

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2013

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

| <u>Exhibit</u> | | <u>Page</u> |
|----------------|---|-------------|
| | Independent Auditor's Report | 1-3 |
| | Management's Discussion and Analysis | 4-12 |
| | Basic Financial Statements: | |
| | Government-Wide Financial Statements: | |
| A | Statement of Net Position | 13 |
| B | Statement of Activities | 14-15 |
| | Fund Financial Statements: | |
| 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 Fund Net Position - Proprietary Funds | 20 |
| H | Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds | 21 |
| I | Statement of Cash Flows - Proprietary Funds | 22 |
| J | Statement of Fiduciary Net Position - Fiduciary Funds | 23 |
| | Notes to the Financial Statements | 24-56 |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

| <u>Schedule</u> | | <u>Page</u> |
|-----------------|--|-------------|
| | Required Supplemental Financial Data: | |
| A-1 | Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information | 57 |
| A-2 | Other Post-Employment Benefits - Retiree Health Plan Required Supplementary Information - | 58 |
| | Supplementary Information: | |
| | General Fund - | |
| 1 | Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 59-64 |
| | Nonmajor Governmental Funds: | |
| 2 | Combining Balance Sheet | 65 |
| 3 | Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 66 |
| | Special Revenue Funds: | |
| 4 | 2012 Center Street Community Development Block Grant Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 67 |
| | Capital Projects Funds: | |
| 5 | General Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 68 |
| 6 | Library Repairs and Improvements - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 69 |
| 7 | Cemetery Care 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, 2013

TABLE OF CONTENTS

| <u>Schedule</u> | | <u>Page</u> |
|-----------------|---|-------------|
| | Enterprise Funds: | |
| 8 | Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 71-72 |
| 9 | Enterprise Fund Capital Project - Water Plant Upgrade and Line and Line Rehab Project Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non-GAAP) | 73 |
| 10 | Electric Utility Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 74-75 |
| 11 | Gas Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 76 |
| | Internal Service Funds: | |
| 12 | Combining Statement of Net Position | 77 |
| 13 | Combining Statement of Revenues, Expenses, and Changes in Fund Net Position | 78 |
| 14 | Combining Statement of Cash Flows | 79 |
| 15 | Workers' Compensation Insurance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP) | 80 |
| 16 | Health Insurance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP) | 81 |
| 17 | Tourism Development Authority Board - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 82 |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

TABLE OF CONTENTS

| <u>Schedule</u> | | <u>Page</u> |
|------------------------|--|--------------------|
| | Agency Fund: | |
| 18 | Statement of Changes in Assets and Liabilities | 83 |
| | Additional Financial Data: | |
| 19 | Schedule of Ad Valorem Taxes Receivable | 84 |
| 20 | Analysis of Current Year Levy | 85 |

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kings Mountain, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the City of Kings Mountain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kings Mountain's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 10, 2013

This page left blank intentionally.

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, 2013. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

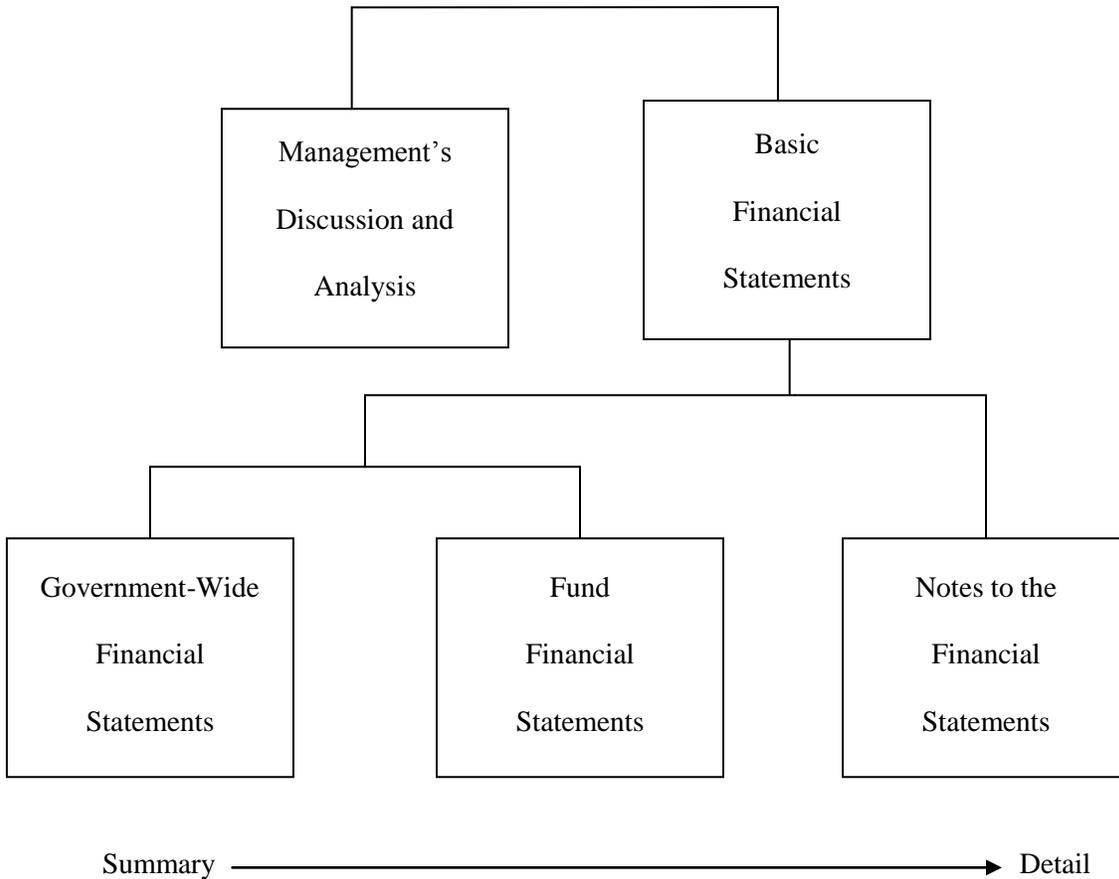
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities at the close of the fiscal year by \$46,913,777 (*Net Position*).
- The government's total net position decreased by \$1,199,368.
- At the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$3,288,570, a decrease of \$693,053 in comparison with the prior year.
- At the end of the current fiscal year, available fund balance for the General Fund was \$2,365,810, or 21.5 percent, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt decreased by \$179,545 during the current fiscal year. The key factor in this decrease was principal payments exceeding the new installment financings.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, transportation, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services, electric, and gas services offered by the City of Kings Mountain. The final category is the component units. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City. In addition, the Tourism Development Authority Board's governing board is appointed by the City.

The government-wide financial statements are on Exhibits A and B of this report. Information on the financial statements of the component units is included in note 1A.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kings Mountain, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Kings Mountain can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Kings Mountain adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The City of Kings Mountain has two different kinds of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kings Mountain uses enterprise funds to account for its water and sewer activity, for its electric operations and its gas operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Kings Mountain. The City uses an internal service fund to account for two activities – its workers’ compensation insurance program and health insurance program. Because these programs benefit predominately governmental rather than business-type activities, the Internal Service Fund has been included within the governmental activities in the government-wide financial statements.

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

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

Government-Wide Financial Analysis

City of Kings Mountain's Net Position Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Assets: | | | | | | |
| Current assets | \$ 4,005,515 | \$ 4,416,526 | \$ 7,915,979 | \$ 9,023,325 | \$ 11,921,494 | \$ 13,439,851 |
| Other assets | 318,377 | 467,794 | 307,266 | 352,446 | 625,643 | 820,240 |
| Capital assets, net | <u>9,471,695</u> | <u>9,457,811</u> | <u>34,439,367</u> | <u>33,481,076</u> | <u>43,911,062</u> | <u>42,938,887</u> |
| Total assets | <u>13,795,587</u> | <u>14,342,131</u> | <u>42,662,612</u> | <u>42,856,847</u> | <u>56,458,199</u> | <u>57,198,978</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | 3,006,223 | 2,212,556 | 3,394,663 | 3,577,767 | 6,400,886 | 5,790,323 |
| Other liabilities | <u>605,891</u> | <u>992,562</u> | <u>2,537,645</u> | <u>2,302,948</u> | <u>3,143,536</u> | <u>3,295,510</u> |
| Total liabilities | <u>3,612,114</u> | <u>3,205,118</u> | <u>5,932,308</u> | <u>5,880,715</u> | <u>9,544,422</u> | <u>9,085,833</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 8,685,522 | 8,714,193 | 31,048,952 | 29,868,561 | 39,734,474 | 38,582,754 |
| Restricted | 1,037,918 | 1,114,678 | - | - | 1,037,918 | 1,114,678 |
| Unrestricted | <u>460,033</u> | <u>1,308,142</u> | <u>5,681,352</u> | <u>7,107,571</u> | <u>6,141,385</u> | <u>8,415,713</u> |
| Total net position | <u>\$ 10,183,473</u> | <u>\$ 11,137,013</u> | <u>\$ 36,730,304</u> | <u>\$ 36,976,132</u> | <u>\$ 46,913,777</u> | <u>\$ 48,113,145</u> |

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Kings Mountain exceeded liabilities and deferred inflows by \$46,913,777 as of June 30, 2013. However, the largest portion (85%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Kings Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kings Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Kings Mountain's net position of \$1,037,918 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,141,385 is unrestricted.

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

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,794,380 | \$ 1,747,704 | \$ 22,849,177 | \$ 21,823,022 | \$ 24,643,557 | \$ 23,570,726 |
| Operating grants and contributions | 617,695 | 1,179,751 | - | - | 617,695 | 1,179,751 |
| Capital grants and contributions | - | - | 21,726 | 549,498 | 21,726 | 549,498 |
| General revenues: | | | | | | |
| Property taxes | 3,177,297 | 3,099,437 | - | - | 3,177,297 | 3,099,437 |
| Other taxes | 2,288,798 | 2,206,094 | - | - | 2,288,798 | 2,206,094 |
| Other | 13,298 | 23,366 | 16,047 | 38,974 | 29,345 | 62,340 |
| Total revenues | <u>7,891,468</u> | <u>8,256,352</u> | <u>22,886,950</u> | <u>22,411,494</u> | <u>30,778,418</u> | <u>30,667,846</u> |
| Expenses: | | | | | | |
| General government | 2,220,494 | 2,004,724 | - | - | 2,220,494 | 2,004,724 |
| Public safety | 4,022,239 | 3,973,995 | - | - | 4,022,239 | 3,973,995 |
| Transportation | 1,536,631 | 1,157,353 | - | - | 1,536,631 | 1,157,353 |
| Environmental protection | 1,194,949 | 1,093,520 | - | - | 1,194,949 | 1,093,520 |
| Economic development | 628,131 | 836,407 | - | - | 628,131 | 836,407 |
| Culture and recreation | 1,548,944 | 1,708,029 | - | - | 1,548,944 | 1,708,029 |
| Interest expense | 28,164 | 29,615 | - | - | 28,164 | 29,615 |
| Water and sewer | - | - | 4,536,612 | 4,296,809 | 4,536,612 | 4,296,809 |
| Electric | - | - | 11,724,571 | 11,384,798 | 11,724,571 | 11,384,798 |
| Gas | - | - | 4,537,051 | 4,319,923 | 4,537,051 | 4,319,923 |
| Total expenses | <u>11,179,552</u> | <u>10,803,643</u> | <u>20,798,234</u> | <u>20,001,530</u> | <u>31,977,786</u> | <u>30,805,173</u> |
| Increase in net position before transfers | (3,288,084) | (2,547,291) | 2,088,716 | 2,409,964 | (1,199,368) | (137,327) |
| Transfers | <u>2,334,544</u> | <u>2,070,194</u> | <u>(2,334,544)</u> | <u>(2,070,194)</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net position | (953,540) | (477,097) | (245,828) | 339,770 | (1,199,368) | (137,327) |
| Net Position: | | | | | | |
| Beginning of year - July 1 | <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> |
| End of year - June 30 | <u>\$ 10,183,473</u> | <u>\$ 11,137,013</u> | <u>\$ 36,730,304</u> | <u>\$ 36,976,132</u> | <u>\$ 46,913,777</u> | <u>\$ 48,113,145</u> |

Governmental Activities. Governmental activities decreased the City's net position by \$953,540. Key elements of this decrease are as follows:

- Increase in capital outlay of \$470,662
- Increase in transportation expenses of \$323,490

Business-Type Activities. Business-type activities decreased the City's net position by \$245,828. Key elements of this decrease are as follows:

- Decrease in capital grants and contributions received in current fiscal year due to closing of CDBG Project and the Sewer Line Rehab Project.
- Increase in business-type activities expenses over all from prior fiscal year.

Financial Analysis of the City's Funds

As noted earlier, the City of Kings Mountain uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Kings Mountain's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Kings Mountain's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Kings Mountain. At the end of the current fiscal year, available fund balance of the General Fund was \$2,365,810, while total fund balance reached \$3,239,790. 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 21.5 percent of total General Fund expenditures, while total fund balance represents 29.5 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 \$434,667 between the final amended budget and actual expenditures. The major components of this positive variance are as follows:

- Public safety - \$173,124
- Transportation - \$70,783

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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,516,061. Those for the Electric Fund amounted to \$2,831,894, and those for the Gas Fund amounted to \$1,333,397. The total changes in net position for the three funds were \$387,539, (\$728,869), and \$95,502, 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, 2013 totals \$43,911,062 (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:

- Machinery and equipment
- Vehicles

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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Land | \$ 2,662,528 | \$ 2,662,528 | \$ 7,013,151 | \$ 7,013,151 | \$ 9,675,679 | \$ 9,675,679 |
| Infrastructure | 726,510 | 821,458 | - | - | 726,510 | 821,458 |
| Buildings | 3,070,690 | 3,549,600 | 4,890,932 | 4,961,604 | 7,961,622 | 8,511,204 |
| Other improvements | 479,255 | 137,213 | 7,552,757 | 7,943,231 | 8,032,012 | 8,080,444 |
| Equipment | 1,203,929 | 1,159,850 | 2,123,696 | 1,438,093 | 3,327,625 | 2,597,943 |
| Vehicles | 1,308,954 | 1,091,604 | 864,502 | 1,063,921 | 2,173,456 | 2,155,525 |
| Lines | - | - | 10,062,999 | 10,210,340 | 10,062,999 | 10,210,340 |
| Construction in progress | 19,829 | 35,558 | 1,931,330 | 850,736 | 1,951,159 | 886,294 |
| Total | <u>\$ 9,471,695</u> | <u>\$ 9,457,811</u> | <u>\$ 34,439,367</u> | <u>\$ 33,481,076</u> | <u>\$ 43,911,062</u> | <u>\$ 42,938,887</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, 2013, the City of Kings Mountain had total installment purchase debt outstanding of \$4,176,588. 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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Installment purchases | \$ 786,173 | \$ 743,618 | \$ 3,390,415 | \$ 3,612,515 | \$ 4,176,588 | \$ 4,356,133 |
| Total | <u>\$ 786,173</u> | <u>\$ 743,618</u> | <u>\$ 3,390,415</u> | <u>\$ 3,612,515</u> | <u>\$ 4,176,588</u> | <u>\$ 4,356,133</u> |

The City of Kings Mountain’s total debt decreased by \$179,545 during the current fiscal year. The key factor in this decrease was principal payments exceeding new installment financings.

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 \$59,263,992.

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 is slowly reducing as new industry coming into the area has created more jobs. The City completed a water and sewer rate study and approved a 7 ½ percent increase in both water and sewer rates effective FY 2013-14. Funding of \$5.2 million was awarded through the NC Department of Natural Resources. Dark fiber is connecting most of the City facilities and creating a more reliable infrastructure for our communications and energy services. The fiber introduces the possibility of additional revenue from sales to third parties.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. The property tax rate remains at 40 cents per \$100 in assessed property value. The General Fund budget is 5 percent higher than last year's budget due to additional Capital Outlay in several departments and two new departments added creating new positions. The City is close to completing a fiber project and has made additions and improvements to the downtown park and business area.

Business-Type Activities. The Water/Sewer Fund increase by 5.6 percent from the prior year is due to preparation cost of three large capital projects. The Electric Fund increased by 3 percent from purchase of power increasing as the revenues increased and increase in capital outlay. The Gas Fund budget increased by 5 percent from the prior year due to the increase in capital outlay and expansion.

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

This page left blank intentionally.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|----------------------|-------------------|---|
| | Governmental Activities | Business-Type Activities | Total | ABC Board | Tourism Development Authority Board |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 2,993,222 | \$ 4,223,909 | \$ 7,217,131 | \$ 288,859 | \$ 72,342 |
| Taxes receivable, net | 107,131 | - | 107,131 | - | - |
| Accounts receivable, net | 450,072 | 2,612,148 | 3,062,220 | 80 | - |
| Due from other governments | 414,324 | - | 414,324 | - | 6,326 |
| Inventories | 40,766 | 1,079,922 | 1,120,688 | 100,553 | - |
| Prepaid items | - | - | - | 5,048 | - |
| Total current assets | <u>4,005,515</u> | <u>7,915,979</u> | <u>11,921,494</u> | <u>394,540</u> | <u>78,668</u> |
| Restricted assets: | | | | | |
| Cash and cash equivalents | <u>318,377</u> | <u>307,266</u> | <u>625,643</u> | <u>-</u> | <u>-</u> |
| Capital assets: | | | | | |
| Land, non-depreciable improvements, and construction in progress | 2,682,357 | 8,944,481 | 11,626,838 | 78,875 | - |
| Other capital assets, net of depreciation | <u>6,789,338</u> | <u>25,494,886</u> | <u>32,284,224</u> | <u>22,067</u> | <u>-</u> |
| Total capital assets | <u>9,471,695</u> | <u>34,439,367</u> | <u>43,911,062</u> | <u>100,942</u> | <u>-</u> |
| Total assets | <u>13,795,587</u> | <u>42,662,612</u> | <u>56,458,199</u> | <u>495,482</u> | <u>78,668</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 493,710 | 1,382,175 | 1,875,885 | 119,915 | - |
| Moss Lake unearned revenues | 103,215 | - | 103,215 | - | - |
| Accrued interest payable | 8,966 | - | 8,966 | - | - |
| Liabilities to be paid from restricted assets: | | | | | |
| Customer deposits | - | 307,266 | 307,266 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 385,486 | 848,204 | 1,233,690 | - | - |
| Due in more than one year | <u>2,620,737</u> | <u>3,394,663</u> | <u>6,015,400</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>3,612,114</u> | <u>5,932,308</u> | <u>9,544,422</u> | <u>119,915</u> | <u>-</u> |
| Net Position: | | | | | |
| Net investment in capital assets | 8,685,522 | 31,048,952 | 39,734,474 | 100,942 | - |
| Restricted for: | | | | | |
| Perpetual maintenance | 27,064 | - | 27,064 | - | - |
| Stabilization by State statute | 833,214 | - | 833,214 | - | - |
| Streets - Powell Bill | 177,640 | - | 177,640 | - | - |
| Unrestricted | <u>460,033</u> | <u>5,681,352</u> | <u>6,141,385</u> | <u>274,625</u> | <u>78,668</u> |
| Total net position | <u>\$ 10,183,473</u> | <u>\$ 36,730,304</u> | <u>\$ 46,913,777</u> | <u>\$ 375,567</u> | <u>\$ 78,668</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, 2013**

| | Program Revenues | | | |
|-------------------------------------|-------------------------|---------------------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 2,220,494 | \$ 109,027 | \$ - | \$ - |
| Public safety | 4,022,239 | 80,156 | 119,519 | - |
| Transportation | 1,536,631 | - | 353,866 | - |
| Economic and physical development | 628,131 | 347,484 | - | - |
| Environmental protection | 1,194,949 | 889,006 | - | - |
| Culture and recreation | 1,548,944 | 368,707 | 144,310 | - |
| Interest expense | 28,164 | - | - | - |
| Total governmental activities | <u>11,179,552</u> | <u>1,794,380</u> | <u>617,695</u> | <u>-</u> |
| Business-Type Activities: | | | | |
| Water and sewer | 4,536,612 | 4,885,067 | - | 21,726 |
| Electric | 11,724,571 | 12,885,978 | - | - |
| Gas | 4,537,051 | 5,078,132 | - | - |
| Total business-type activities | <u>20,798,234</u> | <u>22,849,177</u> | <u>-</u> | <u>21,726</u> |
| Total primary government | <u>\$ 31,977,786</u> | <u>\$ 24,643,557</u> | <u>\$ 617,695</u> | <u>\$ 21,726</u> |
| Component Units: | | | | |
| ABC Board | \$ 1,233,192 | \$ 1,254,012 | \$ - | \$ - |
| Tourism Development Authority Board | <u>73,159</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total component units | <u>\$ 1,306,351</u> | <u>\$ 1,254,012</u> | <u>\$ -</u> | <u>\$ -</u> |

General Revenues:

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Payment in lieu of taxes

Franchise taxes

Other taxes and licenses

Unrestricted investment earnings

Total general revenues before transfers

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

| Net (Expense) Revenue and Changes in Net Position | | | | |
|--|---------------------------------|----------------------|------------------------|--|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Total | ABC Board | Tourism Development Authority Board |
| \$ (2,111,467) | \$ - | \$ (2,111,467) | | |
| (3,822,564) | - | (3,822,564) | | |
| (1,182,765) | - | (1,182,765) | | |
| (280,647) | - | (280,647) | | |
| (305,943) | - | (305,943) | | |
| (1,035,927) | - | (1,035,927) | | |
| (28,164) | - | (28,164) | | |
| <u>(8,767,477)</u> | <u>-</u> | <u>(8,767,477)</u> | | |
| - | 370,181 | 370,181 | | |
| - | 1,161,407 | 1,161,407 | | |
| - | <u>541,081</u> | <u>541,081</u> | | |
| - | <u>2,072,669</u> | <u>2,072,669</u> | | |
| <u>(8,767,477)</u> | <u>2,072,669</u> | <u>(6,694,808)</u> | | |
| | | | \$ 20,820 | \$ - |
| | | | <u>-</u> | <u>(73,159)</u> |
| 3,177,297 | - | 3,177,297 | - | - |
| 854,940 | - | 854,940 | - | - |
| 121,427 | - | 121,427 | - | - |
| 882,221 | - | 882,221 | - | - |
| 430,210 | - | 430,210 | - | 73,898 |
| <u>13,298</u> | <u>16,047</u> | <u>29,345</u> | <u>603</u> | <u>22</u> |
| 5,479,393 | 16,047 | 5,495,440 | 603 | 73,920 |
| <u>2,334,544</u> | <u>(2,334,544)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>7,813,937</u> | <u>(2,318,497)</u> | <u>5,495,440</u> | <u>603</u> | <u>73,920</u> |
| (953,540) | (245,828) | (1,199,368) | 21,423 | 761 |
| <u>11,137,013</u> | <u>36,976,132</u> | <u>48,113,145</u> | <u>354,144</u> | <u>77,907</u> |
| <u>\$ 10,183,473</u> | <u>\$ 36,730,304</u> | <u>\$ 46,913,777</u> | <u>\$ 375,567</u> | <u>\$ 78,668</u> |

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Total</u> <u>Nonmajor</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|--|---|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 2,487,307 | \$ 48,780 | \$ 2,536,087 |
| Cash and cash equivalents, restricted | 318,377 | - | 318,377 |
| Taxes receivable, net | 107,131 | - | 107,131 |
| Accounts receivable, net | 418,890 | - | 418,890 |
| Due from other governments | 414,324 | - | 414,324 |
| Inventories | 40,766 | - | 40,766 |
| Total assets | <u>\$ 3,786,795</u> | <u>\$ 48,780</u> | <u>\$ 3,835,575</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | 327,693 | - | 327,693 |
| Moss Lake unearned revenues | 103,215 | - | 103,215 |
| Unearned revenues | 8,966 | - | 8,966 |
| Total liabilities | <u>439,874</u> | <u>-</u> | <u>439,874</u> |
| Deferred Inflows of Resources: | | | |
| Property taxes receivable | 107,131 | - | 107,131 |
| Total deferred inflows of resources | <u>107,131</u> | <u>-</u> | <u>107,131</u> |
| Fund Balances: | | | |
| Non-spendable: | | | |
| Inventories | 40,766 | - | 40,766 |
| Perpetual maintenance | - | 27,064 | 27,064 |
| Restricted: | | | |
| Stabilization by State Statute | 833,214 | - | 833,214 |
| Streets | 177,640 | - | 177,640 |
| Committed: | | | |
| Future capital projects | - | 21,716 | 21,716 |
| Unassigned | 2,188,170 | - | 2,188,170 |
| Total fund balances | <u>3,239,790</u> | <u>48,780</u> | <u>3,288,570</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,786,795</u> | <u>\$ 48,780</u> | |

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

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 9,471,695 |
| The assets and liabilities of internal service funds are included in the Statement of Net Position. | 322,300 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements | 107,131 |
| Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, not reported in the funds. | <u>(3,006,223)</u> |
| Net position of governmental activities | <u>\$ 10,183,473</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, 2013

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Total</u> <u>Nonmajor</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|--|--|---|---|
| Revenues: | | | |
| Ad valorem taxes | \$ 3,178,400 | \$ - | \$ 3,178,400 |
| Other taxes and licenses | 2,288,798 | - | 2,288,798 |
| Restricted intergovernmental | 617,695 | 288,704 | 906,399 |
| Permits and fees | 76,357 | - | 76,357 |
| Sales and services | 1,245,928 | - | 1,245,928 |
| Donations | | | |
| Investment earnings | 13,252 | 46 | 13,298 |
| Miscellaneous | 314,692 | - | 314,692 |
| Total revenues | <u>7,735,122</u> | <u>288,750</u> | <u>8,023,872</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,452,608 | - | 2,452,608 |
| Public safety | 3,747,350 | - | 3,747,350 |
| Transportation | 1,449,324 | - | 1,449,324 |
| Economic and physical development | 317,407 | 291,924 | 609,331 |
| Environmental protection | 1,270,785 | - | 1,270,785 |
| Culture and recreation | 1,536,462 | - | 1,536,462 |
| Debt service: | | | |
| Principal | 185,099 | - | 185,099 |
| Interest | 28,164 | - | 28,164 |
| Total expenditures | <u>10,987,199</u> | <u>291,924</u> | <u>11,279,123</u> |
| Revenues over (under) expenditures | <u>(3,252,077)</u> | <u>(3,174)</u> | <u>(3,255,251)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 2,348,350 | 4,914 | 2,353,264 |
| Transfers out | (18,720) | - | (18,720) |
| Issuance of debt | 227,654 | - | 227,654 |
| Total other financing sources (uses) | <u>2,557,284</u> | <u>4,914</u> | <u>2,562,198</u> |
| Net change in fund balances | (694,793) | 1,740 | (693,053) |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>3,934,583</u> | <u>47,040</u> | <u>3,981,623</u> |
| End of year - June 30 | <u>\$ 3,239,790</u> | <u>\$ 48,780</u> | <u>\$ 3,288,570</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, 2013**

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 \$ (693,053)

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 | 976,561 | |
| Disposals, net | (30,696) | |
| Depreciation expense | <u>(931,981)</u> | |
| | | 13,884 |

Change in deferred inflows for tax revenues (101,708)

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

| | | |
|-----------------------------------|-----------------|-----------|
| Issuance of debt | (227,654) | |
| Repayment of debt principal | 185,099 | |
| Accrual of net pension obligation | (30,455) | |
| OPEB | (332,738) | |
| Accrual of compensated absences | <u>(37,534)</u> | |
| | | (443,282) |

Net revenue of internal service funds determined to be governmental-type 270,619

Total change in net position of governmental activities (Exhibit B) \$ (953,540)

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 NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Over/Under |
|--|---------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 3,086,275 | \$ 3,111,166 | \$ 3,178,400 | \$ 67,234 |
| Other taxes | 2,017,301 | 2,283,901 | 2,288,798 | 4,897 |
| Restricted intergovernmental | 588,985 | 682,021 | 617,695 | (64,326) |
| Permits and fees | 95,000 | 70,000 | 76,357 | 6,357 |
| Investment earnings | 23,700 | 22,100 | 13,252 | (8,848) |
| Sales and services | 1,443,540 | 1,322,601 | 1,245,928 | (76,673) |
| Miscellaneous | 152,273 | 240,764 | 314,692 | 73,928 |
| Total revenues | <u>7,407,074</u> | <u>7,732,553</u> | <u>7,735,122</u> | <u>2,569</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,861,922 | 2,505,898 | 2,452,608 | 53,290 |
| Public safety | 3,785,996 | 3,920,474 | 3,747,350 | 173,124 |
| Transportation | 1,565,107 | 1,520,107 | 1,449,324 | 70,783 |
| Economic and physical development | 398,331 | 377,586 | 317,407 | 60,179 |
| Environmental protection | 1,157,885 | 1,302,709 | 1,270,785 | 31,924 |
| Culture and recreation | 1,559,189 | 1,570,898 | 1,536,462 | 34,436 |
| Debt service: | | | | |
| Principal retirement | 179,658 | 203,158 | 185,099 | 18,059 |
| Interest and fees | 18,467 | 18,467 | 28,164 | (9,697) |
| Total expenditures | <u>10,526,555</u> | <u>11,419,297</u> | <u>10,987,199</u> | <u>432,098</u> |
| Revenues over (under) expenditures | <u>(3,119,481)</u> | <u>(3,686,744)</u> | <u>(3,252,077)</u> | <u>434,667</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 2,284,000 | 2,348,350 | 2,348,350 | - |
| Transfers out | (6,000) | (6,000) | (18,720) | (12,720) |
| Issuance of debt | - | 285,875 | 227,654 | (58,221) |
| Total other financing sources (uses) | <u>2,278,000</u> | <u>2,628,225</u> | <u>2,557,284</u> | <u>(70,941)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>(841,481)</u> | <u>(1,058,519)</u> | <u>(694,793)</u> | <u>363,726</u> |
| Fund balance appropriated | <u>841,481</u> | <u>1,058,519</u> | <u>-</u> | <u>1,058,519</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(694,793)</u> | <u>\$ (694,793)</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>3,934,583</u> | |
| End of year - June 30 | | | <u>\$ 3,239,790</u> | |

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

| | Business-Type Activities | | | | Governmental |
|--|--------------------------|---------------------|---------------------|----------------------|---------------------------|
| | Enterprise Funds | | | Total | Activities |
| | Water and Sewer Fund | Electric Fund | Gas Fund | | Internal Service Funds |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 1,110,075 | \$ 1,866,676 | \$ 1,247,158 | \$ 4,223,909 | \$ 457,135 |
| Cash - restricted | 71,185 | 146,453 | 89,628 | 307,266 | - |
| Accounts receivable, net | 606,676 | 1,660,170 | 345,302 | 2,612,148 | 31,182 |
| Inventories | 461,809 | 518,527 | 99,586 | 1,079,922 | - |
| Total current assets | <u>2,249,745</u> | <u>4,191,826</u> | <u>1,781,674</u> | <u>8,223,245</u> | <u>488,317</u> |
| Non-current assets: | | | | | |
| Capital assets: | | | | | |
| Land and other non-depreciable assets | 8,241,854 | 557,611 | 145,016 | 8,944,481 | - |
| Other capital assets, net of depreciation | 18,546,501 | 5,360,820 | 1,587,565 | 25,494,886 | - |
| Total capital assets | <u>26,788,355</u> | <u>5,918,431</u> | <u>1,732,581</u> | <u>34,439,367</u> | <u>-</u> |
| Total assets | <u>29,038,100</u> | <u>10,110,257</u> | <u>3,514,255</u> | <u>42,662,612</u> | <u>488,317</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 221,812 | 945,799 | 214,564 | 1,382,175 | 166,017 |
| Liabilities to be paid from restricted assets: | | | | | |
| Customer deposits | 71,185 | 146,453 | 89,628 | 307,266 | - |
| Current portion of compensated absences | 30,800 | 29,700 | 9,500 | 70,000 | - |
| Current portion of long-term liabilities | 579,525 | 165,456 | 33,223 | 778,204 | - |
| Total current liabilities | <u>903,322</u> | <u>1,287,408</u> | <u>346,915</u> | <u>2,537,645</u> | <u>166,017</u> |
| Non-current liabilities: | | | | | |
| Notes payable | 1,925,798 | 560,092 | 126,321 | 2,612,211 | - |
| OPEB liability | 387,830 | 231,152 | 128,418 | 747,400 | - |
| Compensated absences | 22,057 | 6,828 | 6,167 | 35,052 | - |
| Total non-current liabilities | <u>2,335,685</u> | <u>798,072</u> | <u>260,906</u> | <u>3,394,663</u> | <u>-</u> |
| Total liabilities | <u>3,239,007</u> | <u>2,085,480</u> | <u>607,821</u> | <u>5,932,308</u> | <u>166,017</u> |
| Net Position: | | | | | |
| Net investment in capital assets | 24,283,032 | 5,192,883 | 1,573,037 | 31,048,952 | - |
| Unrestricted | 1,516,061 | 2,831,894 | 1,333,397 | 5,681,352 | 322,300 |
| Total net position | <u>\$ 25,799,093</u> | <u>\$ 8,024,777</u> | <u>\$ 2,906,434</u> | <u>\$ 36,730,304</u> | <u>\$ 322,300</u> |

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | <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> |
| Operating Revenues: | | | | | |
| Charges for services | \$ 4,815,397 | \$ 12,575,730 | \$ 5,009,092 | \$ 22,400,219 | \$ 2,366,030 |
| Miscellaneous revenues | 69,670 | 310,248 | 69,040 | 448,958 | - |
| Total operating revenues | <u>4,885,067</u> | <u>12,885,978</u> | <u>5,078,132</u> | <u>22,849,177</u> | <u>2,366,030</u> |
| Operating Expenses: | | | | | |
| Salaries and fringe benefits | 1,541,100 | 1,119,817 | 571,474 | 3,232,391 | - |
| Cost of merchandise sold | 627,877 | 8,798,268 | 2,959,676 | 12,385,821 | - |
| Other operating expenses | 1,138,310 | 1,325,130 | 902,769 | 3,366,209 | - |
| Depreciation | 1,146,205 | 474,604 | 102,015 | 1,722,824 | - |
| Excess policy fees | - | - | - | - | 274,656 |
| Administrative fees | - | - | - | - | 125,238 |
| Claims | - | - | - | - | 1,696,320 |
| Total operating expenses | <u>4,453,492</u> | <u>11,717,819</u> | <u>4,535,934</u> | <u>20,707,245</u> | <u>2,096,214</u> |
| Operating income (loss) | <u>431,575</u> | <u>1,168,159</u> | <u>542,198</u> | <u>2,141,932</u> | <u>269,816</u> |
| Non-Operating Revenues (Expenses): | | | | | |
| Interest income | 3,552 | 8,074 | 4,421 | 16,047 | 803 |
| Interest expense | (83,120) | (6,752) | (1,117) | (90,989) | - |
| Total non-operating revenues (expenses) | <u>(79,568)</u> | <u>1,322</u> | <u>3,304</u> | <u>(74,942)</u> | <u>803</u> |
| Income (loss) before transfers and capital contributions | <u>352,007</u> | <u>1,169,481</u> | <u>545,502</u> | <u>2,066,990</u> | <u>270,619</u> |
| Transfers from other funds | 13,806 | - | - | 13,806 | - |
| Transfers to other funds | - | (1,898,350) | (450,000) | (2,348,350) | - |
| Capital contributions | 21,726 | - | - | 21,726 | - |
| Total transfers and capital contributions | <u>35,532</u> | <u>(1,898,350)</u> | <u>(450,000)</u> | <u>(2,312,818)</u> | <u>-</u> |
| Change in net position | 387,539 | (728,869) | 95,502 | (245,828) | 270,619 |
| Net Position: | | | | | |
| Beginning of year - July 1 | <u>25,411,554</u> | <u>8,753,646</u> | <u>2,810,932</u> | <u>36,976,132</u> | <u>51,681</u> |
| End of year - June 30 | <u>\$ 25,799,093</u> | <u>\$ 8,024,777</u> | <u>\$ 2,906,434</u> | <u>\$ 36,730,304</u> | <u>\$ 322,300</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, 2013

| | Business-Type Activities - Enterprise Funds | | | | Governmental |
|---|---|---------------------|---------------------|---------------------|---------------------------|
| | Water and Sewer Fund | Electric Fund | Gas Fund | Total | Internal Service Funds |
| Cash Flows from Operating Activities: | | | | | |
| Cash received from customers | \$ 4,777,550 | \$ 12,548,329 | \$ 4,968,004 | \$ 22,293,883 | \$ 2,334,848 |
| Cash paid for goods and services | (1,895,121) | (9,999,445) | (3,806,868) | (15,701,434) | (2,177,944) |
| Cash paid to employees for services | (1,461,407) | (1,080,113) | (536,964) | (3,078,484) | - |
| Customer deposits - net | - | (27,420) | - | (27,420) | - |
| Other operating revenues | 69,670 | 310,248 | 69,040 | 448,958 | - |
| Net cash provided (used) by operating activities | <u>1,490,692</u> | <u>1,751,599</u> | <u>693,212</u> | <u>3,935,503</u> | <u>156,904</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Acquisition and construction of capital assets | (1,401,642) | (705,146) | (552,601) | (2,659,389) | - |
| Principal paid on bonds and equipment contracts | (557,626) | (160,298) | (51,934) | (769,858) | - |
| Proceeds from issuance of note payable | 235,453 | 198,289 | 114,016 | 547,758 | - |
| Interest expense | (83,120) | (6,752) | (1,117) | (90,989) | - |
| Net cash provided (used) by capital and related financing activities | <u>(1,806,935)</u> | <u>(673,907)</u> | <u>(491,636)</u> | <u>(2,972,478)</u> | <u>-</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Operating transfers | 13,806 | (1,898,350) | (450,000) | (2,334,544) | - |
| Net cash provided (used) by non-capital financing activities | <u>13,806</u> | <u>(1,898,350)</u> | <u>(450,000)</u> | <u>(2,334,544)</u> | <u>-</u> |
| Cash Flows from Investing Activities: | | | | | |
| Interest income (loss) | 3,552 | 8,074 | 4,421 | 16,047 | 803 |
| Net increase (decrease) in cash and cash equivalents | (298,885) | (812,584) | (244,003) | (1,355,472) | 157,707 |
| Cash and Cash Equivalents: | | | | | |
| Beginning of year - July 1 | <u>1,480,145</u> | <u>2,825,713</u> | <u>1,580,789</u> | <u>5,886,647</u> | <u>299,428</u> |
| End of year - June 30 | <u>\$ 1,181,260</u> | <u>\$ 2,013,129</u> | <u>\$ 1,336,786</u> | <u>\$ 4,531,175</u> | <u>\$ 457,135</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income (loss) | \$ 431,575 | \$ 1,168,159 | \$ 542,198 | \$ 2,141,932 | \$ 269,816 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 1,146,205 | 474,604 | 102,015 | 1,722,824 | - |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (37,847) | (27,401) | (41,088) | (106,336) | (31,182) |
| Inventories | (83,531) | (28,526) | 18,023 | (94,034) | - |
| Increase (decrease) in: | | | | | |
| Accounts payable | (31,067) | 156,911 | 56,371 | 182,215 | (81,730) |
| OPEB | 74,092 | 35,272 | 24,718 | 134,082 | - |
| Customer deposits | (8,735) | (27,420) | (9,025) | (45,180) | - |
| Net cash provided (used) by operating activities | <u>\$ 1,490,692</u> | <u>\$ 1,751,599</u> | <u>\$ 693,212</u> | <u>\$ 3,935,503</u> | <u>\$ 156,904</u> |
| Supplemental Disclosures of Non-Cash Activities: | | | | | |
| Contributed assets | <u>\$ 21,726</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,726</u> | <u>\$ -</u> |

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

| | <u>Firemen's Retirement</u> |
|---------------------------|--|
| Assets: | |
| Cash and cash equivalents | \$ <u>175,381</u> |
| Liabilities: | |
| Intergovernmental payable | \$ <u>175,381</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, 2013

1. Summary of Significant Accounting Policies

The accounting policies of the City of Kings Mountain (the "City") and its discretely presented component units conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation, which is governed by an elected Mayor and a seven-member Council. As required by generally accepted accounting principles, these financial statements present the City and its component units the City of Kings Mountain ABC Board (the "ABC Board") and the Tourism Development Authority Board (the "TDA Board"), legally separate entities for which the City is financially accountable. The discretely presented component units presented below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City.

City of Kings Mountain ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute a portion of its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at: City of Kings Mountain ABC Board, P.O. Box 785, Kings Mountain, North Carolina 28086.

Tourism Development Authority Board

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

B. Basis of Presentation

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Fund

The Special Revenue Fund is 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 Fund: 2012 Center Street Fund.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Project Funds

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

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, 2013

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting except agency funds, which have no measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

for the assessment and collection of property taxes on registered motor vehicles in North 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and most sales and service revenues are not susceptible to accrual because generally they are not measurable until received in cash. 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the enterprise funds, and the Cemetery Care Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the special revenue funds and the capital projects funds. The City's workers' compensation and health insurance funds and intergovernmental service funds operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the budget ordinance to transfer appropriations within a department up to the department's total budget; however, any revisions that alter the total expenditures of any fund or department must be approved by the governing board.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

E. Estimates

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City, the ABC Board, and TDA Board are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City, ABC Board, and TDA Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City, ABC Board, and TDA Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City, ABC Board, and TDA Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board and the TDA Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 1st (lien date); however, interest does not accrue until the following January 6th. These tax levies are based on the assessed values as of January 1, 2012. 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, 2013

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, 2013

Deferred outflows/inflows of resources

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

Long-Term Obligations

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

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

Compensated Absences

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

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

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

The City of Kings Mountain has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-City funds, 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 City of Kings Mountain has also adopted a minimum fund balance policy for the general fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 | \$ 3,239,790 |
| Less: | |
| Inventories | 40,766 |
| Stabilization by State statute | <u>833,214</u> |
| Total available fund balance | <u>\$ 2,365,810</u> |

G. Revenues, Expenditures, and Expenses

Other Resources

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

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the City, ABC Board, and TDA Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City, ABC Board, and TDA Board’s agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, ABC Board, and TDA Board, these deposits are considered to be held by the City, ABC Board, and TDA Board’s agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

depository that collateralizes public deposits under the Pooling Method. The City, ABC Board, and Tourism Development Authority Board have no policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the City's deposits had a carrying amount of \$7,999,752 and a bank balance of \$8,609,041. Of the bank balance, \$530,981 was covered by federal depository insurance and \$8,078,060 was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the TDA Board was \$72,342 and the bank balance was \$43,051. The bank balance of the TDA Board was fully covered by federal depository insurance.

At June 30, 2013, the City's petty cash funds totaled \$2,479.

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

Investments

At June 30, 2013, the City of Kings Mountain had \$15,924 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM, by Standard and Poor's. The City has no policy regarding credit risk.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2013 were as follows:

| | <u>Accounts</u> | <u>Taxes</u> | <u>Due from Other Governments</u> | <u>Total</u> |
|-----------------------------------|---------------------|-------------------|---|---------------------|
| Governmental Activities: | | | | |
| General | \$ 457,165 | \$ 175,374 | \$ 414,324 | \$ 1,046,863 |
| Nonmajor - internal service funds | 31,182 | - | - | 31,182 |
| Allowance for doubtful accounts | (38,275) | (68,243) | - | (106,518) |
| Total governmental activities | <u>\$ 450,072</u> | <u>\$ 107,131</u> | <u>\$ 414,324</u> | <u>\$ 971,527</u> |
| Business-Type Activities: | | | | |
| Water and sewer | \$ 700,722 | \$ - | \$ - | \$ 700,722 |
| Electric | 1,900,890 | - | - | 1,900,890 |
| Gas | 403,726 | - | - | 403,726 |
| Allowance for doubtful accounts | (393,190) | - | - | (393,190) |
| Total business-type activities | <u>\$ 2,612,148</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,612,148</u> |

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

| | |
|---------------------------------|-------------------|
| Governmental Activities: | |
| State sales tax reimbursement | \$ 133,661 |
| County sales tax reimbursement | 66,482 |
| Occupancy tax | 6,326 |
| Miscellaneous | 19,184 |
| Local option sales tax | 188,671 |
| Total | <u>\$ 414,324</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2013 was as follows:

| | <u>July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2013</u> |
|---|----------------------|-------------------|---------------------|--------------------|----------------------|
| Governmental Activities: | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 2,662,528 | \$ - | \$ - | \$ - | \$ 2,662,528 |
| Construction in progress | 35,558 | 19,829 | (35,558) | - | 19,829 |
| Total non-depreciable capital assets | <u>2,698,086</u> | <u>19,829</u> | <u>(35,558)</u> | <u>-</u> | <u>2,682,357</u> |
| Depreciable Capital Assets: | | | | | |
| Infrastructure - roads | 2,330,558 | - | - | - | 2,330,558 |
| Infrastructure - curbs and gutters | 539,368 | - | - | - | 539,368 |
| Infrastructure - sidewalks | 198,854 | - | - | - | 198,854 |
| Buildings | 10,695,757 | 72,841 | - | (198,157) | 10,570,441 |
| Other improvements | 311,012 | 171,198 | - | 198,157 | 680,367 |
| Equipment | 2,954,624 | 250,202 | (138,322) | - | 3,066,504 |
| Vehicles | 4,715,190 | 498,049 | (178,761) | (17,536) | 5,016,942 |
| Total depreciable capital assets | <u>21,745,363</u> | <u>992,290</u> | <u>(317,083)</u> | <u>(17,536)</u> | <u>22,403,034</u> |
| Less Accumulated Depreciation: | | | | | |
| Infrastructure - roads | 1,859,816 | 94,948 | - | - | 1,954,764 |
| Infrastructure - curbs and gutters | 343,344 | - | - | - | 343,344 |
| Infrastructure - sidewalks | 44,162 | - | - | - | 44,162 |
| Buildings | 7,146,157 | 355,282 | - | (1,688) | 7,499,751 |
| Other improvements | 173,799 | 25,625 | - | 1,688 | 201,112 |
| Equipment | 1,794,774 | 187,926 | (120,125) | - | 1,862,575 |
| Vehicles | 3,623,586 | 268,200 | (166,262) | (17,536) | 3,707,988 |
| Total accumulated depreciation | <u>14,985,638</u> | <u>\$ 931,981</u> | <u>\$ (286,387)</u> | <u>\$ (17,536)</u> | <u>15,613,696</u> |
| Total depreciable capital assets, net | <u>6,759,725</u> | | | | <u>6,789,338</u> |
| Governmental activities capital assets, net | <u>\$ 9,457,811</u> | | | | <u>\$ 9,471,695</u> |

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

Governmental Activities:

| | |
|-----------------------------------|-------------------|
| General government | \$ 83,729 |
| Public safety | 339,074 |
| Transportation | 152,966 |
| Human services | 176,069 |
| Economic and physical development | 11,032 |
| Environmental protection | 64,492 |
| Cultural and recreational | <u>104,619</u> |
| Total depreciation expense | <u>\$ 931,981</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2013 was as follows:

| | <u>July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2013</u> |
|--|----------------------|---------------------|--------------------|------------------|----------------------|
| Business-Type Activities: | | | | | |
| Water and Sewer Fund: | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 6,942,261 | \$ - | \$ - | \$ - | \$ 6,942,261 |
| Construction in progress | <u>659,458</u> | <u>909,475</u> | <u>(269,340)</u> | <u>-</u> | <u>1,299,593</u> |
| Total non-depreciable capital assets | <u>7,601,719</u> | <u>909,475</u> | <u>(269,340)</u> | <u>-</u> | <u>8,241,854</u> |
| Depreciable Capital Assets: | | | | | |
| Buildings | 14,658,990 | - | (17,499) | - | 14,641,491 |
| Other improvements | 39,104,259 | 36,816 | (28,600) | - | 39,112,475 |
| Lines | 8,092,674 | 255,306 | - | - | 8,347,980 |
| Equipment | 5,207,912 | 456,352 | (28,070) | 46,861 | 5,683,055 |
| Vehicles | <u>851,015</u> | <u>34,759</u> | <u>(23,000)</u> | <u>32,449</u> | <u>895,223</u> |
| Total depreciable capital assets | <u>67,914,850</u> | <u>783,233</u> | <u>(97,169)</u> | <u>79,310</u> | <u>68,680,224</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 10,885,668 | 290,741 | (17,499) | - | 11,158,910 |
| Other improvements | 31,800,405 | 377,051 | (28,600) | - | 32,148,856 |
| Lines | 1,692,842 | 270,406 | - | - | 1,963,248 |
| Equipment | 4,174,576 | 107,617 | (28,070) | 46,861 | 4,300,984 |
| Vehicles | <u>451,886</u> | <u>100,390</u> | <u>(23,000)</u> | <u>32,449</u> | <u>561,725</u> |
| Total accumulated depreciation | <u>49,005,377</u> | <u>\$ 1,146,205</u> | <u>\$ (97,169)</u> | <u>\$ 79,310</u> | <u>50,133,723</u> |
| Total depreciable capital assets, net | <u>18,909,473</u> | | | | <u>18,546,501</u> |
| Water and Sewer Fund | | | | | |
| capital assets, net | <u>\$ 26,511,192</u> | | | | <u>\$ 26,788,355</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

| | <u>July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2013</u> |
|--|----------------------|-------------------|--------------------|--------------------|----------------------|
| Electric Fund: | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 39,890 | \$ - | \$ - | \$ - | \$ 39,890 |
| Construction in progress | <u>164,062</u> | <u>389,158</u> | <u>(35,499)</u> | <u>-</u> | <u>517,721</u> |
| Total non-depreciable capital assets | <u>203,952</u> | <u>389,158</u> | <u>(35,499)</u> | <u>-</u> | <u>557,611</u> |
| Depreciable Capital Assets: | | | | | |
| Buildings | 2,175,244 | 139,913 | - | - | 2,315,157 |
| Other improvements | 856,469 | 23,500 | - | - | 879,969 |
| Lines | 4,847,094 | 17,584 | - | - | 4,864,678 |
| Equipment | 821,079 | 158,425 | (13,754) | - | 965,750 |
| Vehicles | <u>1,188,507</u> | <u>12,065</u> | <u>-</u> | <u>(14,913)</u> | <u>1,185,659</u> |
| Total depreciable capital assets | <u>9,888,393</u> | <u>351,487</u> | <u>(13,754)</u> | <u>(14,913)</u> | <u>10,211,213</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 986,962 | 74,194 | - | - | 1,061,156 |
| Other improvements | 217,092 | 73,739 | - | - | 290,831 |
| Lines | 2,122,676 | 162,054 | - | - | 2,284,730 |
| Equipment | 505,059 | 43,896 | (13,754) | - | 535,201 |
| Vehicles | <u>572,667</u> | <u>120,721</u> | <u>-</u> | <u>(14,913)</u> | <u>678,475</u> |
| Total accumulated depreciation | <u>4,404,456</u> | <u>\$ 474,604</u> | <u>\$ (13,754)</u> | <u>\$ (14,913)</u> | <u>4,850,393</u> |
| Total depreciable capital assets, net | <u>5,483,937</u> | | | | <u>5,360,820</u> |
| Electric Fund capital assets, net | <u>\$ 5,687,889</u> | | | | <u>\$ 5,918,431</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

| | <u>July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2013</u> |
|--|----------------------|------------------|--------------------|------------------|----------------------|
| Gas Fund: | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 31,000 | \$ - | \$ - | \$ - | \$ 31,000 |
| Construction in progress | <u>27,216</u> | <u>114,016</u> | <u>(27,216)</u> | <u>-</u> | <u>114,016</u> |
| Total non-depreciable capital assets | <u>58,216</u> | <u>114,016</u> | <u>(27,216)</u> | <u>-</u> | <u>145,016</u> |
| Depreciable Capital Assets: | | | | | |
| Buildings | - | 154,498 | - | - | 154,498 |
| Lines | 2,282,862 | 58,389 | - | - | 2,341,251 |
| Equipment | 252,988 | 252,914 | (18,339) | (46,861) | 440,702 |
| Vehicles | <u>206,119</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206,119</u> |
| Total depreciable capital assets | <u>2,741,969</u> | <u>465,801</u> | <u>(18,339)</u> | <u>(46,861)</u> | <u>3,142,570</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | - | 148 | - | - | 148 |
| Lines | 1,196,772 | 46,160 | - | - | 1,242,932 |
| Equipment | 164,251 | 30,575 | (18,339) | (46,861) | 129,626 |
| Vehicles | <u>157,167</u> | <u>25,132</u> | <u>-</u> | <u>-</u> | <u>182,299</u> |
| Total accumulated depreciation | <u>1,518,190</u> | <u>102,015</u> | <u>(18,339)</u> | <u>(46,861)</u> | <u>1,555,005</u> |
| Total depreciable capital assets, net | <u>1,223,779</u> | | | | <u>1,587,565</u> |
| Electric Fund capital assets, net | <u>\$ 1,281,995</u> | | | | <u>\$ 1,732,581</u> |
| Total for Business-Type Activities: | | | | | |
| Non-depreciable capital assets | \$ 7,863,887 | | | | \$ 8,944,481 |
| Depreciable capital assets, net of depreciation | <u>25,617,189</u> | | | | <u>25,494,886</u> |
| Total business-type capital assets, net | <u>\$ 33,481,076</u> | | | | <u>\$ 34,439,367</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

| | Governmental Activities | Business-Type Activities |
|----------------------------------|------------------------------------|-------------------------------------|
| Capital assets | \$ 9,471,695 | \$ 34,439,367 |
| Long-term debt | (786,173) | (3,390,415) |
| Net investment in capital assets | \$ 8,685,522 | \$ 31,048,952 |

ABC Board

Activity for the ABC Board for the year ended June 30, 2013 was as follows:

| | July 01, 2012 | Additions | Retirements | June 30, 2013 |
|--|----------------------|------------------|--------------------|----------------------|
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 78,875 | \$ - | \$ - | \$ 78,875 |
| Total capital assets not being depreciated | 78,875 | - | - | 78,875 |
| Depreciable Capital Assets: | | | | |
| Buildings and improvements | 216,257 | - | - | 216,257 |
| Equipment | 73,518 | 15,512 | - | 89,030 |
| Total depreciable capital assets | 289,775 | 15,512 | - | 305,287 |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | 216,258 | - | - | 216,258 |
| Equipment | 63,707 | 3,255 | - | 66,962 |
| Total accumulated depreciation | 279,965 | \$ 3,255 | \$ - | 283,220 |
| Total depreciable capital assets, net | 9,810 | | | 22,067 |
| ABC Board capital assets, net | \$ 88,685 | | | \$ 100,942 |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2013 were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Accrued Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|----------------------------------|-----------------------------|---------------------|
| Governmental Activities: | | | | |
| General | \$ 163,645 | \$ 164,048 | \$ - | \$ 327,693 |
| Internal service funds | <u>166,017</u> | <u>-</u> | <u>-</u> | <u>166,017</u> |
| Total governmental activities | <u>\$ 329,662</u> | <u>\$ 164,048</u> | <u>\$ -</u> | <u>\$ 493,710</u> |
| Business-Type Activities: | | | | |
| Water and sewer | \$ 157,984 | \$ 29,737 | \$ 34,091 | \$ 221,812 |
| Electric | 912,626 | 22,305 | 10,868 | 945,799 |
| Gas | <u>205,500</u> | <u>8,502</u> | <u>562</u> | <u>214,564</u> |
| Total business-type activities | <u>\$ 1,276,110</u> | <u>\$ 60,544</u> | <u>\$ 45,521</u> | <u>\$ 1,382,175</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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$426,003, \$428,839, and \$383,083, respectively. The ABC Board's contributions to

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

LGERS for the years ended June 30, 2013, 2012, and 2011 were \$5,008, \$5,966, and \$5,432, 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 |
| Active plan members | <u>31</u> |
| Total | <u>32</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, 2013. 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.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return, and (b)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 eighteen 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, 2013 | <u>12,018</u> |
| Increase in net pension obligation | 30,455 |
| Net pension obligation: | |
| Beginning of year - July 1 | <u>68,967</u> |
| End of year - June 30 | <u><u>\$ 99,422</u></u> |

Three-Year Trend Information

| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|---------------------------------|-------------------------------------|------------------------------|
| 2011 | \$ 46,248 | 38.98% | \$ 44,521 |
| 2012 | 42,473 | 42.44% | 68,967 |
| 2013 | 42,473 | 28.30% | 99,422 |

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, 2013

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, 2013 were \$72,293, which consisted of \$64,378 from the City and \$7,915 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, 2013, were \$349,537, which consisted of \$265,782 from the City and \$83,755 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, 2013

During the year ended June 30, 2013, the City made contributions of \$58,228 on behalf of 23 retired employees. The City obtains health coverage through private insurers. A separate report was not issued for the plan.

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

| | General | Law |
|--|------------------|---------------------------------|
| | Employees | Enforcement Officers |
| Retirees and dependents receiving benefits | 23 | - |
| Active plan members | 144 | 31 |
| Total | 167 | 31 |

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

The current ARC rate is 8.5% of annual covered payroll. For the current year, the City contributed \$58,228, or .95% 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, 2013

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

| | | |
|---|----|----------------------------|
| Annual required contribution | \$ | 525,714 |
| Interest on net OPEB obligation | | 83,885 |
| Adjustments to annual required contribution | | <u>(81,975)</u> |
| Annual OPEB cost (expense) | | 527,624 |
| Contributions made | | <u>(58,228)</u> |
| Increase (decrease) in net OPEB obligation | | 469,396 |
| Net OPEB obligation: | | |
| Beginning of year - July 1 | | <u>2,097,123</u> |
| End of year - June 30 | | <u><u>\$ 2,566,519</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

| Year Ended | Annual | Percentage of | Net |
|-------------------|---------------|-------------------------|-------------------|
| June 30 | OPEB | Annual OPEB | OPEB |
| June 30 | Cost | Cost Contributed | Obligation |
| 2013 | \$ 527,624 | 11.0% | \$ 2,566,519 |
| 2012 | 608,015 | 12.5% | 2,097,123 |
| 2011 | 608,015 | 8.2% | 1,564,901 |

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

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

Other Employment Benefits

The City has elected to provide death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the officer's 12 highest months' salary in a row during the 24 months prior to the officer's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. 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, 2013

Deferred Inflows of Resources

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

| | <u>Unavailable</u> <u>Revenue</u> |
|-----------------------|--------------------------------------|
| Taxes receivable, net | \$ 107,131 |
| Total | <u>\$ 107,131</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. Companion Commercial Insurance Company provides all of the above coverage except for the excess workers' compensation that is placed with Safety National Company, a Boiler & Machinery policy with Traveler's Property Casualty Co. of America, and an employee dishonesty policy and a public official bond, which are placed with Hartford Fire Insurance Co. These insurance carriers are all rated as "A" carriers by A.M. Best, the industry's leading rating agency.

The City's insurance program consists of general liability coverage of \$1,000,000 per occurrence and \$2,000,000 general aggregate and a per occurrence deductible of \$1,000; auto liability coverage of \$1,000,000 per occurrence and a per occurrence of \$1,000; law enforcement liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 per occurrence deductible; public officials liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; employment practices liability coverage of \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible; umbrella liability coverage limit of \$1,000,000 with a \$10,000 self-insured retention; employee dishonesty coverage limit of \$250,000 with a per occurrence deductible of \$2,500; property coverage blanket limit of \$77,571,840 with a \$10,000 per occurrence deductible; flood coverage limit of \$1,000,000 with a \$25,000 minimum per occurrence deductible; earth quake coverage limit of \$1,000,000 with a \$25,000 per occurrence deductible; excess workers' compensation and employers liability/occupational accident coverage with a \$450,000 self-insured retention. There was a reduction in the excess liability limit effective September 1, 2013 from \$5,000,000 to \$1,000,000. 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, 2013

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

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>2013</u> | <u>2012</u> |
|--------------------------|--------------------|--------------------|
| Unpaid claims, beginning | \$ 165,642 | \$ 161,753 |
| Incurred claims | 1,612,013 | 1,973,952 |
| Claim payments | <u>(1,620,593)</u> | <u>(1,970,063)</u> |
| Unpaid claims, ending | <u>\$ 157,062</u> | <u>\$ 165,642</u> |

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

| | <u>2013</u> | <u>2012</u> |
|--------------------------|------------------|------------------|
| Unpaid claims, beginning | \$ 82,105 | \$ 3,702 |
| Incurred claims | 95,417 | 143,015 |
| Claim payments | <u>(176,022)</u> | <u>(64,612)</u> |
| Unpaid claims, ending | <u>\$ 1,500</u> | <u>\$ 82,105</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, 2013, 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, 2013

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 \$4,085, including interest at 1.51% through November 2016 | \$ 15,743 |
| Note payable due in annual payments of \$12,003, including interest at 2.12% through August 2016 | 45,573 |
| Note payable due in annual payments of \$31,210, including interest at 1.93% through September 2016 | 119,040 |
| Note payable due in annual payments of \$35,007, including interest at 3.47% through December 2015 | 98,132 |
| Note payable due in annual payments of \$14,794, including interest at 3.45% through December 2013 | 14,300 |
| Note payable due in annual payments of \$24,920, including interest at 2.03% through October 2015 | 71,824 |
| Note payable due in annual payments of \$21,000, including interest at 3.41% through February 2018 | 105,000 |
| Branch Banking and Trust Company, due in annual payments of \$8,246, including interest at 2.28% through August 2018 | 45,758 |
| Branch Banking and Trust Company, due in annual payments of \$48,003, including interest at 1.79% through March 2019 | <u>270,803</u> |
| Total governmental activities | <u>\$ 786,173</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Serviced by the Enterprise Funds:

| | |
|---|---------------------|
| Branch Banking and Trust Company, due in annual payments of \$98,053, including interest at 1.51% through November 2016 | \$ 377,840 |
| Note payable due in annual payments of \$14,982, including interest at 2.12% through August 2016 | 56,883 |
| Branch Banking and Trust Company, due in annual payments of \$181,654, including interest at 3.91% through July 2014 | 343,059 |
| Note payable due in annual payments of \$283,745, including interest at 4.21% through May 2019 | 1,435,331 |
| Note payable due in annual payments of \$80,766, including interest at 3.85% through January 2017 | 294,210 |
| Note payable due in annual payments of \$46,347, including interest at 1.79% through October 2014 | 90,264 |
| Note payable due in annual payments of \$7,714, including interest at 3.09% through January 2014 | <u>7,483</u> |
| Sub-total business-type activities | <u>\$ 2,605,070</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 | \$ 144,899 |
| Branch Banking and Trust Company, due in annual payments of \$18,668, including interest at 1.79% through March 2019 | 105,312 |
| Branch Banking and Trust Company, due in annual payments of \$39,204, including interest at 1.98% through October 2017 | 184,896 |
| Branch Banking and Trust Company, due in annual payments of \$13,365, including interest at 1.98% through October 2017 | 63,032 |
| Branch Banking and Trust Company, due in annual payments of \$52,522, including interest at 1.74% through March 2016 | 156,101 |
| Branch Banking and Trust Company, due in annual payments of \$45,125, including interest at 1.62% through September 2015 | <u>131,105</u> |
| Total business-type activities | <u>\$ 3,390,415</u> |

The future minimum payments of the installment purchases as of June 30, 2013 are as follows:

| <u>Year Ending</u> <u>June 30</u> | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--------------------------------------|--------------------------------|------------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 185,486 | \$ 18,329 | \$ 778,204 | \$ 248,635 |
| 2015 | 174,311 | 13,760 | 802,482 | 247,660 |
| 2016 | 177,514 | 9,602 | 607,571 | 247,153 |
| 2017 | 120,869 | 5,361 | 530,159 | 249,256 |
| 2018 | 75,213 | 2,753 | 353,774 | 251,553 |
| 2019 | 52,780 | 1,028 | 318,225 | 258,945 |
| Total | <u>\$ 786,173</u> | <u>\$ 50,833</u> | <u>\$ 3,390,415</u> | <u>\$ 1,503,202</u> |

At June 30, 2013, the City had a legal debt margin of \$59,263,992.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

| | <u>July 01, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2013</u> | <u>Current Portion</u> |
|--|----------------------|-------------------|---------------------|----------------------|----------------------------|
| Governmental Activities: | | | | | |
| Installment purchases | \$ 743,618 | \$ 227,654 | \$ (185,099) | \$ 786,173 | \$ 185,486 |
| Compensated absences | 263,975 | 241,725 | (204,191) | 301,509 | 200,000 |
| OPEB obligation | 1,486,381 | 374,080 | (41,342) | 1,819,119 | - |
| Net pension obligation | <u>68,967</u> | <u>42,473</u> | <u>(12,018)</u> | <u>99,422</u> | <u>-</u> |
| Total governmental activities long-term liabilities | <u>\$ 2,562,941</u> | <u>\$ 885,932</u> | <u>\$ (442,650)</u> | <u>\$ 3,006,223</u> | <u>\$ 385,486</u> |
| Business-Type Activities: | | | | | |
| Installment purchases | \$ 3,612,515 | \$ 547,758 | \$ (769,858) | \$ 3,390,415 | \$ 778,204 |
| OPEB obligation | 610,742 | 155,383 | (18,725) | 747,400 | - |
| Compensated absences | <u>85,227</u> | <u>92,386</u> | <u>(72,561)</u> | <u>105,052</u> | <u>70,000</u> |
| Total business-type activity long-term liabilities | <u>\$ 4,308,484</u> | <u>\$ 795,527</u> | <u>\$ (861,144)</u> | <u>\$ 4,242,867</u> | <u>\$ 848,204</u> |

Interest expense paid during the year for governmental activities totaled \$28,164.

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, 2013 consist of the following:

| | |
|--|---------------------|
| From the Gas Fund to the General Fund for operating expenditures | \$ 450,000 |
| From the Electric Fund to the General Fund for operating expenditures | 1,898,350 |
| 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 | <u>4,914</u> |
| Total | <u>\$ 2,367,070</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

3. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

The City has overextended its budget authority at the legal level of control as of June 30, 2013 as follows:

| <u>Expenditure</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------|-------------------------|---------------|-----------------|
| Non-departmental | \$ 1,007,148 | \$ 1,068,382 | \$ (61,234) |
| Garage | 277,643 | 277,795 | (152) |
| Codes and inspections | 289,311 | 289,806 | (495) |
| Lake Authority | 287,252 | 290,962 | (3,710) |

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

The TDA Board has overextended its budget authority at the legal level of control as of June 30, 2013 as follows:

| <u>Expenditure</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------|-------------------------|---------------|-----------------|
| Cultural and recreation | \$ 70,500 | \$ 73,159 | \$ (2,659) |

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

B. Non-Compliance with North Carolina General Statutes

North Carolina General Statutes require that the King's Mountain Tourism Development Authority have the finance officer covered under a surety bond for at least \$50,000. The City finance officer will be covered under a separate surety bond for the King's Mountain Tourism Development Authority for \$50,000 in the future.

4. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) - Projected Unit Credit | | 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) | (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 Required Contribution | | Amount Contributed By Employer | Percentage of ARC Contributed |
|-----------------------|------------------------------------|-----------|--------------------------------------|-------------------------------------|
| | (ARC) | | | |
| 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% | |
| 2013 | 42,903 | 12,018 | 28.01% | |

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 | 18 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, 2013

Schedule of Funding Progress

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

Schedule of Employer Contributions

| Year Ended June 30 | Annual 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% |
| 2013 | | 525,714 | 58,228 | 11.08% |

Notes to the Required Schedules:

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

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

Actuarial assumptions:

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

* Includes inflation at 3.00%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Variance Over/Under | 2012 |
|--------------------------------------|------------------|------------------|------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Ad Valorem Taxes: | | | | |
| Current levy | \$ 3,081,166 | \$ 3,159,817 | \$ 78,651 | \$ 3,106,066 |
| Penalties and interest | 30,000 | 18,583 | (11,417) | 23,211 |
| Total ad valorem taxes | <u>3,111,166</u> | <u>3,178,400</u> | <u>67,234</u> | <u>3,129,277</u> |
| Other Taxes: | | | | |
| Local option sales tax | 869,026 | 854,940 | (14,086) | 775,934 |
| Hold-harmless sales tax | 244,000 | 263,192 | 19,192 | 261,922 |
| Utilities franchise tax | 877,150 | 882,221 | 5,071 | 883,766 |
| Payments in lieu of taxes | 121,402 | 121,427 | 25 | 105,848 |
| Miscellaneous | <u>172,323</u> | <u>167,018</u> | <u>(5,305)</u> | <u>178,624</u> |
| Total other taxes | <u>2,283,901</u> | <u>2,288,798</u> | <u>4,897</u> | <u>2,206,094</u> |
| Restricted Intergovernmental: | | | | |
| Powell Bill allocation | 304,400 | 312,023 | 7,623 | 304,397 |
| Federal government grants | 62,312 | 55,950 | (6,362) | 97,308 |
| State government grants | 23,405 | 35,422 | 12,017 | 38,373 |
| Local government grants | <u>291,904</u> | <u>214,300</u> | <u>(77,604)</u> | <u>293,635</u> |
| Total restricted intergovernmental | <u>682,021</u> | <u>617,695</u> | <u>(64,326)</u> | <u>733,713</u> |
| Permits and Fees: | | | | |
| Privilege licenses | 10,000 | 17,577 | 7,577 | 19,052 |
| General permits | <u>60,000</u> | <u>58,780</u> | <u>(1,220)</u> | <u>143,205</u> |
| Total permits and fees | <u>70,000</u> | <u>76,357</u> | <u>6,357</u> | <u>162,257</u> |
| Sales and Services: | | | | |
| Lake authority income | 331,400 | 339,431 | 8,031 | 349,015 |
| Disposal fee revenue | 774,066 | 678,833 | (95,233) | 783,062 |
| Recycling fees | 107,000 | 116,661 | 9,661 | 125,838 |
| Cemetery income | 87,100 | 87,515 | 415 | 83,000 |
| Recreation | <u>23,035</u> | <u>23,488</u> | <u>453</u> | <u>27,789</u> |
| Total sales and services | <u>1,322,601</u> | <u>1,245,928</u> | <u>(76,673)</u> | <u>1,368,704</u> |
| Investment Earnings: | | | | |
| Interest income (loss) | 18,200 | 12,072 | (6,128) | 20,900 |
| Interest income (loss) - Powell Bill | <u>3,900</u> | <u>1,180</u> | <u>(2,720)</u> | <u>2,434</u> |
| Total investment earnings | <u>22,100</u> | <u>13,252</u> | <u>(8,848)</u> | <u>23,334</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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | | 2012 |
|------------------------------------|-----------|-----------|------------------------|-----------|
| | Budget | Actual | Variance Over/Under | Actual |
| Miscellaneous: | | | | |
| Library | 23,374 | 23,913 | 539 | 23,169 |
| Rentals | - | - | - | 8,400 |
| Sale of capital assets | 13,172 | 12,375 | (797) | 8,879 |
| Court costs and jail fees | 5,000 | 5,055 | 55 | 4,592 |
| Other revenues | 199,218 | 273,349 | 74,131 | 190,852 |
| Total miscellaneous | 240,764 | 314,692 | 73,928 | 235,892 |
| | | | | |
| Total revenues | 7,732,553 | 7,735,122 | 2,569 | 7,859,271 |
| | | | | |
| Expenditures: | | | | |
| General Government: | | | | |
| Non-Departmental: | | | | |
| Salaries and employee benefits | 382,771 | 383,136 | (365) | 101,852 |
| Operating expenses | 428,809 | 481,803 | (52,994) | 426,965 |
| Capital outlay | 195,568 | 203,443 | (7,875) | 7,160 |
| Total | 1,007,148 | 1,068,382 | (61,234) | 535,977 |
| | | | | |
| Administration and Finance: | | | | |
| Salaries and employee benefits | 898,941 | 879,316 | 19,625 | 842,076 |
| Operating expenses | 241,197 | 224,248 | 16,949 | 228,163 |
| Charges to other funds | (545,180) | (545,180) | - | (530,180) |
| Capital outlay | 99,235 | 40,784 | 58,451 | 28,398 |
| Total | 694,193 | 599,168 | 95,025 | 568,457 |
| | | | | |
| Human Resources: | | | | |
| Salaries and employee benefits | 162,094 | 162,312 | (218) | 154,920 |
| Operating expenses | 54,716 | 51,414 | 3,302 | 45,382 |
| Total | 216,810 | 213,726 | 3,084 | 200,302 |
| | | | | |
| Elections Board: | | | | |
| Operating expenses | 2,000 | 2,000 | - | 5,383 |
| Total | 2,000 | 2,000 | - | 5,383 |
| | | | | |
| Garage: | | | | |
| Salaries and employee benefits | 216,223 | 214,933 | 1,290 | 207,525 |
| Operating expenses | 29,956 | 33,247 | (3,291) | 11,364 |
| Capital outlay | 31,464 | 29,615 | 1,849 | - |
| Total | 277,643 | 277,795 | (152) | 218,889 |
| | | | | |
| Public Works: | | | | |
| Salaries and employee benefits | 142,543 | 142,493 | 50 | 132,378 |
| Operating expenses | 61,215 | 53,250 | 7,965 | 42,160 |
| Capital outlay | - | - | - | 77,300 |
| Total | 203,758 | 195,743 | 8,015 | 251,838 |

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | Variance Over/Under | 2012 |
|--------------------------------|-----------|-----------|------------------------|-----------|
| | Budget | Actual | | Actual |
| Information Technology: | | | | |
| Salaries and employee benefits | 85,546 | 83,897 | 1,649 | 77,978 |
| Operating expenses | 18,800 | 11,897 | 6,903 | 3,143 |
| Total | 104,346 | 95,794 | 8,552 | 81,121 |
| Total general government | 2,505,898 | 2,452,608 | 53,290 | 1,861,967 |
| Public Safety: | | | | |
| Police: | | | | |
| Salaries and employee benefits | 2,140,566 | 2,119,872 | 20,694 | 2,101,834 |
| Operating expenses | 427,049 | 363,403 | 63,646 | 406,642 |
| Capital outlay | 115,871 | 162,328 | (46,457) | 189,298 |
| Total | 2,683,486 | 2,645,603 | 37,883 | 2,697,774 |
| Fire: | | | | |
| Salaries and employee benefits | 581,701 | 573,265 | 8,436 | 552,799 |
| Operating expenses | 267,946 | 178,383 | 89,563 | 231,000 |
| Capital outlay | 26,957 | 26,957 | - | - |
| Total | 876,604 | 778,605 | 97,999 | 783,799 |
| Communications: | | | | |
| Operating expenses | 40,963 | 33,336 | 7,627 | 59,637 |
| Capital outlay | 30,110 | - | 30,110 | 99,184 |
| Total | 71,073 | 33,336 | 37,737 | 158,821 |
| Safety/Risk Management: | | | | |
| Salaries and employee benefits | - | - | - | 578 |
| Total | - | - | - | 578 |
| Codes and Inspections: | | | | |
| Salaries and employee benefits | 262,084 | 261,852 | 232 | 190,567 |
| Operating expenses | 27,227 | 27,954 | (727) | 27,035 |
| Capital outlay | - | - | - | 3,513 |
| Total | 289,311 | 289,806 | (495) | 221,115 |
| Total public safety | 3,920,474 | 3,747,350 | 173,124 | 3,862,087 |

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | | 2012 |
|---|-----------|-----------|------------------------|---------|
| | Budget | Actual | Variance Over/Under | Actual |
| Transportation: | | | | |
| Streets: | | | | |
| Salaries and employee benefits | 764,530 | 756,982 | 7,548 | 713,103 |
| Operating expenses | 234,077 | 228,163 | 5,914 | 154,178 |
| Capital outlay | 10,000 | 9,700 | 300 | 9,915 |
| Total | 1,008,607 | 994,845 | 13,762 | 877,196 |
| Streets - Powell Bill: | | | | |
| Operating expenses | 319,000 | 272,392 | 46,608 | 68,935 |
| Capital outlay | 123,000 | 120,033 | 2,967 | - |
| Total | 442,000 | 392,425 | 49,575 | 68,935 |
| Streets - Mainstreet: | | | | |
| Salaries and employee benefits | 43,846 | 38,633 | 5,213 | - |
| Operating expenses | 25,654 | 23,421 | 2,233 | - |
| Total | 69,500 | 62,054 | 7,446 | - |
| Total transportation | 1,520,107 | 1,449,324 | 70,783 | 946,131 |
| Economic and Physical Development: | | | | |
| Planning: | | | | |
| Salaries and employee benefits | 186,976 | 185,948 | 1,028 | 183,650 |
| Operating expenses | 164,030 | 104,879 | 59,151 | 169,988 |
| Capital outlay | 26,580 | 26,580 | - | - |
| Total | 377,586 | 317,407 | 60,179 | 353,638 |
| Environmental Protection: | | | | |
| Sanitation: | | | | |
| Salaries and employee benefits | 419,502 | 416,942 | 2,560 | 416,912 |
| Operating expenses | 432,961 | 421,888 | 11,073 | 374,162 |
| Capital outlay | 176,576 | 176,575 | 1 | - |
| Total | 1,029,039 | 1,015,405 | 13,634 | 791,074 |
| Cemetery: | | | | |
| Salaries and employee benefits | 79,353 | 73,987 | 5,366 | 85,614 |
| Operating expenses | 37,389 | 31,586 | 5,803 | 30,712 |
| Capital outlay | 65,598 | 65,597 | 1 | - |
| Total | 182,340 | 171,170 | 11,170 | 116,326 |
| Recycling: | | | | |
| Salaries and employee benefits | 69,360 | 65,384 | 3,976 | 66,894 |
| Operating expenses | 21,970 | 18,826 | 3,144 | 16,379 |
| Total | 91,330 | 84,210 | 7,120 | 83,273 |
| Total environmental protection | 1,302,709 | 1,270,785 | 31,924 | 990,673 |

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | Variance Over/Under | 2012 |
|------------------------------------|-------------|-------------|------------------------|-------------|
| | Budget | Actual | | Actual |
| Culture and Recreation: | | | | |
| Library: | | | | |
| Salaries and employee benefits | 338,227 | 335,635 | 2,592 | 321,120 |
| Operating expenses | 206,209 | 196,831 | 9,378 | 179,795 |
| Capital outlay | 20,484 | 20,483 | 1 | - |
| Total | 564,920 | 552,949 | 11,971 | 500,915 |
| Senior Services: | | | | |
| Salaries and employee benefits | 267,784 | 263,542 | 4,242 | 236,014 |
| Operating expenses | 204,106 | 180,678 | 23,428 | 168,584 |
| Capital outlay | 6,000 | 6,000 | - | - |
| Total | 477,890 | 450,220 | 27,670 | 404,598 |
| Recreation: | | | | |
| Salaries and employee benefits | 57,511 | 57,899 | (388) | 57,262 |
| Operating expenses | 111,325 | 110,534 | 791 | 110,058 |
| Total | 168,836 | 168,433 | 403 | 167,320 |
| Lake Authority: | | | | |
| Salaries and employee benefits | 168,679 | 167,905 | 774 | 168,805 |
| Operating expenses | 114,973 | 123,057 | (8,084) | 119,104 |
| Capital outlay | 3,600 | - | 3,600 | 19,121 |
| Total | 287,252 | 290,962 | (3,710) | 307,030 |
| Tourism and Development: | | | | |
| Operating expenses | 72,000 | 73,898 | (1,898) | 73,772 |
| Total | 72,000 | 73,898 | (1,898) | 73,772 |
| Total culture and recreation | 1,570,898 | 1,536,462 | 34,436 | 1,453,635 |
| Debt Service: | | | | |
| Principal retirement | 203,158 | 185,099 | 18,059 | 127,526 |
| Interest and fees | 18,467 | 28,164 | (9,697) | 29,615 |
| Total debt service | 221,625 | 213,263 | 8,362 | 157,141 |
| Total expenditures | 11,419,297 | 10,987,199 | 432,098 | 9,625,272 |
| Revenues over (under) expenditures | (3,686,744) | (3,252,077) | 434,667 | (1,766,001) |

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | | 2012 |
|--|------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | 2,348,350 | 2,348,350 | - | 2,105,146 |
| Transfers to other funds: | | | | |
| Fiduciary Fund | (6,000) | (4,914) | 1,086 | (24,433) |
| Proprietary Fund | - | (13,806) | (13,806) | (13,806) |
| Appropriated fund balance | 1,058,519 | - | (1,058,519) | - |
| Issuance of debt | <u>285,875</u> | <u>227,654</u> | <u>(58,221)</u> | <u>366,000</u> |
| Total other financing sources (uses) | <u>3,686,744</u> | <u>2,557,284</u> | <u>(1,129,460)</u> | <u>2,432,907</u> |
| | | | | |
| Net change in fund balance | <u>\$ -</u> | <u>(694,793)</u> | <u>\$ (694,793)</u> | 666,906 |
| | | | | |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | <u>3,934,583</u> | | <u>3,267,677</u> |
| | | | | |
| End of year - June 30 | | <u>\$ 3,239,790</u> | | <u>\$ 3,934,583</u> |

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2013

| | <u>General Capital Projects Fund</u> | <u>Library Repairs and Improvements</u> | <u>Cemetery Care Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|---------------------------------------|--|---|-----------------------------------|--|
| Assets: | | | | |
| Cash and cash equivalents | \$ 9,512 | \$ 12,204 | \$ 27,064 | \$ 48,780 |
| Total assets | <u>\$ 9,512</u> | <u>\$ 12,204</u> | <u>\$ 27,064</u> | <u>\$ 48,780</u> |
| Liabilities and Fund Balances: | | | | |
| Fund Balances: | | | | |
| Non-spendable: | | | | |
| Perpetual maintenance | \$ - | \$ - | \$ 27,064 | \$ 27,064 |
| Committed: | | | | |
| Future capital projects | <u>9,512</u> | <u>12,204</u> | <u>-</u> | <u>21,716</u> |
| Total fund balances | <u>9,512</u> | <u>12,204</u> | <u>27,064</u> | <u>48,780</u> |
| Total liabilities and fund balances | <u>\$ 9,512</u> | <u>\$ 12,204</u> | <u>\$ 27,064</u> | <u>\$ 48,780</u> |

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

| | 2012 Center Street Community Development Block Grant | General Capital Projects Fund | Library Repairs and Improvements | Cemetery Care Fund | Total Nonmajor Governmental Funds |
|--|---|--|---|-----------------------------------|--|
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 285,704 | \$ 3,000 | \$ - | \$ - | \$ 288,704 |
| Investment earnings | - | 7 | 15 | 24 | 46 |
| Total revenues | <u>285,704</u> | <u>3,007</u> | <u>15</u> | <u>24</u> | <u>288,750</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Economic and physical development | <u>285,704</u> | - | - | 6,220 | 291,924 |
| Total expenditures | <u>285,704</u> | - | - | 6,220 | 291,924 |
| Revenues over (under) expenditures | - | <u>3,007</u> | <u>15</u> | <u>(6,196)</u> | <u>(3,174)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | - | - | - | 4,914 | 4,914 |
| Net change in fund balances | - | 3,007 | 15 | (1,282) | 1,740 |
| Fund Balances: | | | | | |
| Beginning of year - July 1 | - | <u>6,505</u> | <u>12,189</u> | <u>28,346</u> | <u>47,040</u> |
| End of year - June 30 | <u>\$ -</u> | <u>\$ 9,512</u> | <u>\$ 12,204</u> | <u>\$ 27,064</u> | <u>\$ 48,780</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, 2013

| | <u>Project Authorization</u> | <u>Actual</u> | | <u>Total to Date</u> |
|------------------------------------|----------------------------------|------------------------|-------------------------|--------------------------|
| | | <u>Prior Years</u> | <u>Current Year</u> | |
| Revenues: | | | | |
| Restricted intergovernmental: | | | | |
| Community Development Block Grant | \$ 600,000 | \$ 233,580 | \$ 285,704 | \$ 519,284 |
| Total revenues | <u>600,000</u> | <u>233,580</u> | <u>285,704</u> | <u>519,284</u> |
| Expenditures: | | | | |
| Economic and physical development: | | | | |
| Administration | 45,200 | 13,838 | 30,398 | 44,236 |
| Sewer improvements | <u>554,800</u> | <u>219,742</u> | <u>255,306</u> | <u>475,048</u> |
| Total expenditures | <u>600,000</u> | <u>233,580</u> | <u>285,704</u> | <u>519,284</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund Balance: | | | | |
| 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, 2013

| | <u>Project Authorization</u> | <u>Prior Year</u> | <u>Current Year</u> | <u>Total to Date</u> |
|------------------------------------|----------------------------------|-----------------------|-------------------------|--------------------------|
| Revenues: | | | | |
| Donations | \$ 70,000 | \$ 49,400 | \$ 3,000 | \$ 52,400 |
| Investment earnings | - | 1,264 | 7 | 1,271 |
| Total revenues | <u>70,000</u> | <u>50,664</u> | <u>3,007</u> | <u>53,671</u> |
| Expenditures: | | | | |
| Capital outlay: | | | | |
| Bell Tower | <u>70,000</u> | <u>44,159</u> | - | <u>44,159</u> |
| Total expenditures | <u>70,000</u> | <u>44,159</u> | - | <u>44,159</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>6,505</u> | <u>3,007</u> | <u>9,512</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 6,505</u> | 3,007 | <u>\$ 9,512</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>6,505</u> | |
| End of year - June 30 | | | <u>\$ 9,512</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, 2013

| | <u>Project Authorization</u> | <u>Prior Year</u> | <u>Current Year</u> | <u>Total to Date</u> |
|--|----------------------------------|-----------------------|-------------------------|--------------------------|
| Revenues: | | | | |
| Interest | \$ - | \$ 347 | \$ 15 | \$ 362 |
| Expenditures: | | | | |
| Library renovations | 210,000 | 198,158 | - | 198,158 |
| Revenues over (under) expenditures | (210,000) | (197,811) | 15 | (197,796) |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | 210,000 | 210,000 | - | 210,000 |
| Total other financing sources (uses) | 210,000 | 210,000 | - | 210,000 |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 12,189</u> | 15 | <u>\$ 12,204</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>12,189</u> | |
| End of year - June 30 | | | <u>\$ 12,204</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, 2013

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

| | 2013 | | | 2012 |
|--|----------|-----------|------------------------|-----------|
| | Budget | Actual | Variance Over/Under | Total |
| Revenues: | | | | |
| Investment earnings | \$ 60 | \$ 24 | \$ 36 | \$ 14 |
| Expenditures: | | | | |
| Current: | | | | |
| Operating expenses | 10,000 | 6,220 | 3,780 | 5,134 |
| Capital outlay | 24,000 | - | 24,000 | - |
| Total expenditures | 34,000 | 6,220 | 27,780 | 5,134 |
| Revenues over (under) expenditures | (33,940) | (6,196) | (27,744) | (5,120) |
| Other Financing Sources (Uses): | | | | |
| Transfers in (out) | 6,000 | 4,914 | (1,086) | 3,754 |
| Total other financing sources (uses) | 6,000 | 4,914 | (1,086) | 3,754 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (27,940) | (1,282) | (26,658) | (1,366) |
| Fund balance appropriated | 27,940 | - | 27,940 | - |
| Net change in fund balance | \$ - | (1,282) | \$ (1,282) | (1,366) |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | 28,346 | | 29,712 |
| End of year - June 30 | | \$ 27,064 | | \$ 28,346 |

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | | 2012 |
|--|--------------|--------------|------------------------|--------------|
| | Budget | Actual | Variance Over/Under | Total |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Charges for services | \$ 4,334,090 | \$ 4,815,397 | \$ 481,307 | \$ 4,519,320 |
| Miscellaneous revenues | 38,079 | 69,670 | 31,591 | 36,855 |
| Total operating revenues | 4,372,169 | 4,885,067 | 512,898 | 4,556,175 |
| Non-operating revenues: | | | | |
| Interest income (loss) | 3,500 | 3,552 | 52 | 7,727 |
| Other non-operating revenue | - | - | - | 192,743 |
| Total non-operating revenues | 3,500 | 3,552 | 52 | 200,470 |
| Total revenues | 4,375,669 | 4,888,619 | 512,950 | 4,756,645 |
| Expenditures: | | | | |
| Administration: | | | | |
| Salaries and employee benefits | 191,517 | 273,797 | (82,280) | 141,142 |
| Other operating expenditures | 461,068 | 405,471 | 55,597 | 289,171 |
| Capital outlay | 44,000 | 80,084 | (36,084) | 89,650 |
| Total administration | 696,585 | 759,352 | (62,767) | 519,963 |
| Plant: | | | | |
| Salaries and employee benefits | 242,875 | 244,757 | (1,882) | 239,468 |
| Other operating expenditures | 187,952 | 110,444 | 77,508 | 203,634 |
| Capital outlay | 134,199 | 175,096 | (40,897) | 161,575 |
| Cost of merchandise sold | 260,000 | 207,279 | 52,721 | 238,617 |
| Total plant | 825,026 | 737,576 | 87,450 | 843,294 |
| System Maintenance and Extension: | | | | |
| Salaries and employee benefits | 319,211 | 319,783 | (572) | 296,292 |
| Other operating expenditures | 271,723 | 167,156 | 104,567 | 219,848 |
| Capital outlay | 98,865 | 177,223 | (78,358) | 62,029 |
| Total system maintenance and extension | 689,799 | 664,162 | 25,637 | 578,169 |
| Waste Water Treatment: | | | | |
| Salaries and employee benefits | 250,542 | 243,958 | 6,584 | 341,084 |
| Other operating expenditures | 235,740 | 237,076 | (1,336) | 171,112 |
| Capital outlay | 118,200 | 118,199 | 1 | 126,753 |
| Cost of merchandise sold | 400,000 | 380,787 | 19,213 | 328,515 |
| Total waste water treatment | 1,004,482 | 980,020 | 24,462 | 967,464 |

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | | 2012 |
|--|-----------|-------------|------------------------|-------------|
| | Budget | Actual | Variance Over/Under | Total |
| Industrial Pre-Treatment: | | | | |
| Salaries and employee benefits | 65,680 | 65,477 | 203 | 58,500 |
| Other operating expenditures | 10,783 | 7,008 | 3,775 | 7,684 |
| Total industrial pre-treatment | 76,463 | 72,485 | 3,978 | 66,184 |
| Pump Station Maintenance: | | | | |
| Salaries and employee benefits | 398,821 | 322,643 | 76,178 | 257,407 |
| Other operating expenditures | 258,707 | 213,546 | 45,161 | 236,421 |
| Capital outlay | 62,110 | 102,762 | (40,652) | 339,960 |
| Cost of merchandise sold | 40,000 | 123,342 | (83,342) | 42,102 |
| Total pump station maintenance | 759,638 | 762,293 | (2,655) | 875,890 |
| Debt Service: | | | | |
| Principal retirement | 482,979 | 557,626 | (74,647) | 558,171 |
| Interest and fees | - | - | - | 3,835 |
| LPA interest | 164,960 | 83,120 | 81,840 | 112,684 |
| Total debt service | 647,939 | 640,746 | 7,193 | 674,690 |
| Total expenditures | 4,699,932 | 4,616,634 | 83,298 | 4,525,654 |
| Revenues over (under) expenditures | (324,263) | 271,985 | 596,248 | 230,991 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 13,806 | 13,806 | 13,806 |
| Proceeds from debt | 71,865 | 235,453 | 163,588 | 699,460 |
| Total other financing sources (uses) | 71,865 | 249,259 | 177,394 | 713,266 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (252,398) | 521,244 | 773,642 | 944,257 |
| Appropriated fund balance | 252,398 | - | (252,398) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | 521,244 | \$ 521,244 | 944,257 |
| Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual: | | | | |
| Capital contributions from water/sewer capital projects | | - | | - |
| Proceeds from debt | | (235,453) | | (699,460) |
| Change in inventories | | 83,531 | | 51,449 |
| Capital outlay | | 655,755 | | 779,967 |
| OPEB liability | | (70,685) | | (78,981) |
| Capital contributions | | 21,726 | | 349,580 |
| Principal retirement | | 557,626 | | 558,171 |
| Depreciation expense | | (1,146,205) | | (1,081,761) |
| Change in net position | | \$ 387,539 | | \$ 823,222 |

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, 2013

| | <u>Project Authorization</u> | <u>Prior Year</u> | <u>Current Year</u> | <u>Total to Date</u> |
|-----------------------------------|----------------------------------|-----------------------|-------------------------|--------------------------|
| Revenues: | | | | |
| Local contributions | \$ 1,340,000 | \$ - | \$ - | \$ - |
| Total revenues | <u>1,340,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | | |
| Professional Services | 70,172 | 390,118 | 65,156 | 455,274 |
| 36" Water Line Project | 493,660 | - | 258,746 | 258,746 |
| Water Line Rehabilitation Project | 260,281 | - | 110,096 | 110,096 |
| Water Plant Improvement Project | 478,842 | - | 292,844 | 292,844 |
| Spillway Project | 37,045 | - | 19,045 | 19,045 |
| Total expenditures | <u>1,340,000</u> | <u>390,118</u> | <u>745,887</u> | <u>1,136,005</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (390,118)</u> | (745,887) | <u>\$ (1,136,005)</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>(390,118)</u> | |
| End of year - June 30 | | | <u>\$ (1,136,005)</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, 2013
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | Variance Over/Under | 2012 |
|------------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Total |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Charges for services | \$ 13,242,996 | \$ 12,575,730 | \$ (667,266) | \$ 12,453,029 |
| Miscellaneous revenues | 206,409 | 310,248 | 103,839 | 257,747 |
| Total operating revenues | <u>13,449,405</u> | <u>12,885,978</u> | <u>(563,427)</u> | <u>12,710,776</u> |
| Non-operating revenues: | | | | |
| Interest income | 10,000 | 8,074 | (1,926) | 21,226 |
| Total non-operating revenues | <u>10,000</u> | <u>8,074</u> | <u>(1,926)</u> | <u>21,226</u> |
| Total revenues | <u>13,459,405</u> | <u>12,894,052</u> | <u>(565,353)</u> | <u>12,732,002</u> |
| Expenditures: | | | | |
| Meter reading: | | | | |
| Salaries and employee benefits | 186,715 | 188,376 | (1,661) | 177,573 |
| Operating expenditures | 40,700 | 32,608 | 8,092 | 44,806 |
| Capital outlay | 10,000 | 23,500 | (13,500) | - |
| Total meter reading | <u>237,415</u> | <u>244,484</u> | <u>(7,069)</u> | <u>222,379</u> |
| System: | | | | |
| Salaries and employee benefits | 885,881 | 889,030 | (3,149) | 1,008,326 |
| Other operating expenditures | 1,395,104 | 1,321,048 | 74,056 | 1,324,570 |
| Capital outlay | 913,238 | 681,646 | 231,592 | 558,722 |
| Cost of merchandise sold | 8,950,000 | 8,798,268 | 151,732 | 8,234,458 |
| Debt service - principal | 179,295 | 160,298 | 18,997 | 168,709 |
| Debt service - interest | 6,752 | 6,752 | - | 20,185 |
| Total system | <u>12,330,270</u> | <u>11,857,042</u> | <u>473,228</u> | <u>11,314,970</u> |
| Total expenditures | <u>12,567,685</u> | <u>12,101,526</u> | <u>466,159</u> | <u>11,537,349</u> |
| Revenues over (under) expenditures | <u>891,720</u> | <u>792,526</u> | <u>(99,194)</u> | <u>1,194,653</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | | 2012 |
|--|------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | Variance Over/Under | Total |
| Other Financing Sources (Uses): | | | | |
| Appropriated from fund balance | 510,578 | - | (510,578) | - |
| Sale of capital assets | 330 | - | (330) | 75 |
| Transfers in (out) | (1,898,350) | (1,898,350) | - | (1,684,000) |
| Proceeds from issuance of debt | 495,722 | 198,289 | (297,433) | 328,046 |
| Total other financing sources (uses) | <u>(891,720)</u> | <u>(1,700,061)</u> | <u>(808,341)</u> | <u>(1,355,879)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>(907,535)</u> | <u>\$ (907,535)</u> | <u>(161,226)</u> |
| Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual: | | | | |
| Change in inventories | | 28,526 | | (51,518) |
| Capital outlay | | 705,146 | | 558,722 |
| Proceeds from issuance of debt | | (198,289) | | (328,046) |
| OPEB liability | | (42,411) | | (49,710) |
| Capital contribution | | - | | (36,767) |
| Principal retirement | | 160,298 | | 168,709 |
| Depreciation expense | | <u>(474,604)</u> | | <u>(436,885)</u> |
| Change in net position | | <u>\$ (728,869)</u> | | <u>\$ (336,721)</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, 2013
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

| | 2013 | | | 2012 |
|--|------------------|------------------|------------------------|---------------------|
| | Budget | Actual | Variance Over/Under | Total |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Charges for services | \$ 4,809,500 | \$ 5,009,092 | \$ 199,592 | \$ 4,491,891 |
| Miscellaneous revenues | 67,500 | 69,040 | 1,540 | 64,180 |
| Total operating revenues | <u>4,877,000</u> | <u>5,078,132</u> | <u>201,132</u> | <u>4,556,071</u> |
| Non-operating revenues: | | | | |
| Interest income | 6,000 | 4,421 | (1,579) | 10,021 |
| Total non-operating revenues | <u>6,000</u> | <u>4,421</u> | <u>(1,579)</u> | <u>10,021</u> |
| Total revenues | <u>4,883,000</u> | <u>5,082,553</u> | <u>199,553</u> | <u>4,566,092</u> |
| Expenditures: | | | | |
| Salaries and employee benefits | 534,855 | 547,912 | (13,057) | 604,439 |
| Other operating expenditures | 974,047 | 902,767 | 71,280 | 678,889 |
| Capital outlay | 445,010 | 552,603 | (107,593) | 51,811 |
| Cost of merchandise sold | 3,000,000 | 2,941,654 | 58,346 | 2,923,419 |
| Debt service - principal | 52,949 | 51,934 | 1,015 | 17,041 |
| Debt service - interest | 1,117 | 1,117 | - | 1,830 |
| Total expenditures | <u>5,007,978</u> | <u>4,997,987</u> | <u>9,991</u> | <u>4,277,429</u> |
| Revenues over (under) expenditures | <u>(124,978)</u> | <u>84,566</u> | <u>209,544</u> | <u>288,663</u> |
| Other Financing Sources (Uses): | | | | |
| Appropriated from fund balance | 574,978 | - | (574,978) | - |
| Debt issued | - | 114,016 | 114,016 | 81,050 |
| Sales of capital assets | - | - | - | 7,100 |
| Transfer to other fund: | | | | |
| General Fund | <u>(450,000)</u> | <u>(450,000)</u> | <u>-</u> | <u>(400,000)</u> |
| Total other financing sources (uses) | <u>124,978</u> | <u>(335,984)</u> | <u>(460,962)</u> | <u>(311,850)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>(251,418)</u> | <u>\$ (251,418)</u> | <u>(23,187)</u> |
| Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual: | | | | |
| Change in inventories | | (18,022) | | 7,476 |
| Debt issued | | (114,016) | | (81,050) |
| Capital outlay | | 552,601 | | 51,811 |
| OPEB liability | | (23,562) | | (26,292) |
| Principal retirement | | 51,934 | | 17,041 |
| Depreciation expense | | <u>(102,015)</u> | | <u>(92,530)</u> |
| Change in net position | | <u>\$ 95,502</u> | | <u>\$ (146,731)</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

| | <u>Workers' Compensation Insurance</u> | <u>Health Insurance</u> | <u>Total</u> |
|---------------------------|--|-----------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 197,903 | \$ 259,232 | \$ 457,135 |
| Accounts receivable | <u>-</u> | <u>31,182</u> | <u>31,182</u> |
| Total assets | <u>197,903</u> | <u>290,414</u> | <u>488,317</u> |
| Liabilities: | | | |
| Accounts payable | 1,500 | 157,062 | 158,562 |
| Accrued liabilities | <u>7,455</u> | <u>-</u> | <u>7,455</u> |
| Total liabilities | <u>8,955</u> | <u>157,062</u> | <u>166,017</u> |
| Net Position: | | | |
| Unrestricted | <u>\$ 188,948</u> | <u>\$ 133,352</u> | <u>\$ 322,300</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013**

| | Workers' Compensation Insurance | Health Insurance | Total |
|--------------------------------|--|-----------------------------|--------------|
| Operating Revenues: | | | |
| Charges for services | \$ 147,678 | \$ 2,218,352 | \$ 2,366,030 |
| Operating Expenses: | | | |
| Excess policy fees | 62,496 | 212,160 | 274,656 |
| Administrative fees | 14,500 | 110,738 | 125,238 |
| Claims | 95,417 | 1,600,903 | 1,696,320 |
| Total operating expenses | 172,413 | 1,923,801 | 2,096,214 |
| Operating income (loss) | (24,735) | 294,551 | 269,816 |
| Non-Operating Revenues: | | | |
| Investment income (loss) | 550 | 253 | 803 |
| Change in net position | (24,185) | 294,804 | 270,619 |
| Net Position: | | | |
| Beginning of year - July 1 | 213,133 | (161,452) | 51,681 |
| End of year - June 30 | \$ 188,948 | \$ 133,352 | \$ 322,300 |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

| | Workers' Compensation Insurance | Health Insurance | Total |
|---|--|-----------------------------|--------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from customers | \$ 147,678 | \$ 2,187,170 | \$ 2,334,848 |
| Cash paid for goods and services | <u>(245,563)</u> | <u>(1,932,381)</u> | <u>(2,177,944)</u> |
| Net cash provided (used) by operating activities | <u>(97,885)</u> | <u>254,789</u> | <u>156,904</u> |
| Cash Flows from Investing Activities: | | | |
| Interest income | <u>550</u> | <u>253</u> | <u>803</u> |
| Net increase (decrease) in cash and cash equivalents | (97,335) | 255,042 | 157,707 |
| Cash and Cash Equivalents: | | | |
| Beginning of year - July 1 | <u>295,238</u> | <u>4,190</u> | <u>299,428</u> |
| End of year - June 30 | <u>\$ 197,903</u> | <u>\$ 259,232</u> | <u>\$ 457,135</u> |
| Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Net operating income (loss) | <u>\$ (24,735)</u> | <u>\$ 294,551</u> | <u>\$ 269,816</u> |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating activities: | | | |
| (Increase) decrease in operating accounts receivable | - | (31,182) | (31,182) |
| Increase (decrease) in operating accounts payable and accrued liabilities | <u>(73,150)</u> | <u>(8,580)</u> | <u>(81,730)</u> |
| Total adjustments | <u>(73,150)</u> | <u>(39,762)</u> | <u>(112,912)</u> |
| Net cash provided (used) by operating activities | <u>\$ (97,885)</u> | <u>\$ 254,789</u> | <u>\$ 156,904</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, 2013**

| | <u>Financial Plan</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|---------------------------|--------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for services | \$ 147,100 | \$ 147,678 | \$ (578) |
| Non-operating revenues: | | | |
| Interest income (loss) | 800 | 550 | 250 |
| Total revenues | <u>147,900</u> | <u>148,228</u> | <u>(328)</u> |
| Expenditures: | | | |
| Operating expenditures: | | | |
| Excess policy fees | 62,496 | 62,496 | - |
| Administrative fees | 14,500 | 14,500 | - |
| Claims | <u>168,279</u> | <u>95,417</u> | <u>72,862</u> |
| Total expenditures | <u>245,275</u> | <u>172,413</u> | <u>72,862</u> |
| Operating income (loss) | (97,375) | (24,185) | 73,190 |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | <u>97,375</u> | <u>-</u> | <u>(97,375)</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (24,185)</u> | <u>\$ (24,185)</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, 2013

| | <u>Financial Plan</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|------------------------------------|---------------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for services | \$ 2,298,387 | \$ 2,218,352 | \$ 80,035 |
| Non-operating revenues: | | | |
| Interest income | 1,200 | 253 | 947 |
| Total revenues | <u>2,299,587</u> | <u>2,218,605</u> | <u>80,982</u> |
| Expenditures: | | | |
| Operating expenditures: | | | |
| Excess policy fees | 261,383 | 212,160 | 49,223 |
| Administrative fees | 94,000 | 110,738 | (16,738) |
| Claims | <u>1,944,204</u> | <u>1,600,903</u> | <u>343,301</u> |
| Total expenditures | <u>2,299,587</u> | <u>1,923,801</u> | <u>375,786</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ 294,804</u> | <u>\$ 294,804</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, 2013**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|---------------|------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Occupancy taxes | \$ 60,000 | \$ 73,898 | \$ 13,898 |
| Non-operating revenues: | | | |
| Investment earnings | <u>20</u> | <u>22</u> | <u>2</u> |
| Total revenues | <u>60,020</u> | <u>73,920</u> | <u>13,900</u> |
| Expenditures: | | | |
| Current: | | | |
| Operating expenses | 10,500 | 13,159 | (2,659) |
| Cultural and recreation | <u>60,000</u> | <u>60,000</u> | <u>-</u> |
| Total expenditures | <u>70,500</u> | <u>73,159</u> | <u>(2,659)</u> |
| Revenues over (under) expenditures | (10,480) | 761 | 11,241 |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | <u>10,480</u> | <u>-</u> | <u>(10,480)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>761</u> | <u>\$ 761</u> |
| Fund Balances: | | | |
| Beginning of year - July 1 | | <u>77,907</u> | |
| End of year - June 30 | | <u>\$ 78,668</u> | |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 JUNE 30, 2013

| | <u>Balance</u> <u>July 01, 2012</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|---------------------------|--|------------------|-------------------|--|
| Assets: | | | | |
| Cash and cash equivalents | \$ 170,382 | \$ 11,239 | \$ 6,240 | \$ 175,381 |
| Liabilities: | | | | |
| Intergovernmental payable | \$ 170,382 | \$ 11,239 | \$ 6,240 | \$ 175,381 |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

| Fiscal Year | Uncollected Balance July 1, 2012 | Additions | Collections and Credits | Uncollected Balance June 30, 2013 |
|--|--|---------------------|----------------------------|---|
| 2011-2012 | \$ - | \$ 3,172,029 | \$ 3,080,496 | \$ 91,533 |
| 2010-2011 | 93,401 | - | 70,533 | 22,868 |
| 2009-2010 | 23,338 | - | 8,004 | 15,334 |
| 2008-2009 | 11,095 | - | 2,382 | 8,713 |
| 2007-2008 | 9,339 | - | 1,143 | 8,196 |
| 2006-2007 | 8,743 | - | 1,396 | 7,347 |
| 2005-2006 | 6,774 | - | 741 | 6,033 |
| 2004-2005 | 5,345 | - | 418 | 4,927 |
| 2003-2004 | 4,906 | - | 63 | 4,843 |
| 2002-2003 | 5,999 | - | 419 | 5,580 |
| 2001-2002 | 5,686 | - | 5,686 | - |
| Total | <u>\$ 174,626</u> | <u>\$ 3,172,029</u> | <u>\$ 3,171,281</u> | 175,374 |
| Less: Allowance for uncollectible accounts | | | | <u>(68,243)</u> |
| Ad valorem taxes receivable, net | | | | <u>\$ 107,131</u> |
| Reconciliation with Revenues: | | | | |
| Ad valorem taxes: | | | | |
| General Fund | | | | \$ 3,159,817 |
| Reconciling items: | | | | |
| Late listing | | | | 6,597 |
| Miscellaneous adjustments | | | | <u>4,867</u> |
| Total collections and credits | | | | <u>\$ 3,171,281</u> |

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2013

| | City-Wide Levy | | | Total Levy | |
|---|-----------------------|---------|---------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property taxed at current year's rate | \$ 793,007,250 | \$ 0.40 | \$ 3,172,029 | \$ 2,934,989 | \$ 237,040 |
| Total property valuation | \$ 793,007,250 | | | | |
| Net Levy | | | 3,172,029 | 2,934,989 | 237,040 |
| Uncollected taxes at June 30, 2013 | | | (91,533) | (55,998) | (35,535) |
| Current Year's Taxes Collected | | | \$ 3,080,496 | \$ 2,878,991 | \$ 201,505 |
| Current Levy Collection Percentage | | | <u>97.11%</u> | <u>98.09%</u> | <u>85.01%</u> |
| Secondary Market Disclosures: | | | | | |
| Assessed valuation: | | | | | |
| Assessment ratio | | | | | 100% |
| Real property | | | | | \$632,737,411 |
| Personal property | | | | | 140,723,551 |
| Public service companies | | | | | 19,546,288 |
| Total assessed valuation | | | | | \$ 793,007,250 |
| Tax rate per \$100 | | | | | 0.40 |
| Levy (includes discoveries, releases, and abatements) | | | | | \$ 3,172,029 |

This page left blank intentionally.