Assets  
Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Current assets	\$ 4,416,526	\$ 4,061,857	\$ 9,023,325	\$ 8,992,713	\$ 13,439,851	\$ 13,054,570
Other assets	467,794	285,384	352,446	331,894	820,240	617,278
Capital assets, net	<u>9,457,811</u>	<u>9,832,514</u>	<u>33,481,076</u>	<u>32,981,320</u>	<u>42,938,887</u>	<u>42,813,834</u>
Total assets	<u>14,342,131</u>	<u>14,179,755</u>	<u>42,856,847</u>	<u>42,305,927</u>	<u>57,198,978</u>	<u>56,485,682</u>
<b>Liabilities:</b>						
Long-term liabilities	2,212,556	1,568,731	3,577,767	3,110,572	5,790,323	4,679,303
Other liabilities	<u>992,562</u>	<u>996,914</u>	<u>2,302,948</u>	<u>2,558,993</u>	<u>3,295,510</u>	<u>3,555,907</u>
Total liabilities	<u>3,205,118</u>	<u>2,565,645</u>	<u>5,880,715</u>	<u>5,669,565</u>	<u>9,085,833</u>	<u>8,235,210</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	8,714,193	9,327,369	29,868,561	29,758,102	38,582,754	39,085,471
Restricted	1,114,678	1,128,219	-	-	1,114,678	1,128,219
Unrestricted	<u>1,308,142</u>	<u>1,158,522</u>	<u>7,107,571</u>	<u>6,878,260</u>	<u>8,415,713</u>	<u>8,036,782</u>
Total net assets	<u>\$ 11,137,013</u>	<u>\$ 11,614,110</u>	<u>\$ 36,976,132</u>	<u>\$ 36,636,362</u>	<u>\$ 48,113,145</u>	<u>\$ 48,250,472</u>

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the City of Kings Mountain exceeded liabilities by \$48,113,145 as of June 30, 2012. However, the largest portion (80%) 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 investment in its 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 assets (\$1,114,678) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,415,713 is unrestricted.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,747,704	\$ 1,814,184	\$ 21,823,022	\$ 22,392,492	\$ 23,570,726	\$ 24,206,676
Operating grants and contributions	1,179,751	2,328,473	-	-	1,179,751	2,328,473
Capital grants and contributions	-	-	549,498	1,018,716	549,498	1,018,716
General revenues:						
Property taxes	3,099,437	3,039,511	-	-	3,099,437	3,039,511
Other taxes	2,206,094	2,142,399	-	-	2,206,094	2,142,399
Other	23,366	21,667	38,974	38,069	62,340	59,736
Total revenues	<u>8,256,352</u>	<u>9,346,234</u>	<u>22,411,494</u>	<u>23,449,277</u>	<u>30,667,846</u>	<u>32,795,511</u>
<b>Expenses:</b>						
General government	2,004,724	1,872,926	-	-	2,004,724	1,872,926
Public safety	3,973,995	3,740,960	-	-	3,973,995	3,740,960
Transportation	1,157,353	1,317,551	-	-	1,157,353	1,317,551
Environmental protection	1,093,520	1,267,608	-	-	1,093,520	1,267,608
Economic development	836,407	1,948,812	-	-	836,407	1,948,812
Culture and recreation	1,708,029	1,760,589	-	-	1,708,029	1,760,589
Interest expense	29,615	19,022	-	-	29,615	19,022
Water and sewer	-	-	4,296,809	4,074,611	4,296,809	4,074,611
Electric	-	-	11,384,798	9,941,442	11,384,798	9,941,442
Gas	-	-	4,319,923	4,903,151	4,319,923	4,903,151
Total expenses	<u>10,803,643</u>	<u>11,927,468</u>	<u>20,001,530</u>	<u>18,919,204</u>	<u>30,805,173</u>	<u>30,846,672</u>
Increase in net assets before transfers	(2,547,291)	(2,581,234)	2,409,964	4,530,073	(137,327)	1,948,839
Transfers	<u>2,070,194</u>	<u>2,101,305</u>	<u>(2,070,194)</u>	<u>(2,101,305)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(477,097)	(479,929)	339,770	2,428,768	(137,327)	1,948,839
<b>Net Assets:</b>						
Beginning of year - July 1	<u>11,614,110</u>	<u>12,094,039</u>	<u>36,636,362</u>	<u>34,207,594</u>	<u>48,250,472</u>	<u>46,301,633</u>
End of year - June 30	<u>\$ 11,137,013</u>	<u>\$ 11,614,110</u>	<u>\$ 36,976,132</u>	<u>\$ 36,636,362</u>	<u>\$ 48,113,145</u>	<u>\$ 48,250,472</u>

**Governmental Activities.** Governmental activities decreased the City's net assets by \$477,097. Key elements of this decrease are as follows:

- Increase in OPEB obligation of \$532,222

**Business-Type Activities.** Business-type activities increased the City's net assets by \$339,770. Key elements of this increase are as follows:

- Increase in Water Revenues due to rate increase May 2010 and Neighboring City became customer
- Increase in Water Capital due to CDBG Project and the Water Plant Upgrade and Line Rehab 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 \$3,176,549, while total fund balance reached \$3,934,583. 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 34 percent of total General Fund expenditures, while total fund balance represents 42 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 did not have any significant fluctuations from budgeted amounts. The General Fund recognized a positive variance of \$959,558 between the final amended budget and actual expenditures. The major components of this positive variance are as follows:

- Public safety - \$236,095
- Transportation - \$277,769

In public safety, salaries and related fringe benefits due to vacancies contributed to the positive variance. Also, in transportation, funds budgeted for paving were not spent 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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,729,980. Those for the Electric Fund amounted to \$3,750,034, and those for the Gas Fund amounted to \$1,627,557. The total changes in net assets for the three funds were \$823,222, (\$336,721), and (\$146,731), 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, 2012 totals \$42,938,887 (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:

- Radios
- Software

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

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,662,528	\$ 2,662,528	\$ 7,013,151	\$ 7,013,151	\$ 9,675,679	\$ 9,675,679
Infrastructure	821,458	916,173	-		821,458	916,173
Buildings	3,549,600	3,905,487	4,961,604	5,325,847	8,511,204	9,231,334
Other improvements	137,213	133,784	7,943,231	8,307,106	8,080,444	8,440,890
Equipment	1,159,850	1,056,674	1,438,093	1,418,648	2,597,943	2,475,322
Vehicles	1,091,604	1,157,868	1,063,921	589,672	2,155,525	1,747,540
Lines	-	-	10,210,340	10,326,896	10,210,340	10,326,896
Construction in progress	35,558	-	850,736	-	886,294	-
<b>Total</b>	<u>\$ 9,457,811</u>	<u>\$ 9,832,514</u>	<u>\$ 33,481,076</u>	<u>\$ 32,981,320</u>	<u>\$ 42,938,887</u>	<u>\$ 42,813,834</u>

Additional information on the City’s capital assets can be found in Note 2 of the Basic Financial Statements.

**Long-Term Debt.** As of June 30, 2012, the City of Kings Mountain had total installment purchase debt outstanding of \$4,356,133. The City’s debt represents obligations secured solely by certain equipment of the City.

**City of Kings Mountain's Outstanding Debt**

**Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ -	\$ -	\$ -	\$ 95,000	\$ -	\$ 95,000
Less deferred amount on refunding	-	-	-	(24,662)	-	(24,662)
Total bonds payable	-	-	-	70,338	-	70,338
Installment purchases	743,618	505,144	3,612,515	3,152,880	4,356,133	3,658,024
Total	<u>\$ 743,618</u>	<u>\$ 505,144</u>	<u>\$ 3,612,515</u>	<u>\$ 3,223,218</u>	<u>\$ 4,356,133</u>	<u>\$ 3,728,362</u>

The City of Kings Mountain's total debt increased by \$627,771 during the current fiscal year. The key factor in this increase was new installment financings exceeding principal payments.

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 \$57,219,987. The City has \$500,000 in bonds authorized, but unissued, at June 30, 2012.

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 area's unemployment rate continues to remain higher than the State average as it has for the last several years and the Telerx Marketing anticipates 100 layoffs; however, the Bay Valley Foods Distribution Center, which created 200 jobs, is in full operation. Southern Power is opening this year and two new Data Centers are to be completed in 2013 and 2014. The City furnishes Water for the Town of Grover and for the Town of Bessemer City and a large Water Improvement Project will start this year.

**Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities.** The property tax rate remains at 40 cents per \$100 in assessed property value. The General Fund budget is 4.1% higher than last year's budget due to additional Capital Outlay in several departments and a 2% COLA for all employees. This year the City is completing a Fiber project and a total software conversion.

**Business-Type Activities.** The increase of 2% as a COLA raise effected each fund; however, the Water/Sewer Fund decrease by 5.2% from the prior year is due to the cost saving in power purchasing at the Water Treatment Plant and the near completion of upfront costs on a large capital project. The Electric Fund increased by 4.7% from purchase of power increasing as the revenues increased. The Gas Fund budget decreased by 16% from the prior year due to the large drop in the cost of Natural Gas prices.

## **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

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 3,408,408	\$ 5,534,201	\$ 8,942,609	\$ 277,035	\$ 71,543
Taxes receivable, net	108,234	-	108,234	-	-
Accounts receivable, net	513,862	2,503,236	3,017,098	117	-
Due from other governments	335,576	-	335,576	2,735	6,364
Inventories	50,446	985,888	1,036,334	87,366	-
Prepaid items	-	-	-	4,962	-
Total current assets	<u>4,416,526</u>	<u>9,023,325</u>	<u>13,439,851</u>	<u>372,215</u>	<u>77,907</u>
Restricted assets:					
Cash and cash equivalents	<u>467,794</u>	<u>352,446</u>	<u>820,240</u>	-	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,698,086	7,863,887	10,561,973	78,875	-
Other capital assets, net of depreciation	<u>6,759,725</u>	<u>25,617,189</u>	<u>32,376,914</u>	<u>9,810</u>	<u>-</u>
Total capital assets	<u>9,457,811</u>	<u>33,481,076</u>	<u>42,938,887</u>	<u>88,685</u>	<u>-</u>
Total assets	<u>14,342,131</u>	<u>42,856,847</u>	<u>57,198,978</u>	<u>460,900</u>	<u>77,907</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	642,177	1,219,785	1,861,962	106,756	-
Customer deposits	-	352,446	352,446	-	-
Long-term liabilities:					
Due within one year	350,385	730,717	1,081,102	-	-
Due in more than one year	<u>2,212,556</u>	<u>3,577,767</u>	<u>5,790,323</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,205,118</u>	<u>5,880,715</u>	<u>9,085,833</u>	<u>106,756</u>	<u>-</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	8,714,193	29,868,561	38,582,754	88,685	-
Restricted for:					
Perpetual maintenance	28,346	-	28,346	-	-
Stabilization by State Statute	748,833	-	748,833	-	-
Streets - Powell Bill	337,499	-	337,499	-	-
Unrestricted	<u>1,308,142</u>	<u>7,107,571</u>	<u>8,415,713</u>	<u>265,459</u>	<u>77,907</u>
Total net assets	<u>\$ 11,137,013</u>	<u>\$ 36,976,132</u>	<u>\$ 48,113,145</u>	<u>\$ 354,144</u>	<u>\$ 77,907</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, 2012**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,004,724	\$ 98,754	\$ -	\$ -
Public safety	3,973,995	94,814	171,010	-
Transportation	1,157,353	-	325,393	-
Economic and physical development	836,407	143,205	446,038	-
Environmental protection	1,093,520	999,139	-	-
Culture and recreation	1,708,029	411,792	237,310	-
Interest expense	29,615	-	-	-
Total governmental activities	<u>10,803,643</u>	<u>1,747,704</u>	<u>1,179,751</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water and sewer	4,296,809	4,556,175	-	542,323
Electric	11,384,798	12,710,776	-	75
Gas	4,319,923	4,556,071	-	7,100
Total business-type activities	<u>20,001,530</u>	<u>21,823,022</u>	<u>-</u>	<u>549,498</u>
Total primary government	<u>\$ 30,805,173</u>	<u>\$ 23,570,726</u>	<u>\$ 1,179,751</u>	<u>\$ 549,498</u>
<b>Component Units:</b>				
ABC Board	\$ 1,212,440	\$ 1,240,041	\$ -	\$ -
Tourism Development Authority Board	96,462	-	-	-
Total component units	<u>\$ 1,308,902</u>	<u>\$ 1,240,041</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 assets

**Net Assets:**

Beginning of year - July 1

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>				
<u>Primary Government</u>			<u>Component Units</u>	
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>ABC Board</u>	<u>Tourism Development Authority Board</u>
\$ (1,905,970)	\$ -	\$ (1,905,970)		
(3,708,171)	-	(3,708,171)		
(831,960)	-	(831,960)		
(247,164)	-	(247,164)		
(94,381)	-	(94,381)		
(1,058,927)	-	(1,058,927)		
(29,615)	-	(29,615)		
<u>(7,876,188)</u>	<u>-</u>	<u>(7,876,188)</u>		
-	801,689	801,689		
-	1,326,053	1,326,053		
-	243,248	243,248		
-	2,370,990	2,370,990		
<u>(7,876,188)</u>	<u>2,370,990</u>	<u>(5,505,198)</u>		
			\$ 27,601	\$ -
			-	(96,462)
			<u>386</u>	<u>(34,337)</u>
3,099,437	-	3,099,437	-	-
775,934	-	775,934	-	-
105,848	-	105,848	-	-
883,766	-	883,766	-	-
440,546	-	440,546	-	73,772
23,366	38,974	62,340	1,152	22
<u>5,328,897</u>	<u>38,974</u>	<u>5,367,871</u>	<u>1,152</u>	<u>73,794</u>
<u>2,070,194</u>	<u>(2,070,194)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,399,091</u>	<u>(2,031,220)</u>	<u>5,367,871</u>	<u>1,152</u>	<u>73,794</u>
(477,097)	339,770	(137,327)	28,753	(22,668)
<u>11,614,110</u>	<u>36,636,362</u>	<u>48,250,472</u>	<u>325,391</u>	<u>100,575</u>
<u>\$ 11,137,013</u>	<u>\$ 36,976,132</u>	<u>\$ 48,113,145</u>	<u>\$ 354,144</u>	<u>\$ 77,907</u>

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

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 3,061,940	\$ 47,040	\$ 3,108,980
Cash and cash equivalents, restricted	467,794	-	467,794
Taxes receivable, net	108,234	-	108,234
Accounts receivable, net	472,617	41,245	513,862
Due from other governments	335,576	-	335,576
Inventories	50,446	-	50,446
Total assets	<u>\$ 4,496,607</u>	<u>\$ 88,285</u>	<u>\$ 4,584,892</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 353,185	\$ 41,245	\$ 394,430
Deferred revenues	208,839	-	208,839
Total liabilities	<u>562,024</u>	<u>41,245</u>	<u>603,269</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	50,446	-	50,446
Perpetual maintenance	-	28,346	28,346
Restricted:			
Stabilization by State Statute	707,588	41,245	748,833
Streets	337,499	-	337,499
Committed:			
Future capital projects	-	18,694	18,694
Unassigned	2,839,050	(41,245)	2,797,805
Total fund balances	<u>3,934,583</u>	<u>47,040</u>	<u>3,981,623</u>
Total liabilities and fund balances	<u>\$ 4,496,607</u>	<u>\$ 88,285</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,457,811
The assets and liabilities of internal service funds are included in the Statement of Net Assets.	51,681
Liabilities for earned, but deferred, revenues in fund statements	208,839
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>(2,562,941)</u>
Net assets of governmental activities	<u>\$ 11,137,013</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, 2012

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,129,277	\$ -	\$ 3,129,277
Other taxes and licenses	2,206,094	-	2,206,094
Restricted intergovernmental	733,713	446,038	1,179,751
Permits and fees	162,257	-	162,257
Sales and services	1,368,704	-	1,368,704
Investment earnings	23,334	32	23,366
Miscellaneous	235,892	-	235,892
Total revenues	<u>7,859,271</u>	<u>446,070</u>	<u>8,305,341</u>
<b>Expenditures:</b>			
Current:			
General government	1,861,967	-	1,861,967
Public safety	3,862,087	-	3,862,087
Transportation	946,131	-	946,131
Economic and physical development	353,638	468,351	821,989
Environmental protection	990,673	-	990,673
Culture and recreation	1,453,635	-	1,453,635
Debt service:			
Principal	127,526	-	127,526
Interest	29,615	-	29,615
Total expenditures	<u>9,625,272</u>	<u>468,351</u>	<u>10,093,623</u>
Revenues over (under) expenditures	<u>(1,766,001)</u>	<u>(22,281)</u>	<u>(1,788,282)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,105,146	24,433	2,129,579
Transfers out	(38,239)	(21,146)	(59,385)
Issuance of debt	366,000	-	366,000
Total other financing sources (uses)	<u>2,432,907</u>	<u>3,287</u>	<u>2,436,194</u>
Net change in fund balances	666,906	(18,994)	647,912
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>3,267,677</u>	<u>66,034</u>	<u>3,333,711</u>
End of year - June 30	<u>\$ 3,934,583</u>	<u>\$ 47,040</u>	<u>\$ 3,981,623</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, 2012**

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	\$ 647,912
---	------------

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	525,166	
Disposals, net	(4,378)	
Depreciation expense	<u>(895,490)</u>	(374,702)

Change in deferred revenue for tax revenues	(61,037)
---	----------

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 assets. 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	(366,000)	
Repayment of debt principal	127,526	
Accrual of net pension obligation	(24,446)	
OPEB	(377,239)	
Accrual of compensated absences	<u>(12,593)</u>	(652,752)

Net revenue of internal service funds determined to be governmental-type	<u>(36,518)</u>
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Total change in net assets of governmental activities (Exhibit B)	<u>\$ (477,097)</u>
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*The accompanying notes are an integral part of the financial statements.*

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,064,179	\$ 3,149,179	\$ 3,129,277	\$ (19,902)
Other taxes	2,144,096	2,264,096	2,206,094	(58,002)
Restricted intergovernmental	308,101	993,468	733,713	(259,755)
Permits and fees	97,000	157,000	162,257	5,257
Investment earnings	18,800	18,800	23,334	4,534
Sales and services	1,393,828	1,350,353	1,368,704	18,351
Miscellaneous	127,273	181,061	235,892	54,831
Total revenues	<u>7,153,277</u>	<u>8,113,957</u>	<u>7,859,271</u>	<u>(254,686)</u>
<b>Expenditures:</b>				
Current:				
General government	1,724,941	2,074,592	1,861,967	212,625
Public safety	3,689,335	4,098,182	3,862,087	236,095
Transportation	967,465	1,223,900	946,131	277,769
Economic and physical development	400,076	427,476	353,638	73,838
Environmental protection	1,035,321	1,040,721	990,673	50,048
Culture and recreation	1,456,642	1,562,818	1,453,635	109,183
Debt service:				
Principal retirement	127,526	127,526	127,526	-
Interest and fees	29,615	29,615	29,615	-
Total expenditures	<u>9,430,921</u>	<u>10,584,830</u>	<u>9,625,272</u>	<u>959,558</u>
Revenues over (under) expenditures	<u>(2,277,644)</u>	<u>(2,470,873)</u>	<u>(1,766,001)</u>	<u>704,872</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,180,000	2,084,000	2,105,146	21,146
Transfers out	(11,000)	(26,000)	(38,239)	(12,239)
Issuance of debt	-	318,561	366,000	47,439
Total other financing sources (uses)	<u>2,169,000</u>	<u>2,376,561</u>	<u>2,432,907</u>	<u>56,346</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(108,644)</u>	<u>(94,312)</u>	<u>666,906</u>	<u>761,218</u>
Fund balance appropriated	<u>108,644</u>	<u>94,312</u>	<u>-</u>	<u>94,312</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>666,906</u>	<u>\$ 666,906</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>3,267,677</u>	
End of year - June 30			<u>\$ 3,934,583</u>	

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

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	<u>Business-Type Activities</u>			<u>Total</u>	<u>Governmental</u>
	<u>Enterprise Funds</u>				<u>Activities</u>
	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Gas Fund</u>		<u>Internal Service Funds</u>
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 1,400,225	\$ 2,651,840	\$ 1,482,136	\$ 5,534,201	\$ 299,428
Cash - restricted	79,920	173,873	98,653	352,446	-
Accounts receivable, net	568,375	1,629,489	305,372	2,503,236	-
Inventories	378,278	490,001	117,609	985,888	-
Total current assets	<u>2,426,798</u>	<u>4,945,203</u>	<u>2,003,770</u>	<u>9,375,771</u>	<u>299,428</u>
Non-current assets:					
Capital assets:					
Land and other non-depreciable assets	7,601,719	203,952	58,216	7,863,887	-
Other capital assets, net of depreciation	<u>18,909,473</u>	<u>5,483,937</u>	<u>1,223,779</u>	<u>25,617,189</u>	-
Total capital assets	<u>26,511,192</u>	<u>5,687,889</u>	<u>1,281,995</u>	<u>33,481,076</u>	-
Total assets	<u>28,937,990</u>	<u>10,633,092</u>	<u>3,285,765</u>	<u>42,856,847</u>	<u>299,428</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	258,480	793,320	167,985	1,219,785	247,747
Customer deposits	79,920	173,873	98,653	352,446	-
Current portion of compensated absences	38,829	26,374	4,826	70,029	-
Current portion of long-term liabilities	<u>508,940</u>	<u>123,306</u>	<u>28,442</u>	<u>660,688</u>	-
Total current liabilities	<u>886,169</u>	<u>1,116,873</u>	<u>299,906</u>	<u>2,302,948</u>	<u>247,747</u>
Non-current liabilities:					
Notes payable	2,320,678	560,971	70,178	2,951,827	-
OPEB liability	311,162	195,880	103,700	610,742	-
Compensated absences	<u>8,427</u>	<u>5,722</u>	<u>1,049</u>	<u>15,198</u>	-
Total non-current liabilities	<u>2,640,267</u>	<u>762,573</u>	<u>174,927</u>	<u>3,577,767</u>	-
Total liabilities	<u>3,526,436</u>	<u>1,879,446</u>	<u>474,833</u>	<u>5,880,715</u>	<u>247,747</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	23,681,574	5,003,612	1,183,375	29,868,561	-
Unrestricted	<u>1,729,980</u>	<u>3,750,034</u>	<u>1,627,557</u>	<u>7,107,571</u>	<u>51,681</u>
Total net assets	<u>\$ 25,411,554</u>	<u>\$ 8,753,646</u>	<u>\$ 2,810,932</u>	<u>\$ 36,976,132</u>	<u>\$ 51,681</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 ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities				Governmental Activities Internal Service Funds
	Enterprise Funds			Total	
	Water and Sewer Fund	Electric Fund	Gas Fund		
<b>Operating Revenues:</b>					
Charges for services	\$ 4,519,320	\$ 12,453,029	\$ 4,491,891	\$ 21,464,240	\$ 2,355,390
Miscellaneous revenues	36,855	257,747	64,180	358,782	-
Total operating revenues	<u>4,556,175</u>	<u>12,710,776</u>	<u>4,556,071</u>	<u>21,823,022</u>	<u>2,355,390</u>
<b>Operating Expenses:</b>					
Salaries and fringe benefits	1,412,874	1,235,609	630,730	3,279,213	-
Cost of merchandise sold	609,234	8,234,451	2,923,419	11,767,104	-
Other operating expenses	1,076,421	1,420,901	671,414	3,168,736	-
Depreciation and amortization	1,081,761	436,885	92,530	1,611,176	-
Excess policy fees	-	-	-	-	187,213
Administrative fees	-	-	-	-	99,958
Claims	-	-	-	-	2,106,492
Total operating expenses	<u>4,180,290</u>	<u>11,327,846</u>	<u>4,318,093</u>	<u>19,826,229</u>	<u>2,393,663</u>
Operating income (loss)	<u>375,885</u>	<u>1,382,930</u>	<u>237,978</u>	<u>1,996,793</u>	<u>(38,273)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Interest income	7,727	21,226	10,021	38,974	1,755
Interest expense	(116,519)	(20,185)	(1,830)	(138,534)	-
Other non-operating income	192,743	75	7,100	199,918	-
Total non-operating revenues (expenses)	<u>83,951</u>	<u>1,116</u>	<u>15,291</u>	<u>100,358</u>	<u>1,755</u>
Income (loss) before transfers and capital contributions	<u>459,836</u>	<u>1,384,046</u>	<u>253,269</u>	<u>2,097,151</u>	<u>(36,518)</u>
Transfers from other funds	13,806	-	-	13,806	-
Transfers to other funds	-	(1,684,000)	(400,000)	(2,084,000)	-
Capital contributions	349,580	(36,767)	-	312,813	-
Total transfers and capital contributions	<u>363,386</u>	<u>(1,720,767)</u>	<u>(400,000)</u>	<u>(1,757,381)</u>	<u>-</u>
Change in net assets	823,222	(336,721)	(146,731)	339,770	(36,518)
<b>Net Assets:</b>					
Beginning of year - July 1	<u>24,588,332</u>	<u>9,090,367</u>	<u>2,957,663</u>	<u>36,636,362</u>	<u>88,199</u>
End of year - June 30	<u>\$ 25,411,554</u>	<u>\$ 8,753,646</u>	<u>\$ 2,810,932</u>	<u>\$ 36,976,132</u>	<u>\$ 51,681</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, 2012

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Gas Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 4,556,208	\$ 12,565,259	\$ 4,643,489	\$ 21,764,956	\$ 2,355,390
Cash paid for goods and services	(1,685,642)	(9,853,746)	(3,737,628)	(15,277,016)	(2,311,371)
Cash paid to employees for services	(1,330,257)	(1,184,479)	(610,618)	(3,125,354)	-
Customer deposits - net	-	8,924	-	8,924	-
Other operating revenues	36,855	257,747	64,180	358,782	-
Net cash provided (used) by operating activities	<u>1,577,164</u>	<u>1,793,705</u>	<u>359,423</u>	<u>3,730,292</u>	<u>44,019</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(1,170,085)	(558,722)	(51,811)	(1,780,618)	-
Principal paid on bonds and equipment contracts	(558,171)	(168,709)	(17,041)	(743,921)	-
Proceeds from issuance of note payable	699,460	328,046	81,050	1,108,556	-
Other non-operating revenues	192,743	75	7,100	199,918	-
Interest expense	(116,519)	(20,185)	(1,830)	(138,534)	-
Net cash provided (used) by capital and related financing activities	<u>(952,572)</u>	<u>(419,495)</u>	<u>17,468</u>	<u>(1,354,599)</u>	<u>-</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Operating transfers	13,806	(1,684,000)	(400,000)	(2,070,194)	-
Net cash provided (used) by non-capital financing activities	<u>13,806</u>	<u>(1,684,000)</u>	<u>(400,000)</u>	<u>(2,070,194)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>					
Interest income (loss)	7,727	21,226	10,021	38,974	1,755
Net increase (decrease) in cash and cash equivalents	646,125	(288,564)	(13,088)	344,473	45,774
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	834,020	3,114,277	1,593,877	5,542,174	253,654
End of year - June 30	<u>\$ 1,480,145</u>	<u>\$ 2,825,713</u>	<u>\$ 1,580,789</u>	<u>\$ 5,886,647</u>	<u>\$ 299,428</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 375,885	\$ 1,382,930	\$ 237,978	\$ 1,996,793	\$ (38,273)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,081,761	436,885	92,530	1,611,176	-
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	36,888	112,230	151,598	300,716	-
Inventories	(51,449)	51,518	(7,476)	(7,407)	-
Increase (decrease) in:					
Accounts payable	51,074	(248,492)	(149,103)	(346,521)	82,292
OPEB	78,981	49,710	26,292	154,983	-
Customer deposits	4,024	8,924	7,604	20,552	-
Net cash provided (used) by operating activities	<u>\$ 1,577,164</u>	<u>\$ 1,793,705</u>	<u>\$ 359,423</u>	<u>\$ 3,730,292</u>	<u>\$ 44,019</u>
<b>Supplemental Disclosures of Non-Cash Activities:</b>					
Contributed assets	<u>\$ 349,580</u>	<u>\$ (36,767)</u>	<u>\$ -</u>	<u>\$ 312,813</u>	<u>\$ -</u>

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

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b><u>Firemen's Retirement</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>210,521</u>
<b>Liabilities:</b>	
Intergovernmental payable	\$ <u>210,521</u>

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

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 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 Assets 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, 2012

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 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:

### **Special Revenue Funds**

The special revenue funds are used to account for specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains the following Community Development Block Grant Project Funds: 2006 Concentrated Needs, 2010 SBEA Fund, and 2012 Center Street Fund.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Capital Projects 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.

**Sewer Line Rehabilitation Capital Projects Fund.** This fund accounts for financial resources to be used for the acquisition and construction of major capital facilities. The City is in the process of rehabilitating major sewer lines.

**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 major enterprise funds:

### Enterprise Funds

**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.

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

**Firemen's Retirement Fund.** This fund is used to account for the City's Firemen's Retirement Plan.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 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 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.

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Carolina. Effective with this change in the law, Cleveland and Gaston Counties are responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

### **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, 2012

### **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, 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 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, a 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, 2012

### **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. Customer deposits held by the City before any utility services are supplied are restricted to the service for which the deposit was collected. A portion of library funds are classified as restricted because it was a donation set up through the Foundation for the Carolinas as an Endowment Fund.

### **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<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These tax levies are based on the assessed values as of January 1, 2011. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

### **Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and current data.

### **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.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 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

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

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### **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 Assets. 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 are reported as deferred charges and amortized over the term of the related 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.

For the City's government-wide financial statements and proprietary fund type statements and the ABC Board 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.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### **Net Assets/Fund Balances**

#### **Net Assets**

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

#### **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.

#### **Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Kings Mountain's governing body (highest level of decision making authority, the City Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

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

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

Total fund balance - General Fund	\$ 3,934,583
<b>Less:</b>	
Inventories	50,446
Stabilization by State statute	<u>707,588</u>
Total available fund balance	<u>\$ 3,176,549</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.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 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 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2012, the City's deposits had a carrying amount of \$9,959,314 and a bank balance of \$10,463,078. Of the bank balance, \$736,253 was covered by federal depository insurance and \$9,726,825 was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the TDA Board was \$71,543, and the bank balance was \$25,599. The bank balance of the TDA Board was fully covered by federal depository insurance.

At June 30, 2012, 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.

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Investments**

At June 30, 2012, the City of Kings Mountain had \$11,577 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.

**Receivables - Allowances for Doubtful Accounts**

The receivables shown in Exhibit A at June 30, 2012 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 502,650	\$ 174,626	\$ 335,576	\$ 1,012,852
Nonmajor	41,245	-	-	41,245
Allowance for doubtful accounts	<u>(30,033)</u>	<u>(66,392)</u>	-	<u>(96,425)</u>
Total governmental activities	<u>\$ 513,862</u>	<u>\$ 108,234</u>	<u>\$ 335,576</u>	<u>\$ 957,672</u>
<b>Business-Type Activities:</b>				
Water and sewer	\$ 769,206	\$ -	\$ -	\$ 769,206
Electric	1,820,143	-	-	1,820,143
Gas	567,913	-	-	567,913
Allowance for doubtful accounts	<u>(654,026)</u>	-	-	<u>(654,026)</u>
Total business-type activities	<u>\$ 2,503,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,503,236</u>

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

<b>Governmental Activities:</b>	
State sales tax reimbursement	\$ 73,563
County sales tax reimbursement	39,626
Occupancy tax	7,171
Miscellaneous	19,851
Local option sales tax	<u>195,365</u>
Total	<u>\$ 335,576</u>

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 2,662,528	\$ -	\$ -	\$ -	\$ 2,662,528
Construction in progress	-	35,558	-	-	35,558
Total non-depreciable capital assets	2,662,528	35,558	-	-	2,698,086
<b>Depreciable Capital Assets:</b>					
Infrastructure - roads	2,330,558	-	-	-	2,330,558
Infrastructure - curbs and gutters	539,368	-	-	-	539,368
Infrastructure - sidewalks	188,939	9,915	-	-	198,854
Buildings	10,695,757	-	-	-	10,695,757
Other improvements	283,938	27,074	-	-	311,012
Equipment	2,685,388	288,541	(19,305)	-	2,954,624
Vehicles	4,489,614	144,811	(95,615)	176,380	4,715,190
Total depreciable capital assets	21,213,562	470,341	(114,920)	176,380	21,745,363
<b>Less Accumulated Depreciation:</b>					
Infrastructure - roads	1,755,186	104,630	-	-	1,859,816
Infrastructure - curbs and gutters	343,344	-	-	-	343,344
Infrastructure - sidewalks	44,162	-	-	-	44,162
Buildings	6,790,270	355,887	-	-	7,146,157
Other improvements	150,154	23,645	-	-	173,799
Equipment	1,628,714	180,987	(14,927)	-	1,794,774
Vehicles	3,331,746	230,341	(95,615)	157,114	3,623,586
Total accumulated depreciation	14,043,576	\$ 895,490	\$ (110,542)	\$ 157,114	14,985,638
Total depreciable capital assets, net	7,169,986				6,759,725
Governmental activities capital assets, net	\$ 9,832,514				\$ 9,457,811

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

<b>Governmental Activities:</b>	
General government	\$ 104,630
Human services	355,887
Economic and physical development	23,645
Environmental protection	180,987
Cultural and recreational	230,341
Total depreciation expense	\$ 895,490

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 6,942,261	\$ -	\$ -	\$ -	\$ 6,942,261
Construction in progress	-	659,458	-	-	659,458
Total non-depreciable capital assets	<u>6,942,261</u>	<u>659,458</u>	<u>-</u>	<u>-</u>	<u>7,601,719</u>
<b>Depreciable Capital Assets:</b>					
Buildings	14,658,990	-	-	-	14,658,990
Other improvements	39,037,987	66,272	-	-	39,104,259
Lines	7,749,073	343,601	-	-	8,092,674
Equipment	5,167,924	66,026	(61,038)	35,000	5,207,912
Vehicles	469,969	384,308	(26,551)	23,289	851,015
Total depreciable capital assets	<u>67,083,943</u>	<u>860,207</u>	<u>(87,589)</u>	<u>58,289</u>	<u>67,914,850</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	10,594,132	291,536	-	-	10,885,668
Other improvements	31,428,894	371,511	-	-	31,800,405
Lines	1,440,446	252,396	-	-	1,692,842
Equipment	4,118,251	99,863	(61,038)	17,500	4,174,576
Vehicles	388,693	66,455	(26,551)	23,289	451,886
Total accumulated depreciation	<u>47,970,416</u>	<u>\$ 1,081,761</u>	<u>\$ (87,589)</u>	<u>\$ 58,289</u>	<u>49,005,377</u>
Total depreciable capital assets, net	<u>19,113,527</u>				<u>18,909,473</u>
Water and Sewer Fund capital assets, net	<u>\$ 26,055,788</u>				<u>\$ 26,511,192</u>

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 39,890	\$ -	\$ -	\$ -	\$ 39,890
Construction in progress	-	164,062	-	-	164,062
Total non-depreciable capital assets	39,890	164,062	-	-	203,952
<b>Depreciable Capital Assets:</b>					
Buildings	2,175,244	-	-	-	2,175,244
Other improvements	841,835	14,634	-	-	856,469
Lines	4,847,094	-	-	-	4,847,094
Equipment	773,242	82,837	-	(35,000)	821,079
Vehicles	1,118,164	297,189	(50,466)	(176,380)	1,188,507
Total depreciable capital assets	9,755,579	394,660	(50,466)	(211,380)	9,888,393
<b>Less Accumulated Depreciation:</b>					
Buildings	914,255	72,707	-	-	986,962
Other improvements	143,822	73,270	-	-	217,092
Lines	1,960,928	161,748	-	-	2,122,676
Equipment	489,726	32,833	-	(17,500)	505,059
Vehicles	683,920	96,327	(50,466)	(157,114)	572,667
Total accumulated depreciation	4,192,651	\$ 436,885	\$ (50,466)	\$ (174,614)	4,404,456
Total depreciable capital assets, net	5,562,928				5,483,937
Electric Fund capital assets, net	\$ 5,602,818				\$ 5,687,889
<b>Gas Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 31,000	\$ -	\$ -	\$ -	\$ 31,000
Construction in progress	-	27,216	-	-	27,216
Total non-depreciable capital assets	31,000	27,216	-	-	58,216
<b>Depreciable Capital Assets:</b>					
Lines	2,282,862	-	-	-	2,282,862
Equipment	228,393	24,595	-	-	252,988
Vehicles	229,522	-	(21,526)	(1,877)	206,119
Total depreciable capital assets	2,740,777	24,595	(21,526)	(1,877)	2,741,969
<b>Less Accumulated Depreciation:</b>					
Lines	1,150,759	46,013	-	-	1,196,772
Equipment	142,934	21,317	-	-	164,251
Vehicles	155,370	25,200	(21,526)	(1,877)	157,167
Total accumulated depreciation	1,449,063	\$ 92,530	\$ (21,526)	\$ (1,877)	1,518,190
Total depreciable capital assets, net	1,291,714				1,223,779
Electric Fund capital assets, net	\$ 1,322,714				\$ 1,281,995
<b>Total for Business-Type Activities:</b>					
Non-depreciable capital assets	\$ 7,013,151				\$ 7,863,887
Depreciable capital assets, net of depreciation	25,968,169				25,617,189
Business-type activities capital assets, net	\$ 32,981,320				\$ 33,481,076

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Invested in Capital Assets, Net of Debt**

The total invested in capital assets, net of related debt at June 30, 2012 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 9,457,811	\$ 33,481,076
Long-term debt	(743,618)	(3,612,515)
Invested in capital assets, net of related debt	\$ 8,714,193	\$ 29,868,561

**ABC Board**

Activity for the ABC Board for the year ended June 30, 2012 was as follows:

	<b>July 1, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2012</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	216,257	-	-	216,257
Equipment	73,518	-	-	73,518
Total depreciable capital assets	289,775	-	-	289,775
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	216,258	-	-	216,258
Equipment	61,182	2,525	-	63,707
Total accumulated depreciation	277,440	\$ 2,525	\$ -	279,965
Total depreciable capital assets, net	12,335			9,810
ABC Board capital assets, net	\$ 91,210			\$ 88,685

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**B. Liabilities**

**Payables**

Payables at the government-wide level, Exhibit A, at June 30, 2012 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 227,076	\$ 126,109	\$ -	\$ 353,185
Special Revenue Funds	41,245	-	-	41,245
Internal Service Funds	247,747	-	-	247,747
Total governmental activities	<u>\$ 516,068</u>	<u>\$ 126,109</u>	<u>\$ -</u>	<u>\$ 642,177</u>
<b>Business-Type Activities:</b>				
Water and Sewer	\$ 186,153	\$ 31,050	\$ 41,277	\$ 258,480
Electric	768,399	20,230	4,691	793,320
Gas	160,416	5,995	1,574	167,985
Total business-type activities	<u>\$ 1,114,968</u>	<u>\$ 57,275</u>	<u>\$ 47,542</u>	<u>\$ 1,219,785</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 6.88% and 7.05%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 5.2% of annual covered payroll. The contribution requirements of members and of the City and the ABC 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, 2012, 2011, and 2010 were \$428,839 \$383,083, and \$286,150, respectively. The ABC Board's contributions to

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

LGERS for the years ended June 30, 2012, 2011, and 2010 were \$5,966 \$5,432, \$4,576, 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>30</u>
Total	<u>31</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. 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 year June 30, 2012. The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was nineteen 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	\$	42,903
Interest on net pension obligation		2,226
Adjustment to the annual required contribution		<u>(2,656)</u>
Annual pension cost		42,473
Employer contributions made for fiscal year ending June 30, 2012		<u>18,027</u>
Increase in net pension obligation		24,446
Net pension obligation:		
Beginning of year - July 1		<u>44,521</u>
End of year - June 30	\$	<u>68,967</u>

### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 32,030	56.28%	\$ 16,300
2011	46,248	38.98%	44,521
2012	42,473	42.44%	68,967

**Funded Status and Funding Progress.** As of December 30, 2011, 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 \$349,022. The covered payroll (annual payroll of active employees covered by the plan) was \$1,187,866, and the ratio of the UAAL to the covered payroll was 29.38 percent.

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.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### **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, 2012 were \$69,049, which consisted of \$62,679 from the City and \$6,370 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, 2012, were \$327,935, which consisted of \$248,118 from the City and \$79,817 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, 2012**

During the year ending June 30, 2012, the City made contributions of \$75,793 on behalf of 22 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, 2010, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Enforcement Officers</b>
Retirees and dependents receiving benefits	19	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	142	30
Total	161	30

**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 10% of annual covered payroll. For the current year, the City contributed \$75,793, or 1.3% 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, 2012

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	\$	602,488
Interest on net OPEB obligation		40,266
Adjustments to annual required contribution		(34,739)
Annual OPEB cost (expense)		608,015
Contributions made		(75,793)
Increase (decrease) in net OPEB obligation		532,222
Net OPEB obligation:		
Beginning of year - July 1		1,564,901
End of year - June 30	\$	2,097,123

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
2012	\$ 608,015	12.5%	\$ 2,097,123
2011	608,015	8.2%	1,564,901
2010	580,711	13.8%	1,006,652

**Fund Status and Funding Progress.** As of December 31, 2010, 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 \$5,565,799. The covered payroll (annual payroll of active employees covered by the plan) was \$6,047,996, and the ratio of the UAAL to the covered payroll was 92.0 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

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 accrued liabilities for benefits.

**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, 2010, 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 10.50 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, 2010 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. All death benefit payments are made from the Death Benefit Plan. 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. The City considers these contributions to be immaterial

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Deferred Revenues

The balance in deferred revenues in the fund statements at June 30, 2012 is composed of the following elements:

	<u>Deferred Revenues</u>
Taxes receivable, net	\$ 108,234
Moss Lake receipts	<u>100,605</u>
Total	<u>\$ 208,839</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. Firemen's Insurance Co of Washington, DC and Union Insurance Company provide all of the above coverage except for the excess workers' compensation that is placed with Safety National Company and a public official bond, which is placed with Hartford Fire Insurance Co. These insurance carriers are both 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 property damage only deductible of \$1,000; auto liability coverage of \$1,000,000 per occurrence and a per occurrence property damage only deductible of \$1,000; law enforcement liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$5,000 per occurrence deductible; public officials liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$5,000 deductible; employment practices liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$5,000 deductible; umbrella liability coverage limit of \$5,000,000 with a \$10,000 self insured retention; employee dishonesty coverage limit of \$100,000 with a per occurrence deductible of \$1,000; property coverage blanket limit of \$77,571,840; 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 \$2500 minimum per occurrence deductible; excess workers' compensation and employers liability/occupational accident coverage with a \$350,000 self insured retention. There has been no significant reduction in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 \$100,000.

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

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

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning	\$ 161,753	\$ 192,444
Incurred claims	1,973,952	1,645,463
Claim payments	<u>(1,970,063)</u>	<u>(1,676,154)</u>
Unpaid claims, ending	<u>\$ 165,642</u>	<u>\$ 161,753</u>

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

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning	\$ 3,702	\$ 15,359
Incurred claims	143,015	9,700
Claim payments	<u>(136,429)</u>	<u>(21,357)</u>
Unpaid claims, ending	<u>\$ 10,288</u>	<u>\$ 3,702</u>

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

### **Claims, Judgments, and Contingent Liabilities**

At June 30, 2012, 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, 2012

### 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:

Note payable due in annual payments of \$35,007, including interest at 3.47% through December 2015	\$ 128,674
Note payable due in annual payments of \$14,794, including interest at 3.45% through December 2013	28,124
Note payable due in annual payments of \$24,920, including interest at 2.03% through October 2015	94,820
Note payable due in annual payments of \$21,000, including interest at 3.41% through February 2018	126,000
Branch Banking and Trust Company, due in annual payments of \$8,246, including interest at 2.28% through August 2018	52,800
Branch Banking and Trust Company, due in annual payments of \$48,003, including interest at 1.79% through March 2019	<u>313,200</u>
Total governmental activities	<u>\$ 743,618</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Serviced by the Enterprise Funds:**

Branch Banking and Trust Company, due in annual payments of \$181,654, including interest at 3.91% through July 2014	\$ 504,969
Note payable due in annual payments of \$283,745, including interest at 4.21% through May 2019	1,621,612
Note payable due in annual payments of \$18,117, including interest at 3.110%	17,571
Note payable due in annual payments of \$80,766, including interest at 3.85% through January 2017	361,074
Note payable due in annual payments of \$46,347, including interest at 1.79% through October 2014	134,209
Note payable due in annual payments of \$7,714, including interest at 3.09% through January 2014	<u>14,741</u>
Sub-total business-type activities	<u>\$ 2,654,176</u>

**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Serviced by the Enterprise Funds (Continued):**

Branch Banking and Trust Company, due in annual payments of \$26,113, including interest at 2.28% through August 2018	\$ 167,200
Branch Banking and Trust Company, due in annual payments of \$18,668, including interest at 1.79% through March 2019	121,800
Branch Banking and Trust Company, due in annual payments of \$39,204, including interest at 1.98% through October 2017	219,750
Branch Banking and Trust Company, due in annual payments of \$13,365, including interest at 1.98% through October 2017	74,913
Branch Banking and Trust Company, due in annual payments of \$52,522, including interest at 1.74% through March 2016	201,256
Branch Banking and Trust Company, due in annual payments of \$45,125, including interest at 1.62% through September 2015	<u>173,420</u>
Total business-type activities	<u>\$ 3,612,515</u>

The future minimum payments of the installment purchases as of June 30, 2012 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 137,800	\$ 18,467	\$ 660,688	\$ 121,483
2014	140,723	14,828	672,080	99,553
2015	128,932	11,109	694,672	77,052
2016	131,507	7,818	498,047	53,716
2017	74,222	4,459	418,894	37,003
2018-2022	130,434	3,781	668,134	29,559
Total	<u>\$ 743,618</u>	<u>\$ 60,462</u>	<u>\$ 3,612,515</u>	<u>\$ 418,366</u>

At June 30, 2012, the City had bonds authorized, but unissued, of \$500,000 and a legal debt margin of \$57,219,987.

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Installment purchases	\$ 505,144	\$ 366,000	\$ (127,526)	\$ 743,618	\$ 137,800
Compensated absences	251,382	225,178	(212,585)	263,975	212,585
OPEB obligation	1,109,142	430,961	(53,722)	1,486,381	-
Net pension obligation (prepaid)	44,521	42,473	(18,027)	68,967	-
Total governmental activities long-term liabilities	<u>\$ 1,910,189</u>	<u>\$ 1,064,612</u>	<u>\$ (411,860)</u>	<u>\$ 2,562,941</u>	<u>\$ 350,385</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 95,000	\$ -	\$ (95,000)	\$ -	\$ -
Less deferred amount for for loss on defeasance	24,662	-	(24,662)	-	-
Total general obligation bonds	70,338	-	(70,338)	-	-
Installment purchases	3,152,880	1,108,556	(648,921)	3,612,515	660,688
OPEB obligation	455,759	177,054	(22,071)	610,742	-
Compensated absences	86,351	86,412	(87,536)	85,227	70,029
Total business-type activity long-term liabilities	<u>\$ 3,765,328</u>	<u>\$ 1,372,022</u>	<u>\$ (828,866)</u>	<u>\$ 4,308,484</u>	<u>\$ 730,717</u>

Interest expense paid during the year for governmental activities totaled \$29,615.

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, 2012, consist of the following:

From the Gas Fund to the General Fund for operating expenditures	\$ 400,000
From the Electric Fund to the General Fund for operating expenditures	1,684,000
From the General Fund to the Water and Sewer Fund for debt service	13,806
From the General Fund to the Cemetery Perpetual Care Fund for perpetual maintenance	3,754
From the General Fund to the Special Revenue Fund for operating expenditures	20,679
From the Special Revenue Fund to the General Fund to close the project	21,146
Total	<u>\$ 2,143,385</u>

# CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 3. Stewardship, Compliance, and Accountability

#### A. Excess of Expenditures over Appropriations

The TDA Board has overextended its budget authority at the legal level of control as of June 30, 2012 as follows:

<u>Expenditure:</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Cultural and recreation	\$ 50,100	\$ 96,462	\$ (46,362)

The City of King's Mountain Tourism Development Authority will monitor the budget more closely in the future.

#### B. Non-Compliance with North Carolina General Statutes

According to G.S. 159-29, the Authority is required to have the Finance Officer covered under a surety bond for at least \$50,000. In 2012, the Finance Officer for the City of King's Tourism Development Authority was not covered under a surety bond. The Authority plans to cover the Finance Officer in the upcoming year.

#### C. Deficit Fund Balance of Net Assets of Individual Funds

The following funds reported material deficit fund balances at June 30, 2012:

Health Insurance Internal Service Fund	\$ 161,452
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The City will monitor the funds financial performance more closely in the future. Management will transfer funds as necessary to avoid deficit fund balances at year end in future periods.

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

## 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)				
12/31/2001	\$ -	\$ 198,101	\$ 198,101	0.00%	\$ 805,278	24.60%
12/31/2002	-	257,307	257,307	0.00%	825,761	31.16%
12/31/2003	-	261,110	261,110	0.00%	933,715	27.96%
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%

## Schedule of Employer Contributions

Year Ended June 30	Annual		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2008	\$ 28,029	\$ 28,940	103.25%
2009	33,178	18,027	54.33%
2010	32,008	18,027	56.32%
2011	46,306	18,027	38.93%
2012	42,903	18,027	42.02%

## 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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 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,

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (b-a)			
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%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 580,711	\$ -	0.00%
2010	580,711	74,501	12.83%
2011	602,488	49,766	8.26%
2012	602,488	75,793	12.58%

## 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	12/31/2010
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	10.5%-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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current levy	\$ 3,119,179	\$ 3,106,066	\$ (13,113)	\$ 3,007,391
Penalties and interest	30,000	23,211	(6,789)	28,100
Total ad valorem taxes	<u>3,149,179</u>	<u>3,129,277</u>	<u>(19,902)</u>	<u>3,035,491</u>
<b>Other Taxes:</b>				
Local option sales tax	853,825	775,934	(77,891)	789,584
Hold-harmless sales tax	247,839	261,922	14,083	247,024
Utilities franchise tax	881,948	883,766	1,818	838,147
Payments in lieu of taxes	101,061	105,848	4,787	97,507
Miscellaneous	179,423	178,624	(799)	170,137
Total other taxes	<u>2,264,096</u>	<u>2,206,094</u>	<u>(58,002)</u>	<u>2,142,399</u>
<b>Restricted Intergovernmental:</b>				
Powell Bill allocation	392,435	304,397	(88,038)	306,940
Federal government grants	97,683	97,308	(375)	121,242
State government grants	247,293	38,373	(208,920)	370,319
Local government grants	256,057	293,635	37,578	421,755
Total restricted intergovernmental	<u>993,468</u>	<u>733,713</u>	<u>(259,755)</u>	<u>1,220,256</u>
<b>Permits and Fees:</b>				
Privilege licenses	17,000	19,052	2,052	44,734
General permits	140,000	143,205	3,205	103,469
Total permits and fees	<u>157,000</u>	<u>162,257</u>	<u>5,257</u>	<u>148,203</u>
<b>Sales and Services:</b>				
Lake authority income	327,330	349,015	21,685	346,714
Disposal fee revenue	781,123	783,062	1,939	786,326
Recycling fees	125,500	125,838	338	58,021
Cemetery income	91,000	83,000	(8,000)	90,400
Recreation	25,400	27,789	2,389	30,780
Total sales and services	<u>1,350,353</u>	<u>1,368,704</u>	<u>18,351</u>	<u>1,312,241</u>
<b>Investment Earnings:</b>				
Interest income (loss)	18,800	20,900	2,100	18,825
Interest income (loss) - Powell Bill	-	2,434	2,434	2,767
Total investment earnings	<u>18,800</u>	<u>23,334</u>	<u>4,534</u>	<u>21,592</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Miscellaneous:</b>				
Library	16,200	23,169	6,969	16,627
Rentals	3,600	8,400	4,800	14,400
Sale of capital assets	5,000	8,879	3,879	7,626
Court costs and jail fees	5,000	4,592	(408)	4,268
Other revenues	151,261	190,852	39,591	295,526
Total miscellaneous	<u>181,061</u>	<u>235,892</u>	<u>54,831</u>	<u>338,447</u>
Total revenues	<u>8,113,957</u>	<u>7,859,271</u>	<u>(254,686)</u>	<u>8,218,629</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Non-Departmental:</b>				
Salaries and employee benefits	101,790	101,852	(62)	107,902
Operating expenses	416,738	426,965	(10,227)	413,408
Capital outlay	30,000	7,160	22,840	16,619
Total	<u>548,528</u>	<u>535,977</u>	<u>12,551</u>	<u>537,929</u>
<b>Administration and Finance:</b>				
Salaries and employee benefits	913,900	842,076	71,824	841,098
Operating expenses	271,052	228,163	42,889	198,692
Charges to other funds	(545,180)	(530,180)	(15,000)	(545,180)
Capital outlay	70,161	28,398	41,763	-
Total	<u>709,933</u>	<u>568,457</u>	<u>141,476</u>	<u>494,610</u>
<b>Human Resources:</b>				
Salaries and employee benefits	157,723	154,920	2,803	138,204
Operating expenses	52,782	45,382	7,400	34,302
Total	<u>210,505</u>	<u>200,302</u>	<u>10,203</u>	<u>172,506</u>
<b>Elections Board:</b>				
Operating expenses	10,000	5,383	4,617	-
Total	<u>10,000</u>	<u>5,383</u>	<u>4,617</u>	<u>-</u>
<b>Garage:</b>				
Salaries and employee benefits	221,586	207,525	14,061	207,155
Operating expenses	18,096	11,364	6,732	15,027
Capital outlay	-	-	-	21,501
Total	<u>239,682</u>	<u>218,889</u>	<u>20,793</u>	<u>243,683</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Public Works:</b>				
Salaries and employee benefits	133,258	132,378	880	131,648
Operating expenses	51,921	42,160	9,761	41,272
Capital outlay	78,514	77,300	1,214	-
Total	263,693	251,838	11,855	172,920
<b>Information Technology:</b>				
Salaries and employee benefits	79,088	77,978	1,110	88,251
Operating expenses	13,163	3,143	10,020	1,671
Capital outlay	-	-	-	14,504
Total	92,251	81,121	11,130	104,426
Total general government	2,074,592	1,861,967	212,625	1,726,074
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	2,125,204	2,101,834	23,370	1,964,199
Operating expenses	470,074	406,642	63,432	369,094
Capital outlay	187,400	189,298	(1,898)	45,408
Total	2,782,678	2,697,774	84,904	2,378,701
<b>Fire:</b>				
Salaries and employee benefits	632,302	552,799	79,503	564,703
Operating expenses	246,897	231,000	15,897	125,695
Capital outlay	-	-	-	9,911
Total	879,199	783,799	95,400	700,309
<b>Communications:</b>				
Operating expenses	77,673	59,637	18,036	17,608
Capital outlay	94,312	99,184	(4,872)	126,633
Total	171,985	158,821	13,164	144,241
<b>Safety/Risk Management:</b>				
Salaries and employee benefits	-	578	(578)	73,368
Operating expenses	-	-	-	28,797
Charges to other funds	-	-	-	(67,595)
Capital outlay	-	-	-	11,329
Total	-	578	(578)	45,899

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Codes and Inspections:</b>				
Salaries and employee benefits	226,937	190,567	36,370	187,065
Operating expenses	33,933	27,035	6,898	12,193
Capital outlay	3,450	3,513	(63)	-
Total	<u>264,320</u>	<u>221,115</u>	<u>43,205</u>	<u>199,258</u>
Total public safety	<u>4,098,182</u>	<u>3,862,087</u>	<u>236,095</u>	<u>3,468,408</u>
<b>Transportation:</b>				
<b>Streets:</b>				
Salaries and employee benefits	744,488	713,103	31,385	714,143
Operating expenses	182,977	154,178	28,799	150,355
Capital outlay	-	9,915	(9,915)	28,910
Total	<u>927,465</u>	<u>877,196</u>	<u>50,269</u>	<u>893,408</u>
<b>Streets - Powell Bill:</b>				
Operating expenses	<u>296,435</u>	<u>68,935</u>	<u>227,500</u>	<u>231,078</u>
Total	<u>296,435</u>	<u>68,935</u>	<u>227,500</u>	<u>231,078</u>
Total transportation	<u>1,223,900</u>	<u>946,131</u>	<u>277,769</u>	<u>1,124,486</u>
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits	189,399	183,650	5,749	181,523
Operating expenses	<u>238,077</u>	<u>169,988</u>	<u>68,089</u>	<u>620,437</u>
Total	<u>427,476</u>	<u>353,638</u>	<u>73,838</u>	<u>801,960</u>
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Salaries and employee benefits	418,244	416,912	1,332	399,878
Operating expenses	<u>402,751</u>	<u>374,162</u>	<u>28,589</u>	<u>385,450</u>
Total	<u>820,995</u>	<u>791,074</u>	<u>29,921</u>	<u>785,328</u>
<b>Cemetery:</b>				
Salaries and employee benefits	90,946	85,614	5,332	84,930
Operating expenses	<u>40,639</u>	<u>30,712</u>	<u>9,927</u>	<u>24,499</u>
Total	<u>131,585</u>	<u>116,326</u>	<u>15,259</u>	<u>109,429</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Recycling:</b>				
Salaries and employee benefits	66,921	66,894	27	27,697
Operating expenses	21,220	16,379	4,841	207,914
Capital outlay	-	-	-	127,405
Total	<u>88,141</u>	<u>83,273</u>	<u>4,868</u>	<u>363,016</u>
Total environmental protection	<u>1,040,721</u>	<u>990,673</u>	<u>50,048</u>	<u>1,257,773</u>
<b>Culture and Recreation:</b>				
<b>Library:</b>				
Salaries and employee benefits	333,433	321,120	12,313	315,442
Operating expenses	211,409	179,795	31,614	251,627
Total	<u>544,842</u>	<u>500,915</u>	<u>43,927</u>	<u>567,069</u>
<b>Senior Services:</b>				
Salaries and employee benefits	245,697	236,014	9,683	223,742
Operating expenses	180,631	168,584	12,047	137,534
Capital outlay	-	-	-	42,457
Total	<u>426,328</u>	<u>404,598</u>	<u>21,730</u>	<u>403,733</u>
<b>Recreation:</b>				
Salaries and employee benefits	59,311	57,262	2,049	56,526
Operating expenses	117,060	110,058	7,002	115,944
Total	<u>176,371</u>	<u>167,320</u>	<u>9,051</u>	<u>172,470</u>
<b>Lake Authority:</b>				
Salaries and employee benefits	165,025	168,805	(3,780)	164,696
Operating expenses	121,182	119,104	2,078	94,727
Capital outlay	55,298	19,121	36,177	45,531
Total	<u>341,505</u>	<u>307,030</u>	<u>34,475</u>	<u>304,954</u>
<b>Tourism and Development:</b>				
Operating expenses	<u>73,772</u>	<u>73,772</u>	-	<u>60,598</u>
Total	<u>73,772</u>	<u>73,772</u>	-	<u>60,598</u>
Total culture and recreation	<u>1,562,818</u>	<u>1,453,635</u>	<u>109,183</u>	<u>1,508,824</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
<b>Debt Service:</b>				
Principal retirement	127,526	127,526	-	149,622
Interest and fees	29,615	29,615	-	19,022
Total debt service	<u>157,141</u>	<u>157,141</u>	-	<u>168,644</u>
Total expenditures	<u>10,584,830</u>	<u>9,625,272</u>	<u>959,558</u>	<u>10,056,169</u>
Revenues over (under) expenditures	<u>(2,470,873)</u>	<u>(1,766,001)</u>	<u>704,872</u>	<u>(1,837,540)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,084,000	2,105,146	21,146	2,115,111
Transfers to other funds:				
Fiduciary Fund	(26,000)	(24,433)	1,567	(3,249)
Proprietary Fund	-	(13,806)	(13,806)	(13,806)
Appropriated fund balance	94,312	-	(94,312)	-
Issuance of debt	<u>318,561</u>	<u>366,000</u>	<u>47,439</u>	<u>117,357</u>
Total other financing sources (uses)	<u>2,470,873</u>	<u>2,432,907</u>	<u>(37,966)</u>	<u>2,215,413</u>
Net change in fund balance	<u>\$ -</u>	<u>666,906</u>	<u>\$ 666,906</u>	<u>377,873</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>3,267,677</u>		<u>2,889,804</u>
End of year - June 30		<u>\$ 3,934,583</u>		<u>\$ 3,267,677</u>

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**CITY OF KINGS MOUNTAIN, NORTH CAROLINA**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	<b>2006</b>	<b>2010</b>	<b>2012</b>	
	<b>Concentrated Needs Community Development Block Grant</b>	<b>SBEA Community Development Block Grant</b>	<b>Center Street Community Development Block Grant</b>	<b>General Capital Projects Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 6,505
Accounts receivable, net	<u>-</u>	<u>24,826</u>	<u>16,419</u>	<u>-</u>
 Total assets	 <u>\$ -</u>	 <u>\$ 24,826</u>	 <u>\$ 16,419</u>	 <u>\$ 6,505</u>
 <b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ 24,826</u>	<u>\$ 16,419</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>24,826</u>	<u>16,419</u>	<u>-</u>
 <b>Fund Balances:</b>				
Non-spendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State statute	-	24,826	16,419	-
Committed:				
Future capital projects	-	-	-	6,505
Unassigned	<u>-</u>	<u>(24,826)</u>	<u>(16,419)</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,505</u>
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ 24,826</u>	 <u>\$ 16,419</u>	 <u>\$ 6,505</u>

Schedule 2

<u>Sewer Line Rehabilitation</u>	<u>Library Repairs and Improvements</u>	<u>Cemetery Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 12,189	\$ 28,346	\$ 47,040
<u>-</u>	<u>-</u>	<u>-</u>	<u>41,245</u>
<u>\$ -</u>	<u>\$ 12,189</u>	<u>\$ 28,346</u>	<u>\$ 88,285</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,245</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>41,245</u>
-	-	28,346	28,346
-	-	-	41,245
-	12,189	-	18,694
<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,245)</u>
<u>-</u>	<u>12,189</u>	<u>28,346</u>	<u>47,040</u>
<u>\$ -</u>	<u>\$ 12,189</u>	<u>\$ 28,346</u>	<u>\$ 88,285</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, 2012**

	<b>2006 Concentrated Needs Community Development Block Grant</b>	<b>2010 SBEA Community Development Block Grant</b>	<b>2012 Center Street Community Development Block Grant</b>	<b>General Capital Projects Fund</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 77,821	\$ 131,137	\$ 233,580	\$ 3,500
Investment earnings	-	-	-	3
Total revenues	<u>77,821</u>	<u>131,137</u>	<u>233,580</u>	<u>3,503</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	<u>98,500</u>	<u>131,137</u>	<u>233,580</u>	<u>-</u>
Total expenditures	<u>98,500</u>	<u>131,137</u>	<u>233,580</u>	<u>-</u>
Revenues over (under) expenditures	<u>(20,679)</u>	<u>-</u>	<u>-</u>	<u>3,503</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	20,679	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>20,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	3,503
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,002</u>
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,505</u>

**Schedule 3**

<u>Sewer Line Rehabilitation</u>	<u>Library Repairs and Improvements</u>	<u>Cemetery Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 446,038
<u>-</u>	<u>15</u>	<u>14</u>	<u>32</u>
<u>-</u>	<u>15</u>	<u>14</u>	<u>446,070</u>
<u>-</u>	<u>-</u>	<u>5,134</u>	<u>468,351</u>
<u>-</u>	<u>-</u>	<u>5,134</u>	<u>468,351</u>
<u>-</u>	<u>15</u>	<u>(5,120)</u>	<u>(22,281)</u>
<u>-</u>	<u>-</u>	<u>3,754</u>	<u>24,433</u>
<u>(21,146)</u>	<u>-</u>	<u>-</u>	<u>(21,146)</u>
<u>(21,146)</u>	<u>-</u>	<u>3,754</u>	<u>3,287</u>
<u>(21,146)</u>	<u>15</u>	<u>(1,366)</u>	<u>(18,994)</u>
<u>21,146</u>	<u>12,174</u>	<u>29,712</u>	<u>66,034</u>
<u>\$ -</u>	<u>\$ 12,189</u>	<u>\$ 28,346</u>	<u>\$ 47,040</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**2006 CONCENTRATED NEEDS COMMUNITY DEVELOPMENT BLOCK GRANT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Project Authorization</b>	<b>Actual</b>		<b>Total to Date</b>
		<b>Prior Years</b>	<b>Current Year</b>	
<b>Revenues:</b>				
Restricted intergovernmental:				
Community Development Block Grant	\$ 700,000	\$ 635,701	\$ 77,821	\$ 713,522
<b>Expenditures:</b>				
Economic and physical development:				
Sewer improvements	300,000	258,909	90,500	349,409
Rehabilitation	338,000	290,743	-	290,743
Clearance	13,000	3,125	-	3,125
Relocation	50,000	50,000	-	50,000
Administration	74,000	65,856	8,000	73,856
Total expenditures	<u>775,000</u>	<u>668,633</u>	<u>98,500</u>	<u>767,133</u>
Revenues over (under) expenditures	(75,000)	(32,932)	(20,679)	(53,611)
<b>Other Financing Sources (Uses):</b>				
Transfers	<u>75,000</u>	<u>32,932</u>	<u>20,679</u>	<u>53,611</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**2010 SBEA COMMUNITY DEVELOPMENT BLOCK GRANT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental:				
Community Development Block Grant	\$ 250,000	\$ 88,863	\$ 131,137	\$ 220,000
<b>Expenditures:</b>				
Economic and physical development:				
Administration	25,000	13,863	11,137	25,000
Rehabilitation	175,000	25,000	62,189	87,189
Machinery and equipment	<u>50,000</u>	<u>50,000</u>	<u>57,811</u>	<u>107,811</u>
Total expenditures	<u>250,000</u>	<u>88,863</u>	<u>131,137</u>	<u>220,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

2012 CENTER STREET COMMUNITY DEVELOPMENT BLOCK GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental:				
Community Development Block Grant	\$ 600,000	\$ -	\$ 233,580	\$ 233,580
<b>Expenditures:</b>				
Economic and physical development:				
Administration	45,200	-	13,838	13,838
Sewer improvements	<u>554,800</u>	<u>-</u>	<u>219,742</u>	<u>219,742</u>
Total expenditures	<u>600,000</u>	<u>-</u>	<u>233,580</u>	<u>233,580</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</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, 2012**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Donations	\$ 70,000	\$ 45,900	3,500	\$ 49,400
Investment earnings	<u>-</u>	<u>1,261</u>	<u>3</u>	<u>1,264</u>
Total revenues	<u>70,000</u>	<u>47,161</u>	<u>3,503</u>	<u>50,664</u>
<b>Expenditures:</b>				
Capital outlay:				
Bell Tower	<u>70,000</u>	<u>44,159</u>	<u>-</u>	<u>44,159</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,002</u>	3,503	<u>\$ 6,505</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>3,002</u>	
End of year - June 30			<u>\$ 6,505</u>	

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SEWER LINE REHABILITATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Rural Center Grant	\$ 500,000	\$ 462,468	\$ -	\$ 462,468
Other revenue	120,700	-	-	-
Interest	<u>-</u>	<u>161</u>	<u>-</u>	<u>161</u>
Total revenues	<u>620,700</u>	<u>462,629</u>	<u>-</u>	<u>462,629</u>
<b>Expenditures:</b>				
Sewer Collection System Rehabilitation	<u>625,000</u>	<u>562,110</u>	<u>-</u>	<u>562,110</u>
Revenues over (under) expenditures	(4,300)	(99,481)	-	(99,481)
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	<u>4,300</u>	<u>-</u>	<u>(21,146)</u>	<u>(21,146)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (99,481)</u>	<u>(21,146)</u>	<u>\$ (120,627)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>21,146</u>	
End of year - June 30			<u>\$ -</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, 2012**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Interest	\$ -	\$ 332	\$ 15	\$ 347
<b>Expenditures:</b>				
Library renovations	<u>210,000</u>	<u>198,158</u>	<u>-</u>	<u>198,158</u>
Revenues over (under) expenditures	(210,000)	(197,826)	15	(197,811)
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	<u>210,000</u>	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,174</u>	15	<u>\$ 12,189</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>12,174</u>	
End of year - June 30			<u>\$ 12,189</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, 2012

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2011			2011
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Investment earnings	\$ 60	\$ 14	\$ 46	\$ 39
<b>Expenditures:</b>				
Current:				
Operating expenses	10,000	5,134	4,866	10,556
Capital outlay	14,000	-	14,000	-
Total expenditures	24,000	5,134	18,866	10,556
Revenues over (under) expenditures	(23,940)	(5,120)	(18,820)	(10,517)
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	6,000	3,754	(2,246)	3,249
Revenues and other financing sources over (under) expenditures and other financing uses	(17,940)	(1,366)	(16,574)	(7,268)
Fund balance appropriated	17,940	-	17,940	-
Net change in fund balance	\$ -	(1,366)	\$ (1,366)	(7,268)
<b>Fund Balance:</b>				
Beginning of year - July 1		29,712		36,980
End of year - June 30		\$ 28,346		\$ 29,712

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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 4,441,205	\$ 4,519,320	\$ 78,115	\$ 4,090,912
Miscellaneous revenues	8,500	36,855	28,355	8,126
Total operating revenues	<u>4,449,705</u>	<u>4,556,175</u>	<u>106,470</u>	<u>4,099,038</u>
Non-operating revenues:				
Interest income (loss)	5,000	7,727	2,727	5,556
Other non-operating revenue	188,537	192,743	4,206	19,060
Total non-operating revenues	<u>193,537</u>	<u>200,470</u>	<u>6,933</u>	<u>24,616</u>
Total revenues	<u>4,643,242</u>	<u>4,756,645</u>	<u>113,403</u>	<u>4,123,654</u>
<b>Expenditures:</b>				
Administration:				
Salaries and employee benefits	136,143	141,142	(4,999)	114,492
Other operating expenditures	291,473	289,171	2,302	291,911
Capital outlay	89,650	89,650	-	-
Total administration	<u>517,266</u>	<u>519,963</u>	<u>(2,697)</u>	<u>406,403</u>
Plant:				
Salaries and employee benefits	241,604	239,468	2,136	237,247
Other operating expenditures	361,075	203,634	157,441	173,392
Capital outlay	161,575	161,575	-	-
Cost of merchandise sold	328,680	238,617	90,063	210,896
Total plant	<u>1,092,934</u>	<u>843,294</u>	<u>249,640</u>	<u>621,535</u>
System Maintenance and Extension:				
Salaries and employee benefits	302,976	296,292	6,684	275,722
Other operating expenditures	458,423	219,848	238,575	174,809
Capital outlay	176,155	62,029	114,126	38,846
Total system maintenance and extension	<u>937,554</u>	<u>578,169</u>	<u>359,385</u>	<u>489,377</u>
Waste Water Treatment:				
Salaries and employee benefits	260,292	341,084	(80,792)	324,833
Other operating expenditures	263,850	171,112	92,738	190,096
Capital outlay	126,753	126,753	-	-
Cost of merchandise sold	344,556	328,515	16,041	334,288
Total waste water treatment	<u>995,451</u>	<u>967,464</u>	<u>27,987</u>	<u>849,217</u>
Industrial Pre-Treatment:				
Salaries and employee benefits	61,470	58,500	2,970	60,692
Other operating expenditures	10,463	7,684	2,779	7,615
Total industrial pre-treatment	<u>71,933</u>	<u>66,184</u>	<u>5,749</u>	<u>68,307</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Total
Pump Station Maintenance:				
Salaries and employee benefits	376,318	257,407	118,911	254,617
Other operating expenditures	237,163	236,421	742	173,285
Capital outlay	339,960	339,960	-	-
Cost of merchandise sold	40,000	42,102	(2,102)	27,980
Total pump station maintenance	993,441	875,890	117,551	455,882
<b>Debt Service:</b>				
Principal retirement	558,171	558,171	-	558,171
Interest and fees	3,835	3,835	-	14,570
LPA interest	163,317	112,684	50,633	134,578
Total debt service	725,323	674,690	50,633	707,319
Total expenditures	5,333,902	4,525,654	808,248	3,598,040
Revenues over (under) expenditures	(690,660)	230,991	921,651	525,614
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	13,806	13,806	13,806
Proceeds from debt	690,660	699,460	8,800	-
Total other financing sources (uses)	690,660	713,266	22,606	13,806
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	944,257	\$ 944,257	539,420
<b>Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:</b>				
Proceeds from debt		(699,460)		-
Change in inventories		51,449		40,268
Capital outlay		779,967		38,846
OPEB liability		(78,981)		(82,244)
Capital contributions		349,580		996,302
Principal retirement		558,171		654,287
Depreciation expense		(1,081,761)		(1,031,612)
Change in net assets		\$ 823,222		\$ 755,267

## 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, 2012**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Local contributions	\$ 400,000	\$ -	\$ -	\$ -
Total revenues	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Engineering	400,000	-	390,118	390,118
Total expenditures	<u>400,000</u>	<u>-</u>	<u>390,118</u>	<u>390,118</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(390,118)	<u>\$ (390,118)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ (390,118)</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, 2012  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 12,372,837	\$ 12,453,029	\$ 80,192	\$ 12,375,996
Miscellaneous revenues	175,457	257,747	82,290	328,779
Total operating revenues	12,548,294	12,710,776	162,482	12,704,775
Non-operating revenues:				
Interest income	14,000	21,226	7,226	22,581
Total non-operating revenues	14,000	21,226	7,226	22,581
Total revenues	12,562,294	12,732,002	169,708	12,727,356
<b>Expenditures:</b>				
Meter Reading:				
Salaries and employee benefits	182,268	177,573	4,695	182,335
Operating expenditures	31,900	44,806	(12,906)	24,754
Total meter reading	214,168	222,379	(8,211)	207,089
System:				
Salaries and employee benefits	1,020,697	1,008,326	12,371	852,087
Other operating expenditures	1,339,863	1,324,570	15,293	1,440,049
Capital outlay	602,952	558,722	44,230	375,184
Cost of merchandise sold	8,549,539	8,234,458	315,081	7,004,515
Debt service - principal	157,836	168,709	(10,873)	182,221
Debt service - interest	20,185	20,185	-	21,362
Total system	11,691,072	11,314,970	376,102	9,875,418
Total expenditures	11,905,240	11,537,349	367,891	10,082,507
Revenues over (under) expenditures	657,054	1,194,653	537,599	2,644,849

**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, 2012  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Total
<b>Other Financing Sources (Uses):</b>				
Appropriated from fund balance	700,000	-	(700,000)	-
Sale of capital assets	9,000	75	(8,925)	117
Transfers in (out)	(1,684,000)	(1,684,000)	-	(1,750,000)
Proceeds from issuance of debt	317,946	328,046	10,100	223,729
Total other financing sources (uses)	<u>(657,054)</u>	<u>(1,355,879)</u>	<u>(698,825)</u>	<u>(1,526,154)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(161,226)</u>	<u>\$ (161,226)</u>	1,118,695
<b>Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:</b>				
Change in inventories		(51,518)		54,895
Capital outlay		558,722		375,184
Proceeds from issuance of debt		(328,046)		(223,729)
OPEB liability		(49,710)		(52,141)
Capital contribution		(36,767)		-
Principal retirement		168,709		182,221
Depreciation and amortization expense		<u>(436,885)</u>		<u>(419,094)</u>
Change in net assets		<u>\$ (336,721)</u>		<u>\$ 1,036,031</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, 2012**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Total
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 5,512,019	\$ 4,491,891	\$ (1,020,128)	\$ 5,525,515
Miscellaneous revenues	62,700	64,180	1,480	63,164
Total operating revenues	<u>5,574,719</u>	<u>4,556,071</u>	<u>(1,018,648)</u>	<u>5,588,679</u>
Non-operating revenues:				
Interest income	7,000	10,021	3,021	9,932
Total non-operating revenues	<u>7,000</u>	<u>10,021</u>	<u>3,021</u>	<u>9,932</u>
Total revenues	<u>5,581,719</u>	<u>4,566,092</u>	<u>(1,015,627)</u>	<u>5,598,611</u>
<b>Expenditures:</b>				
Salaries and employee benefits	669,464	604,439	65,025	522,025
Other operating expenditures	750,570	678,889	71,681	634,029
Capital outlay	100,850	51,811	49,039	40,375
Cost of merchandise sold	3,718,567	2,923,419	795,148	3,646,568
Debt service - principal	18,118	17,041	1,077	16,527
Debt service - interest	-	1,830	(1,830)	1,199
Total expenditures	<u>5,257,569</u>	<u>4,277,429</u>	<u>980,140</u>	<u>4,860,723</u>
Revenues over (under) expenditures	<u>324,150</u>	<u>288,663</u>	<u>(35,487)</u>	<u>737,888</u>
<b>Other Financing Sources (Uses):</b>				
Debt issued	75,850	81,050	5,200	-
Sales of capital assets	-	7,100	7,100	3,237
Transfer to other fund:				
General Fund	(400,000)	(400,000)	-	(365,111)
Total other financing sources (uses)	<u>(324,150)</u>	<u>(311,850)</u>	<u>12,300</u>	<u>(361,874)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(23,187)</u>	<u>\$ (23,187)</u>	<u>376,014</u>
<b>Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:</b>				
Change in inventories		7,476		15,679
Debt issued		(81,050)		-
Capital outlay		51,811		40,375
OPEB liability		(26,292)		(27,634)
Principal retirement		17,041		16,527
Depreciation expense		(92,530)		(87,375)
Change in net assets		<u>\$ (146,731)</u>		<u>\$ 333,586</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## COMBINING STATEMENT OF NET ASSETS

## INTERNAL SERVICE FUNDS

JUNE 30, 2012

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 295,238	\$ 4,190	\$ 299,428
<b>Liabilities:</b>			
Accounts payable	82,105	165,642	247,747
<b>Net Assets:</b>			
Unrestricted	<u>\$ 213,133</u>	<u>\$ (161,452)</u>	<u>\$ 51,681</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Workers'</b>	<b>Health</b>	
	<b>Compensation</b>	<b>Insurance</b>	<b>Total</b>
	<b>Insurance</b>	<b>Insurance</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 147,678	\$ 2,207,712	\$ 2,355,390
<b>Operating Expenses:</b>			
Excess policy fees	27,984	159,229	187,213
Administrative fees	14,500	85,458	99,958
Claims	136,429	1,970,063	2,106,492
Total operating expenses	178,913	2,214,750	2,393,663
Operating income (loss)	(31,235)	(7,038)	(38,273)
<b>Non-Operating Revenues:</b>			
Investment income (loss)	1,385	370	1,755
Change in net assets	(29,850)	(6,668)	(36,518)
<b>Net Assets:</b>			
Beginning of year - July 1	242,983	(154,784)	88,199
End of year - June 30	\$ 213,133	\$ (161,452)	\$ 51,681

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

	<b>Workers' Compensation Insurance</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 147,678	\$ 2,207,712	\$ 2,355,390
Cash paid for goods and services	<u>(100,510)</u>	<u>(2,210,861)</u>	<u>(2,311,371)</u>
Net cash provided (used) by operating activities	<u>47,168</u>	<u>(3,149)</u>	<u>44,019</u>
<b>Cash Flows from Investing Activities:</b>			
Interest income	<u>1,385</u>	<u>370</u>	<u>1,755</u>
Net increase (decrease) in cash and cash equivalents	48,553	(2,779)	45,774
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>246,685</u>	<u>6,969</u>	<u>253,654</u>
End of year - June 30	<u>\$ 295,238</u>	<u>\$ 4,190</u>	<u>\$ 299,428</u>
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Net operating income (loss)	<u>\$ (31,235)</u>	<u>\$ (7,038)</u>	<u>\$ (38,273)</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
Increase (decrease) in operating accounts payable and accrued liabilities	<u>78,403</u>	<u>3,889</u>	<u>82,292</u>
Total adjustments	<u>78,403</u>	<u>3,889</u>	<u>82,292</u>
Net cash provided (used) by operating activities	<u>\$ 47,168</u>	<u>\$ (3,149)</u>	<u>\$ 44,019</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUNDS  
 WORKERS' COMPENSATION INSURANCE  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 147,100	\$ 147,678	\$ (578)
Non-operating revenues:			
Interest income (loss)	800	1,385	(585)
Total revenues	<u>147,900</u>	<u>149,063</u>	<u>(1,163)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Excess policy fees	26,000	27,984	(1,984)
Administrative fees	14,500	14,500	-
Claims	<u>107,400</u>	<u>136,429</u>	<u>(29,029)</u>
Total expenditures	<u>147,900</u>	<u>178,913</u>	<u>(31,013)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (29,850)</u>	<u>\$ (29,850)</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## INTERNAL SERVICE FUNDS

## HEALTH INSURANCE

SCHEDULE OF REVENUES AND EXPENDITURES -  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 2,183,664	\$ 2,207,712	\$ (24,048)
Non-operating revenues:			
Interest income	350	370	(20)
Total revenues	<u>2,184,014</u>	<u>2,208,082</u>	<u>(24,068)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Excess policy fees	158,641	159,229	(588)
Administrative fees	88,759	85,458	3,301
Claims	<u>1,936,614</u>	<u>1,970,063</u>	<u>(33,449)</u>
Total expenditures	<u>2,184,014</u>	<u>2,214,750</u>	<u>(30,736)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (6,668)</u>	<u>\$ (6,668)</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Occupancy taxes	\$ 43,262	\$ 73,772	\$ 30,510
Non-operating revenues:			
Investment earnings	<u>75</u>	<u>22</u>	<u>(53)</u>
Total revenues	<u>43,337</u>	<u>73,794</u>	<u>30,457</u>
<b>Expenditures:</b>			
Current:			
Cultural and recreation	<u>50,100</u>	<u>96,462</u>	<u>(46,362)</u>
Total expenditures	<u>50,100</u>	<u>96,462</u>	<u>(46,362)</u>
Revenues over (under) expenditures	(6,763)	(22,668)	(15,905)
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>6,763</u>	<u>-</u>	<u>(6,763)</u>
Net change in fund balance	<u>\$ -</u>	<u>(22,668)</u>	<u>\$ (22,668)</u>
<b>Fund Balances:</b>			
Beginning of year - July 1		<u>100,575</u>	
End of year - June 30		<u>\$ 77,907</u>	

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

## AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Firemen's Retirement:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 207,563	\$ 9,198	\$ 6,240	\$ 210,521
<b>Liabilities:</b>				
Intergovernmental payable	\$ 207,563	\$ 9,198	\$ 6,240	\$ 210,521

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2012

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 3,078,806	\$ 2,985,405	\$ 93,401
2010-2011	126,536		103,198	23,338
2009-2010	22,399	-	11,304	11,095
2008-2009	14,065	-	4,726	9,339
2007-2008	10,431	-	1,688	8,743
2006-2007	8,104	-	1,330	6,774
2005-2006	5,740	-	395	5,345
2004-2005	5,168	-	262	4,906
2003-2004	6,500	-	501	5,999
2002-2003	6,066	-	380	5,686
2001-2002	11,156	-	11,156	-
Total	<u>\$ 216,165</u>	<u>\$ 3,078,806</u>	<u>\$ 3,120,345</u>	174,626
Less: Allowance for uncollectible accounts				<u>(66,392)</u>
Ad valorem taxes receivable, net				<u>\$ 108,234</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes:				
General Fund				\$ 3,129,277
Reconciling items:				
Penalties and interest				(23,211)
Late listing				501
Miscellaneous adjustments				<u>13,778</u>
Total collections and credits				<u>\$ 3,120,345</u>

## CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2012

	City-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 769,701,500	\$ 0.40	\$ 3,078,806	\$ 2,847,730	\$ 231,076
Total property valuation	<u>\$ 769,701,500</u>				
<b>Net Levy</b>			3,078,806	2,847,730	231,076
Uncollected taxes at June 30, 2012			<u>(93,401)</u>	<u>(57,944)</u>	<u>(35,457)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 2,985,405</u>	<u>\$ 2,789,786</u>	<u>\$ 195,619</u>
<b>Current Levy Collection Percentage</b>			<u>96.97%</u>	<u>97.97%</u>	<u>84.66%</u>
<b>Secondary Market Disclosures:</b>					
Assessed valuation:					
Assessment ratio					100%
Real property					\$625,657,560
Personal property					131,063,640
Public service companies					12,980,300
Total assessed valuation					<u>\$ 769,701,500</u>
Tax rate per \$100					0.40
Levy (includes discoveries, releases and abatements)					<u>\$ 3,078,806</u>

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