

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

This page left blank intentionally.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2015

Mayor

Edgar O. Murphrey, Jr.

City Council

Mike Butler

Keith Miller

Rodney L. Gordon

Rick Moore

Tommy Hawkins

Howard Shipp

Curtis Pressley

City Manager

Marilyn H. Sellers

Finance Officer

Crystal Certain

This page left blank intentionally.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

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	24-65

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
Required Supplemental Financial Data:		
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	66
A-2	Other Post-Employment Benefits - Retiree Health Plan Required Supplementary Information -	67
A-3	Local Government Employees' Retirement System City's Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information	68
A-4	Local Government Employees' Retirement System City's Contributions - Required Supplementary Information	69
Supplementary Information:		
General Fund -		
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70-75
Nonmajor Governmental Funds:		
2	Combining Balance Sheet	76
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	77
Capital Projects Funds:		
4	General Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
5	Senior Center Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
6	Library Repairs and Improvements - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	80

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Permanent Fund:	
7	Cemetery Care Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81
	Enterprise Funds:	
8	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	82-83
9	Enterprise Fund Capital Project - Water Plant Upgrade and Line Rehab Project Schedule of Revenues, Expenditures, and Changes - Budget and Actual (Non-GAAP)	84
10	Electric Utility Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	85-86
11	Gas Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	87-88
12	Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	89
	Internal Service Funds:	
13	Combining Statement of Net Position	90
14	Combining Statement of Revenues, Expenses, and Changes in Net Position	91
15	Combining Statement of Cash Flows	92
16	Workers' Compensation Insurance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	93

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Internal Service Funds (continued):	
17	Health Insurance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	94
	Tourism Development Authority:	
18	Tourism Development Authority Board - Statement of Net Position	95
19	Tourism Development Authority Board - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
	Agency Fund:	
20	Statement of Changes in Assets and Liabilities	97
	Additional Financial Data:	
21	Schedule of Ad Valorem Taxes Receivable	98
22	Analysis of Current Year Levy	99
	Compliance Section:	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	100-101
	Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; And the State Single Audit Implementation Act	102-103
	Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; And the State Single Audit Implementation Act	104-105
	Schedule of Findings and Questioned Costs	106-109
	Summary Schedule of Prior Year's Findings	110
	Schedule of Expenditures of Federal and State Awards	111-112

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2015, 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 did not audit the financial statements of the City of Kings Mountain ABC Board. Those statements were audited by another auditor whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Kings Mountain ABC Board, is based solely on the report of another auditor. 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, based on our audit and the report of the other auditor, 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, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and the Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and 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 and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kings Mountain's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, other schedules, and supplemental ad valorem tax schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments*, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are 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 combining and individual fund financial statements, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016 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
February 17, 2016

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, 2015. 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

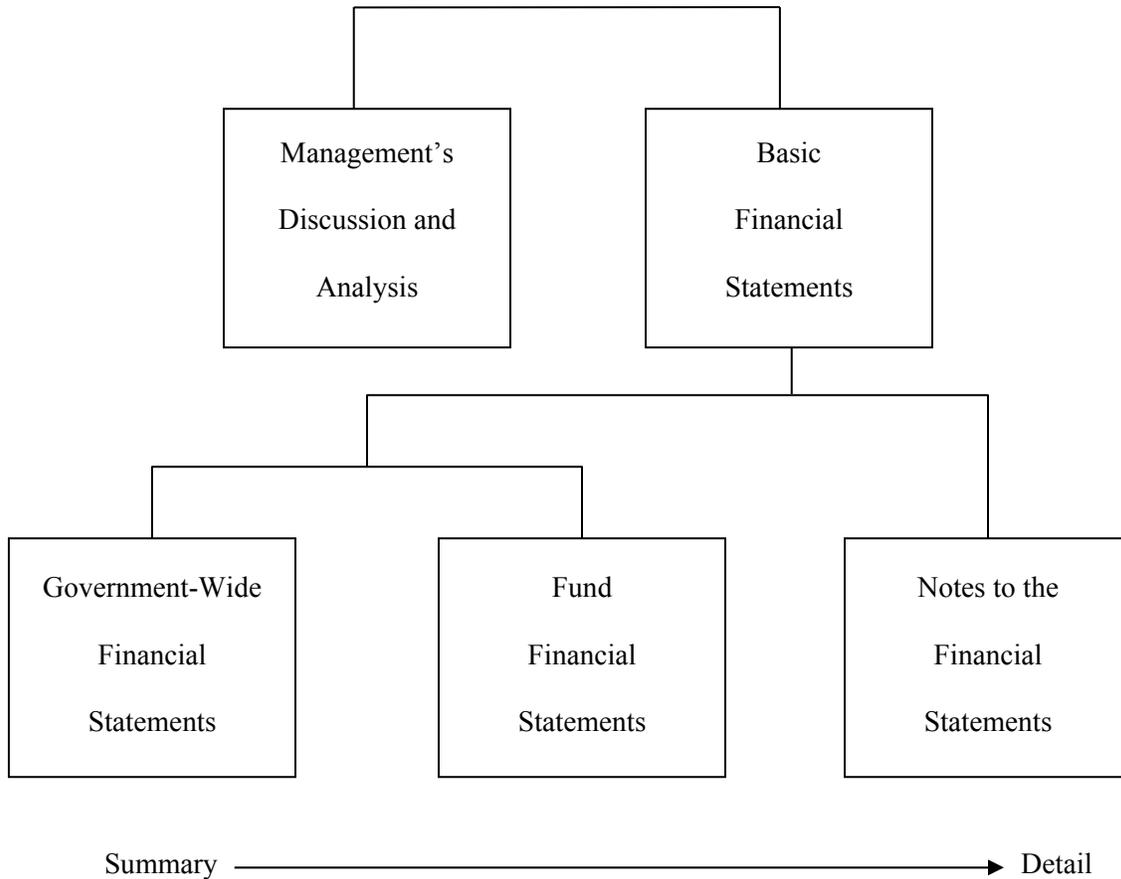
- The assets and deferred outflows of the City of Kings Mountain exceeded its liabilities and deferred inflows at the close of the fiscal year by \$47,425,923 (*net position*).
- The government's total net position increased by \$1,002,307.
- At the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$4,156,239, an increase of \$285,472 in comparison with the prior year.
- At the end of the current fiscal year, available fund balance for the General Fund was \$2,041,541, or 15.95 percent, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt increased by \$10,414,830 during the current fiscal year. The key factors in this increase was the receipt of debt proceeds for the State Revolving Fund loans and debt issues to cover the virtual server.

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 four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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

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

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. City of Kings Mountain has one fiduciary fund, which is an agency fund.

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

Interdependence with Other Entities. The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with the U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Kings Mountain's Net Position Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$ 5,539,880	\$ 5,310,865	\$ 11,051,489	\$ 10,545,337	\$ 16,591,369	\$ 15,856,202
Other assets	207,640	174,012	295,980	323,141	503,620	497,153
Capital assets, net	10,160,569	9,459,937	48,938,845	37,690,702	59,099,414	47,150,639
Total assets	15,908,089	14,944,814	60,286,314	48,559,180	76,194,403	63,503,994
Deferred outflows of resources	383,912	-	164,535	-	548,447	-
Liabilities:						
Long-term liabilities	4,798,236	3,440,453	15,834,256	6,706,711	20,632,492	10,147,164
Other liabilities	826,007	1,209,305	6,227,749	4,872,945	7,053,756	6,082,250
Total liabilities	5,624,243	4,649,758	22,062,005	11,579,656	27,686,248	16,229,414
Deferred inflows of resources	1,141,476	-	489,203	-	1,630,679	-
Net Position:						
Net investment in capital assets	8,335,419	8,655,919	32,253,694	30,399,249	40,589,113	39,055,168
Restricted	2,169,090	1,341,307	-	-	2,169,090	1,341,307
Unrestricted	(978,227)	297,830	5,645,947	6,580,275	4,667,720	6,878,105
Total net position	\$ 9,526,282	\$ 10,295,056	\$ 37,899,641	\$ 36,979,524	\$ 47,425,923	\$ 47,274,580

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Kings Mountain exceeded liabilities and deferred inflows by \$47,425,923 as of June 30, 2015. However, the largest portion (86%) 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 \$2,169,090 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,667,720 is unrestricted. Also, the City of Kings Mountain implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$850,964. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Kings Mountain's management.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,443,293	\$ 1,594,209	\$ 22,936,300	\$ 23,876,260	\$ 24,379,593	\$ 25,470,469
Operating grants and contributions	1,577,783	944,874	-	-	1,577,783	944,874
Capital grants and contributions	145,406	223,034	32,010	112,803	177,416	335,837
General revenues:						
Property taxes	4,428,398	4,035,714	-	-	4,428,398	4,035,714
Other taxes	2,715,692	2,469,887	-	-	2,715,692	2,469,887
Other	11,237	11,129	16,618	9,891	27,855	21,020
Total revenues	10,321,809	9,278,847	22,984,928	23,998,954	33,306,737	33,277,801
Expenses:						
General government	2,210,992	2,422,425	-	-	2,210,992	2,422,425
Public safety	4,067,170	4,165,564	-	-	4,067,170	4,165,564
Transportation	1,657,647	1,464,936	-	-	1,657,647	1,464,936
Environmental protection	102,901	892,698	-	-	102,901	892,698
Economic development	3,010,128	619,674	-	-	3,010,128	619,674
Culture and recreation	1,612,581	1,891,018	-	-	1,612,581	1,891,018
Human services	146,594	30,949	-	-	146,594	30,949
Interest expense	40,895	-	-	-	40,895	-
Water and sewer	-	-	4,649,321	4,474,183	4,649,321	4,474,183
Electric	-	-	9,899,063	11,710,392	9,899,063	11,710,392
Gas	-	-	4,589,574	5,104,764	4,589,574	5,104,764
Stormwater	-	-	317,564	140,395	317,564	140,395
Total expenses	12,848,908	11,487,264	19,455,522	21,429,734	32,304,430	32,916,998
Change in net position before transfers	(2,527,099)	(2,208,417)	3,529,406	2,569,220	1,002,307	360,803
Transfers	2,354,000	2,320,000	(2,354,000)	(2,320,000)	-	-
Change in net position	(173,099)	111,583	1,175,406	249,220	1,002,307	360,803
Net Position:						
Beginning of year - July 1	10,295,056	10,183,473	36,979,524	36,730,304	47,274,580	46,913,777
Prior period adjustment	(595,675)	-	(255,289)	-	(850,964)	-
Beginning of year, restated	9,699,381	10,183,473	36,724,235	36,730,304	46,423,616	46,913,777
End of year - June 30	\$ 9,526,282	\$ 10,295,056	\$ 37,899,641	\$ 36,979,524	\$ 47,425,923	\$ 47,274,580

Governmental Activities. Governmental activities decreased the City's net position by \$173,099. The key element of this decrease is as follows:

- Increase in economic and physical development expenditures of \$2,390,454

Business-Type Activities. Business-type activities increased the City's net position by \$1,175,406. Key elements of this increase are as follows:

- Decrease in electric expenses overall from a decrease in electrical power purchases
- Decrease in gas expenses overall from a decrease in gas purchases

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Kings Mountain's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Kings Mountain's financing requirements.

The General Fund is the chief operating fund of the City of Kings Mountain. At the end of the current fiscal year, available fund balance of the General Fund was \$2,041,541, while total fund balance reached \$3,605,575. 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 15.95 percent of total General Fund expenditures, while total fund balance represents 28.17 percent of that same amount.

At June 30, 2015, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$4,156,239 with a net increase of \$285,472. Included in this change in fund balance is an increase in fund balance in the Senior Center Capital Project Fund (nonmajor fund).

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

Revenues had a positive variance of \$33,640 due to an increase in property taxes and other taxes. The General Fund recognized a positive variance of \$369,210 between the final amended budget and actual expenditures. The major components of this positive variance are as follows:

- General government - \$251,241
- Public safety - \$141,020

In general government, decreases in salaries and benefits, due to vacancies, contributed to the positive variance. Also, in public safety, decreases in salaries and benefits 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 \$1,536,292. This amount for the Electric Fund was \$2,945,597, for the Gas Fund was \$1,073,960, and for the Stormwater Fund was \$90,098. The total changes in net position for the four funds were \$393,808, \$716,138, (\$89,257), and \$154,717, 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, 2015 totals \$59,099,414 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Other improvements
- Lines

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,687,226	\$ 2,662,528	\$ 7,115,023	\$ 7,115,023	\$ 9,802,249	\$ 9,777,551
Infrastructure	542,383	633,446	-	-	542,383	633,446
Buildings	2,395,257	2,738,909	4,022,161	4,671,102	6,417,418	7,410,011
Other improvements	775,228	692,213	6,558,260	7,096,699	7,333,488	7,788,912
Equipment	1,475,499	1,269,675	4,764,478	2,092,256	6,239,977	3,361,931
Vehicles	1,266,761	1,463,166	941,915	806,197	2,208,676	2,269,363
Lines	-	-	16,302,568	10,482,977	16,302,568	10,482,977
Construction in progress	1,018,215	-	9,234,440	5,426,448	10,252,655	5,426,448
Total	<u>\$ 10,160,569</u>	<u>\$ 9,459,937</u>	<u>\$ 48,938,845</u>	<u>\$ 37,690,702</u>	<u>\$ 59,099,414</u>	<u>\$ 47,150,639</u>

Additional information on the City’s capital assets can be found in Note 3 of the basic financial statements.

Long-Term Debt. As of June 30, 2015, the City of Kings Mountain had total installment purchase debt outstanding of \$18,510,301. 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Installment purchases	\$ 1,825,150	\$ 804,018	\$ 16,685,151	\$ 7,291,453	\$ 18,510,301	\$ 8,095,471
Total	<u>\$ 1,825,150</u>	<u>\$ 804,018</u>	<u>\$ 16,685,151</u>	<u>\$ 7,291,453</u>	<u>\$ 18,510,301</u>	<u>\$ 8,095,471</u>

The City of Kings Mountain's total debt increased by \$10,414,830 during the current fiscal year. The key factors in this increase were the new State Revolving Fund loans and debt issues to cover the virtual server.

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 \$70,385,719.

Additional information regarding the City of Kings Mountain's long-term debt can be found in Note 3 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The City increased the water and sewer rate with a 7 ½ % for the third and final year, as recommended by the rate study completed in 2012. It is expected that the third large water sewer project, renovation and upgrade from 8 million to 12 million gallon capacity at the Ellison Water Treatment Plant will be completed by November 2016. This is a \$12.4 million project funded by NC Department of Natural Resources awarded the City. There are no planned increases to property taxes nor increases to the electric, gas, landfill or stormwater rates. The NTE Energy Company has completed funding for its \$450 million dollar investment in an Electric Power Plant to be built with an anticipated completion date of January 2018. NTE will produce and distribute electrical power utilizing a Combined Cycle Natural Gas Facility with its purchase of natural gas being delivered directly from Williams (Transco) with Kings Mountain providing domestic natural gas and electrical distribution needs. The City of Kings Mountain will be providing all new water and wastewater needs for this facility. This new plant will be the largest water customer regarding daily volume at this time. We anticipate industrial growth in the recently annexed land area bordering the NTE Plant site and have two new data centers currently under construction with a third that is expanding. At this time, the Catawba Indian Council is still awaiting approval from the US Department of Interior's Bureau of Indian Affairs for plans to build and operate a casino and resort in Kings Mountain.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. The property tax rate remains at 40 cents per \$100 in assessed property value. The General Fund budget is 9% higher than last year's budget due to a 2% COLA given to all employees, a 33% increase in contracted parks and recreation services and in increase in the cost of premiums to the City for employee's health insurance. The City continues to make improvements to the downtown business area. Several grants were awarded including public safety, downtown revitalization, dredging operations to the Moss Lake and continued Lifetime Learning LSTA the for library.

Business-Type Activities. All four enterprise funds increased due to a cost-of-living given to employees again in 2015-16 and due to the increased cost of health insurance to the City. Lines for the electric, gas and water-sewer departments are under construction to the new NTE Energy Plant. The Water Treatment Plant is starting a major remodeling phase with a \$13.4 million State Revolving Fund loan from NCDENR, Completion is expected in November 2016. The City has entered into a 20-year contract with NTE Energy to supply the City with electrical power starting in January 2018. We continue to maintain low and competitive rates for all our utility funds.

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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 3,637,102	\$ 5,376,302	\$ 9,013,404	\$ 291,288	\$ 117,257
Taxes receivable, net	64,194	-	64,194	-	-
Accounts receivable, net	614,935	4,397,021	5,011,956	89	-
Due from other governments	918,250	-	918,250	-	9,404
Internal balances	(240,000)	240,000	-	-	-
Inventories	77,052	837,447	914,499	136,473	-
Prepaid items	-	-	-	5,194	-
Total current assets	<u>5,071,533</u>	<u>10,850,770</u>	<u>15,922,303</u>	<u>433,044</u>	<u>126,661</u>
Restricted assets:					
Cash and cash equivalents	<u>207,640</u>	<u>295,980</u>	<u>503,620</u>	<u>-</u>	<u>-</u>
Non-current assets:					
Pension asset	<u>468,347</u>	<u>200,719</u>	<u>669,066</u>	<u>5,013</u>	<u>-</u>
Capital assets:					
Land, non-depreciable improvements, and construction in progress	3,705,441	16,349,463	20,054,904	78,875	-
Other capital assets, net of depreciation	<u>6,455,128</u>	<u>32,589,382</u>	<u>39,044,510</u>	<u>12,598</u>	<u>-</u>
Total capital assets	<u>10,160,569</u>	<u>48,938,845</u>	<u>59,099,414</u>	<u>91,473</u>	<u>-</u>
Total assets	<u>15,908,089</u>	<u>60,286,314</u>	<u>76,194,403</u>	<u>529,530</u>	<u>126,661</u>
Deferred Outflows of Resources	<u>383,912</u>	<u>164,535</u>	<u>548,447</u>	<u>6,177</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	689,073	3,885,192	4,574,265	157,345	24,100
Moss Lake unearned revenues	117,412	-	117,412	-	-
Accrued interest payable	19,522	-	19,522	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	295,980	295,980	-	-
Long-term liabilities:					
Due within one year	567,118	2,046,577	2,613,695	-	-
Due in more than one year	<u>4,231,118</u>	<u>15,834,256</u>	<u>20,065,374</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,624,243</u>	<u>22,062,005</u>	<u>27,686,248</u>	<u>157,345</u>	<u>24,100</u>
Deferred Inflows of Resources	<u>1,141,476</u>	<u>489,203</u>	<u>1,630,679</u>	<u>12,218</u>	<u>-</u>
Net Position:					
Net investment in capital assets	8,335,419	32,253,694	40,589,113	91,473	-
Restricted for:					
Perpetual maintenance	19,091	-	19,091	-	-
Stabilization by State statute	1,486,982	-	1,486,982	-	-
Streets - Powell Bill	57,442	-	57,442	-	-
Public safety	40,289	-	40,289	-	-
Cultural and recreational	565,286	-	565,286	-	-
Tourism	-	-	-	-	102,561
Unrestricted	<u>(978,227)</u>	<u>5,645,947</u>	<u>4,667,720</u>	<u>274,671</u>	<u>-</u>
Total net position	<u>\$ 9,526,282</u>	<u>\$ 37,899,641</u>	<u>\$ 47,425,923</u>	<u>\$ 366,144</u>	<u>\$ 102,561</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, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 2,210,992	\$ 17,391	\$ 159,181	\$ -
Public safety	4,067,170	4,436	224,501	-
Transportation	1,657,647	-	368,055	-
Human services	146,594	-	100,000	-
Economic and physical development	3,010,128	105,682	506,200	145,406
Environmental protection	102,901	939,996	-	-
Culture and recreation	1,612,581	375,788	219,846	-
Interest expense	40,895	-	-	-
Total governmental activities	<u>12,848,908</u>	<u>1,443,293</u>	<u>1,577,783</u>	<u>145,406</u>
Business-Type Activities:				
Water and sewer	4,649,321	4,904,063	-	2,440
Electric	9,899,063	12,490,217	-	29,570
Gas	4,589,574	5,165,781	-	-
Stormwater	317,564	376,239	-	-
Total business-type activities	<u>19,455,522</u>	<u>22,936,300</u>	<u>-</u>	<u>32,010</u>
Total primary government	<u>\$ 32,304,430</u>	<u>\$ 24,379,593</u>	<u>\$ 1,577,783</u>	<u>\$ 177,416</u>
Component Units:				
ABC Board	\$ 1,382,749	\$ 1,385,605	\$ -	\$ -
Tourism Development Authority Board	85,548	-	-	-
Total component units	<u>\$ 1,468,297</u>	<u>\$ 1,385,605</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Net (Expense) Revenue and Changes in Net Position			Component Units	
	Primary Government			ABC Board	Tourism Development Authority Board
	Governmental Activities	Business-Type Activities	Total		
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (2,034,420)	\$ -	\$ (2,034,420)		
Public safety	(3,838,233)	-	(3,838,233)		
Transportation	(1,289,592)	-	(1,289,592)		
Human services	(46,594)	-	(46,594)		
Economic and physical development	(2,252,840)	-	(2,252,840)		
Environmental protection	837,095	-	837,095		
Culture and recreation	(1,016,947)	-	(1,016,947)		
Interest expense	(40,895)	-	(40,895)		
Total governmental activities	<u>(9,682,426)</u>	<u>-</u>	<u>(9,682,426)</u>		
Business-Type Activities:					
Water and sewer	-	257,182	257,182		
Electric	-	2,620,724	2,620,724		
Gas	-	576,207	576,207		
Stormwater	-	58,675	58,675		
Total business-type activities	<u>-</u>	<u>3,512,788</u>	<u>3,512,788</u>		
Total primary government	<u>(9,682,426)</u>	<u>3,512,788</u>	<u>(6,169,638)</u>		
Component Units:					
ABC Board				\$ 2,856	\$ -
Tourism Development Authority Board				-	(85,548)
Total component units				<u>2,856</u>	<u>(85,548)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	4,428,398	-	4,428,398	-	-
Local option sales tax	1,127,023	-	1,127,023	-	-
Payment in lieu of taxes	117,708	-	117,708	-	-
Franchise taxes	932,517	-	932,517	-	-
Other taxes and licenses	538,444	-	538,444	-	103,211
Unrestricted investment earnings	11,237	16,618	27,855	216	22
Total general revenues before transfers	<u>7,155,327</u>	<u>16,618</u>	<u>7,171,945</u>	<u>216</u>	<u>103,233</u>
Transfers	<u>2,354,000</u>	<u>(2,354,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>9,509,327</u>	<u>(2,337,382)</u>	<u>7,171,945</u>	<u>216</u>	<u>103,233</u>
Change in net position	<u>(173,099)</u>	<u>1,175,406</u>	<u>1,002,307</u>	<u>3,072</u>	<u>17,685</u>
Net Position:					
Beginning of year - July 1	10,295,056	36,979,524	47,274,580	385,095	84,876
Prior period adjustment	(595,675)	(255,289)	(850,964)	(22,023)	-
Beginning of year, restated	<u>9,699,381</u>	<u>36,724,235</u>	<u>46,423,616</u>	<u>363,072</u>	<u>84,876</u>
End of year - June 30	<u>\$ 9,526,282</u>	<u>\$ 37,899,641</u>	<u>\$ 47,425,923</u>	<u>\$ 366,144</u>	<u>\$ 102,561</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<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	\$ 2,692,067	\$ 571,619	\$ 3,263,686
Cash and cash equivalents, restricted	184,956	22,684	207,640
Taxes receivable, net	64,194	-	64,194
Accounts receivable, net	568,732	-	568,732
Due from other governments	918,250	-	918,250
Inventories	77,052	-	77,052
Total assets	<u>\$ 4,505,251</u>	<u>\$ 594,303</u>	<u>\$ 5,099,554</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 478,070	\$ 43,639	\$ 521,709
Due to other funds	240,000	-	240,000
Moss Lake unearned revenues	117,412	-	117,412
Total liabilities	<u>835,482</u>	<u>43,639</u>	<u>879,121</u>
Deferred Inflows of Resources:			
Property taxes receivable	64,194	-	64,194
Total deferred inflows of resources	<u>64,194</u>	<u>-</u>	<u>64,194</u>
Fund Balances:			
Non-spendable:			
Inventories	77,052	-	77,052
Perpetual maintenance	-	19,091	19,091
Restricted:			
Stabilization by State statute	1,486,982	-	1,486,982
Streets	57,442	-	57,442
Public safety	40,289	-	40,289
Cultural and recreational	87,225	478,061	565,286
Committed:			
Future capital projects	-	53,512	53,512
Unassigned	1,856,585	-	1,856,585
Total fund balances	<u>3,605,575</u>	<u>550,664</u>	<u>4,156,239</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,505,251</u>	<u>\$ 594,303</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.	10,160,569
The assets and liabilities of internal service funds are included in the Statement of Net Position.	252,255
Net pension asset	468,347
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	345,458
Pension related deferrals	(1,103,022)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	64,194
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>(4,817,758)</u>
Net position of governmental activities	<u>\$ 9,526,282</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, 2015

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 4,487,447	\$ -	\$ 4,487,447
Other taxes and licenses	2,715,692	-	2,715,692
Restricted intergovernmental	1,248,179	100,000	1,348,179
Permits and fees	121,289	-	121,289
Sales and services	1,245,297	145,406	1,390,703
Investment earnings	11,211	26	11,237
Miscellaneous	306,525	-	306,525
Total revenues	<u>10,135,640</u>	<u>245,432</u>	<u>10,381,072</u>
Expenditures:			
Current:			
General government	2,472,341	-	2,472,341
Public safety	3,793,154	-	3,793,154
Transportation	1,523,486	-	1,523,486
Economic and physical development	1,969,864	1,021,710	2,991,574
Environmental protection	1,018,450	-	1,018,450
Culture and recreation	1,633,503	-	1,633,503
Capital outlay	-	8,380	8,380
Debt service:			
Principal	359,016	-	359,016
Interest	29,844	-	29,844
Total expenditures	<u>12,799,658</u>	<u>1,030,090</u>	<u>13,829,748</u>
Revenues over (under) expenditures	<u>(2,664,018)</u>	<u>(784,658)</u>	<u>(3,448,676)</u>
Other Financing Sources (Uses):			
Transfers in	2,462,224	78,440	2,540,664
Transfers out	(174,440)	(12,224)	(186,664)
Issuance of debt	299,600	1,080,548	1,380,148
Total other financing sources (uses)	<u>2,587,384</u>	<u>1,146,764</u>	<u>3,734,148</u>
Net change in fund balances	(76,634)	362,106	285,472
Fund Balances:			
Beginning of year - July 1	<u>3,682,209</u>	<u>188,558</u>	<u>3,870,767</u>
End of year - June 30	<u>\$ 3,605,575</u>	<u>\$ 550,664</u>	<u>\$ 4,156,239</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, 2015**

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 \$ 285,472

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	\$ 1,782,891	
Disposals, loss	(214)	
Depreciation expense	<u>(1,082,045)</u>	700,632

Change in deferred inflows for tax revenues (59,049)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 345,458

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	(1,380,148)	
Repayment of debt principal	359,016	
Accrual of net pension obligation	(59,636)	
OPEB	(331,905)	
Pension expense	(39,000)	
Accrual of interest expense payable	(11,051)	
Accrual of compensated absences	<u>54,890</u>	(1,407,834)

Net revenue of internal service funds determined to be governmental-type (37,778)

Total change in net position of governmental activities (Exhibit B) \$ (173,099)

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,835,118	\$ 4,435,118	\$ 4,487,447	\$ 52,329
Other taxes	2,231,733	2,668,330	2,715,692	47,362
Restricted intergovernmental	1,297,295	1,203,317	1,248,179	44,862
Permits and fees	73,500	109,500	121,289	11,789
Investment earnings	6,250	6,250	11,211	4,961
Sales and services	1,311,078	1,333,078	1,245,297	(87,781)
Miscellaneous	161,735	346,407	306,525	(39,882)
Total revenues	<u>8,916,709</u>	<u>10,102,000</u>	<u>10,135,640</u>	<u>33,640</u>
Expenditures:				
Current:				
General government	2,161,704	2,723,582	2,472,341	251,241
Public safety	3,935,474	3,934,174	3,793,154	141,020
Transportation	1,223,783	1,601,620	1,523,486	78,134
Economic and physical development	1,498,161	1,632,561	1,969,864	(337,303)
Environmental protection	1,019,926	1,119,426	1,018,450	100,976
Culture and recreation	1,681,394	1,768,643	1,633,503	135,140
Debt service:				
Principal retirement	223,947	359,016	359,016	-
Interest and fees	29,846	29,846	29,844	2
Total expenditures	<u>11,774,235</u>	<u>13,168,868</u>	<u>12,799,658</u>	<u>369,210</u>
Revenues over (under) expenditures	<u>(2,857,526)</u>	<u>(3,066,868)</u>	<u>(2,664,018)</u>	<u>402,850</u>
Other Financing Sources (Uses):				
Transfers in	2,546,000	2,798,224	2,462,224	(336,000)
Transfers out	(261,263)	(188,806)	(174,440)	14,366
Issuance of debt	-	299,600	299,600	-
Total other financing sources (uses)	<u>2,284,737</u>	<u>2,909,018</u>	<u>2,587,384</u>	<u>(321,634)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(572,789)</u>	<u>(157,850)</u>	<u>(76,634)</u>	<u>81,216</u>
Fund balance appropriated	<u>572,789</u>	<u>157,850</u>	<u>-</u>	<u>157,850</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(76,634)</u>	<u>\$ (76,634)</u>
Fund Balance:				
Beginning of year - July 1			<u>3,682,209</u>	
End of year - June 30			<u>\$ 3,605,575</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, 2015

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 2,879,164	\$ 1,344,821	\$ 1,011,858	\$ 140,459	\$ 5,376,302	\$ 373,416
Cash - restricted	69,415	144,815	81,750	-	295,980	-
Accounts receivable, net	1,464,854	2,715,108	191,243	25,816	4,397,021	46,203
Due from other funds	-	40,000	200,000	-	240,000	-
Inventories	282,928	463,664	90,855	-	837,447	-
Total current assets	<u>4,696,361</u>	<u>4,708,408</u>	<u>1,575,706</u>	<u>166,275</u>	<u>11,146,750</u>	<u>419,619</u>
Non-current assets:						
Pension asset	93,669	53,525	33,453	20,072	200,719	-
Capital assets:						
Land and other non-depreciable assets	16,278,573	39,890	31,000	-	16,349,463	-
Other capital assets, net of depreciation	23,410,612	6,638,223	2,389,410	151,137	32,589,382	-
Total capital assets	<u>39,689,185</u>	<u>6,678,113</u>	<u>2,420,410</u>	<u>151,137</u>	<u>48,938,845</u>	<u>-</u>
Total assets	<u>44,479,215</u>	<u>11,440,046</u>	<u>4,029,569</u>	<u>337,484</u>	<u>60,286,314</u>	<u>419,619</u>
Deferred Outflows of Resources	<u>76,783</u>	<u>43,876</u>	<u>27,423</u>	<u>16,453</u>	<u>164,535</u>	<u>-</u>
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	2,467,795	1,212,044	196,975	8,378	3,885,192	167,364
Liabilities to be paid from restricted assets:						
Customer deposits	69,415	144,815	81,750	-	295,980	-
Current portion of compensated absences	31,729	24,302	12,551	9,323	77,905	-
Current portion of long-term liabilities	1,357,728	396,106	199,864	14,974	1,968,672	-
Total current liabilities	<u>3,926,667</u>	<u>1,777,267</u>	<u>491,140</u>	<u>32,675</u>	<u>6,227,749</u>	<u>167,364</u>
Non-current liabilities:						
Notes payable	13,497,729	776,130	396,200	46,420	14,716,479	-
OPEB liability	501,558	324,294	177,263	36,758	1,039,873	-
Compensated absences	31,729	24,303	12,549	9,323	77,904	-
Total non-current liabilities	<u>14,031,016</u>	<u>1,124,727</u>	<u>586,012</u>	<u>92,501</u>	<u>15,834,256</u>	<u>-</u>
Total liabilities	<u>17,957,683</u>	<u>2,901,994</u>	<u>1,077,152</u>	<u>125,176</u>	<u>22,062,005</u>	<u>167,364</u>
Deferred Inflows of Resources	<u>228,295</u>	<u>130,454</u>	<u>81,534</u>	<u>48,920</u>	<u>489,203</u>	<u>-</u>
Net Position:						
Net investment in capital assets	24,833,728	5,505,877	1,824,346	89,743	32,253,694	-
Unrestricted	1,536,292	2,945,597	1,073,960	90,098	5,645,947	252,255
Total net position	<u>\$ 26,370,020</u>	<u>\$ 8,451,474</u>	<u>\$ 2,898,306</u>	<u>\$ 179,841</u>	<u>\$ 37,899,641</u>	<u>\$ 252,255</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, 2015

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund		Service Funds
Operating Revenues:						
Charges for services	\$ 4,879,203	\$ 12,326,794	\$ 5,096,332	\$ 375,239	\$ 22,677,568	\$ 2,128,502
Miscellaneous revenues	24,860	163,423	69,449	1,000	258,732	-
Total operating revenues	4,904,063	12,490,217	5,165,781	376,239	22,936,300	2,128,502
Operating Expenses:						
Salaries and fringe benefits	1,470,459	1,082,895	606,132	262,924	3,422,410	-
Cost of merchandise sold	652,641	6,772,504	3,026,481	-	10,451,626	-
Other operating expenses	1,232,836	1,443,254	792,350	43,128	3,511,568	-
Depreciation	1,161,612	558,497	152,833	10,803	1,883,745	-
Excess policy fees	-	-	-	-	-	282,414
Administrative fees	-	-	-	-	-	157,597
Claims	-	-	-	-	-	1,727,391
Total operating expenses	4,517,548	9,857,150	4,577,796	316,855	19,269,349	2,167,402
Operating income (loss)	386,515	2,633,067	587,985	59,384	3,666,951	(38,900)
Non-Operating Revenues (Expenses):						
Interest income	7,085	5,633	3,858	42	16,618	1,122
Interest expense	(131,773)	(41,913)	(11,778)	(709)	(186,173)	-
Other non-operating income	2,440	29,570	-	-	32,010	-
Total non-operating revenues (expenses)	(122,248)	(6,710)	(7,920)	(667)	(137,545)	1,122
Income (loss) before transfers	264,267	2,626,357	580,065	58,717	3,529,406	(37,778)
Transfers from other funds	129,541	-	-	96,000	225,541	-
Transfers to other funds	-	(1,910,219)	(669,322)	-	(2,579,541)	-
Total transfers	129,541	(1,910,219)	(669,322)	96,000	(2,354,000)	-
Change in net position	393,808	716,138	(89,257)	154,717	1,175,406	(37,778)
Net Position:						
Beginning of year - July 1	26,095,347	7,803,413	3,030,111	50,653	36,979,524	290,033
Prior period adjustment	(119,135)	(68,077)	(42,548)	(25,529)	(255,289)	-
Beginning of year, restated	25,976,212	7,735,336	2,987,563	25,124	36,724,235	290,033
End of year - June 30	\$ 26,370,020	\$ 8,451,474	\$ 2,898,306	\$ 179,841	\$ 37,899,641	\$ 252,255

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, 2015

	Business-Type Activities - Enterprise Funds					Governmental
	Water and Sewer Fund	Electric Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 4,126,924	\$ 11,477,188	\$ 5,270,368	\$ 382,563	\$ 21,257,043	\$ 2,102,583
Cash paid for goods and services	(543,837)	(8,153,977)	(4,129,483)	(41,481)	(12,868,778)	(2,151,031)
Cash paid to employees for services	(1,453,985)	(1,058,820)	(595,859)	(263,119)	(3,371,783)	-
Cash paid for customer deposits	(6,780)	(11,133)	(9,248)	-	(27,161)	-
Other operating revenues	24,860	163,423	69,449	1,000	258,732	-
Net cash provided (used) by operating activities	2,147,182	2,416,681	605,227	78,963	5,248,053	(48,448)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(11,251,380)	(1,176,768)	(541,800)	(161,940)	(13,131,888)	-
Principal paid on bonds and equipment contracts	(1,143,917)	(438,161)	(197,357)	(15,986)	(1,795,421)	-
Proceeds from issuance of note payable	10,881,272	230,467	-	77,380	11,189,119	-
Other non-operating revenues	2,440	29,570	-	-	32,010	-
Interest expense	(138,746)	(21,314)	(12,646)	-	(172,706)	-
Net cash provided (used) by capital and related financing activities	(1,650,331)	(1,376,206)	(751,803)	(100,546)	(3,878,886)	-
Cash Flows from Non-Capital Financing Activities:						
(Increase) decrease in due from other funds	-	(40,000)	(200,000)	-	(240,000)	-
Operating transfers	129,541	(1,910,219)	(669,322)	96,000	(2,354,000)	-
Net cash provided (used) by non-capital financing activities	129,541	(1,950,219)	(869,322)	96,000	(2,594,000)	-
Cash Flows from Investing Activities:						
Interest income (expense)	7,085	5,633	3,858	42	16,618	1,122
Net increase (decrease) in cash and cash equivalents	633,477	(904,111)	(1,012,040)	74,459	(1,208,215)	(47,326)
Cash and Cash Equivalents:						
Beginning of year - July 1	2,315,102	2,393,747	2,105,648	66,000	6,880,497	420,742
End of year - June 30	\$ 2,948,579	\$ 1,489,636	\$ 1,093,608	\$ 140,459	\$ 5,672,282	\$ 373,416
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 386,515	\$ 2,633,067	\$ 587,985	\$ 59,384	\$ 3,666,951	\$ (38,900)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,161,612	558,497	152,833	10,803	1,883,745	-
Pension related adjustments	7,691	4,395	2,747	1,647	16,480	-
Pension expense	7,800	4,457	2,786	1,671	16,714	-
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(752,279)	(849,606)	174,036	7,324	(1,420,525)	(25,919)
Inventories	101,165	46,796	26,078	-	174,039	-
Deferred outflows of resources for pensions	(76,783)	(43,876)	(27,423)	(16,453)	(164,535)	-
Increase (decrease) in:						
Accounts payable	1,239,939	21,883	(330,667)	8,062	939,217	16,371
OPEB	78,302	52,201	26,100	6,525	163,128	-
Customer deposits	(6,780)	(11,133)	(9,248)	-	(27,161)	-
Net cash provided (used) by operating activities	\$ 2,147,182	\$ 2,416,681	\$ 605,227	\$ 78,963	\$ 5,248,053	\$ (48,448)
Supplemental Disclosures of Non-Cash Activities:						
Transfer of assets	\$ -	\$ -	\$ -	\$ 15,868	\$ 15,868	\$ -

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, 2015**

	<u>Firefighter's Retirement Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 220,735
Accounts receivable	<u>6,688</u>
Total assets	<u>\$ 227,423</u>
Liabilities:	
Intergovernmental payable	<u>\$ 227,423</u>

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

This page left blank intentionally.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

City of Kings Mountain ABC Board

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

Tourism Development Authority Board

The Tourism Development Authority Board was created by session law SL 2001-439, Part II to market and promote tourism and cultural development in the City. The members of the Tourism Development Authority Board's governing board are appointed by the City. The City transfers a portion of the occupancy tax levied by the City to the Tourism Development Authority Board. The TDA Board, which has a June 30 year-end, is a discretely presented component unit. Separate financial statements have not been issued for the TDA Board.

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, 2015

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds including the Fiduciary Fund. Separate statements for each fund category - *governmental and proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues, other taxes and licenses, and operating transfers from proprietary funds. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and general governmental services.

The City reports the following nonmajor governmental funds:

Capital Project Funds

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Permanent Fund

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

The City reports the following enterprise funds:

Enterprise Funds

Major

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

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

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

Nonmajor

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

The City reports the following fund type:

Internal Service Funds

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

Agency Fund

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

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, State

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by both Gaston and Cleveland Counties and then remitted to and distributed by the State. Most intergovernmental revenues and sales and service revenues are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, 2015

E. Estimates

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

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

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

Restricted Assets

In accordance with State law {G.S. 136-41.1 through 136-41.4}, Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets. Drug seizure funds are classified as restricted cash because they can be expended only for public safety purposes.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Senior Center funds are classified as restricted for cultural and recreational purposes because they are donations obtained for the purpose of expanding the senior center. A portion of library funds are classified as restricted for cultural and recreational purposes because it was a donation set up through the Foundation for the Carolinas as an Endowment Fund. Customer deposits held by the City before any utility services are supplied are restricted to the service for which the deposit was collected.

City of Kings Mountain Restricted Cash

Governmental Activities:

General Fund:

Streets	\$	57,442
Public safety		40,289
Cultural and recreation		87,225

Nonmajor Funds:

Perpetual maintenance		19,091
Unspent grant proceeds		3,593
Total governmental activities		<u>207,640</u>

Business-Type Activities:

Water and Sewer Fund:

Customer deposits		69,415
-------------------	--	--------

Electric Fund:

Customer deposits		144,815
-------------------	--	---------

Gas Fund:

Customer deposits		81,750
-------------------	--	--------

Total business-type activities		<u>295,980</u>
--------------------------------	--	----------------

Total restricted cash	\$	<u>503,620</u>
-----------------------	----	----------------

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property, other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These tax levies are based on the assessed values as of January 1, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds and those of the City of Kings Mountain ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when used rather than when purchased.

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

Capital Assets

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

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, contributions made to the pension plan in the 2015 fiscal year and pension related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criteria for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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

Restricted for Cultural and Recreational – portion of fund balance that is restricted for cultural and recreational expenditures. The General Fund has \$87,225 restricted for future culture and recreation expenditures while the nonmajor funds have \$478,061 restricted for the same.

Committed Fund Balance

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

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

Total fund balance - General Fund	\$ 3,605,575
Less:	
Inventories	77,052
Stabilization by State statute	<u>1,486,982</u>
Total available fund balance	<u>\$ 2,041,541</u>

Pensions

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended June 30, 2015, the expenditures made in the City's General Fund for Tourism and Development and Economic and Physical Development exceeded the authorized appropriations made by the governing board by \$4,998 and \$337,303 respectively. Also, the expenditures made in the City's Senior Center capital project fund and the transfers made in the City's Library Repairs and Improvements capital project fund exceeded the authorized appropriations made by the governing board by \$48,143 and \$12,224, respectively. The over-expenditures in the General Fund and the Senior Center capital project fund occurred because the operating expenditures exceeded budgeted amounts. In the Library Repairs and Improvements capital project fund, transfers were not accounted for in the budget process, due to oversight. Management and the Board will more closely monitor the budget in these funds to ensure compliance in future years.

3. 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 Board or the escrow agent.

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

At June 30, 2015, the City's deposits had a carrying amount of \$9,719,559 and a bank balance of \$9,853,706. Of the bank balance, \$783,188 was covered by federal depository insurance and \$9,070,518 was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the TDA Board was \$117,257, and the bank balance was \$64,843. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$209,173 and the bank balance was \$209,555. The bank balance of the ABC Board was fully covered by federal depository insurance. The ABC Board had Certificates of Deposit of \$80,115 and petty cash funds of \$2,000.

At June 30, 2015, 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, 2015, the City of Kings Mountain had \$15,721 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, 2015**

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2015 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 705,218	\$ 103,755	\$ 918,250	\$ 1,727,223
Nonmajor - internal service funds	46,203	-	-	46,203
Allowance for doubtful accounts	(136,486)	(39,561)	-	(176,047)
Total governmental activities	<u>\$ 614,935</u>	<u>\$ 64,194</u>	<u>\$ 918,250</u>	<u>\$ 1,597,379</u>
Business-Type Activities:				
Water and sewer	\$ 1,704,139	\$ -	\$ -	\$ 1,704,139
Electric	3,298,579	-	-	3,298,579
Gas	283,917	-	-	283,917
Stormwater	38,510	-	-	38,510
Allowance for doubtful accounts	(928,124)	-	-	(928,124)
Total business-type activities	<u>\$ 4,397,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,397,021</u>

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

Governmental Activities:	
Local option sales tax	\$ 251,768
State sales tax reimbursement	446,155
County sales tax reimbursement	210,332
Occupancy tax	9,695
Miscellaneous	300
Total	<u>\$ 918,250</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,662,528	\$ 24,698	\$ -	\$ -	\$ 2,687,226
Construction in progress	-	1,018,215	-	-	1,018,215
Total non-depreciable capital assets	<u>2,662,528</u>	<u>1,042,913</u>	<u>-</u>	<u>-</u>	<u>3,705,441</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,597,906	16,763	-	-	10,614,669
Other improvements	928,178	132,999	-	-	1,061,177
Equipment	3,248,946	442,664	(106,365)	-	3,585,245
Vehicles	5,189,308	147,552	(409,535)	(15,868)	4,911,457
Total depreciable capital assets	<u>23,033,118</u>	<u>739,978</u>	<u>(515,900)</u>	<u>(15,868)</u>	<u>23,241,328</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,435,334	91,063	-	-	2,526,397
Buildings	7,858,997	360,415	-	-	8,219,412
Other improvements	235,965	49,984	-	-	285,949
Equipment	1,979,271	237,411	(106,936)	-	2,109,746
Vehicles	3,726,142	343,172	(408,750)	(15,868)	3,644,696
Total accumulated depreciation	<u>16,235,709</u>	<u>\$ 1,082,045</u>	<u>\$ (515,686)</u>	<u>\$ (15,868)</u>	<u>16,786,200</u>
Total depreciable capital assets, net	<u>6,797,409</u>				<u>6,455,128</u>
Governmental activities capital assets, net	<u>\$ 9,459,937</u>				<u>\$ 10,160,569</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

General government	\$	113,378
Public safety		377,853
Transportation		173,913
Human services		177,646
Economic and physical development		11,444
Environmental protection		100,182
Cultural and recreational		<u>127,629</u>
Total depreciation expense	\$	<u>1,082,045</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,044,133	\$ -	\$ -	\$ -	\$ 7,044,133
Construction in progress	<u>4,832,883</u>	<u>10,919,170</u>	<u>(6,517,613)</u>	<u>-</u>	<u>9,234,440</u>
Total non-depreciable capital assets	<u>11,877,016</u>	<u>10,919,170</u>	<u>(6,517,613)</u>	<u>-</u>	<u>16,278,573</u>
Depreciable Capital Assets:					
Buildings	14,522,183	-	-	-	14,522,183
Other improvements	38,189,723	614,342	-	-	38,804,065
Lines	9,705,827	4,944,333	-	-	14,650,160
Equipment	5,576,278	1,264,530	(8,331)	-	6,832,477
Vehicles	<u>981,442</u>	<u>26,618</u>	<u>(30,954)</u>	<u>15,204</u>	<u>992,310</u>
Total depreciable capital assets	<u>68,975,453</u>	<u>6,849,823</u>	<u>(39,285)</u>	<u>15,204</u>	<u>75,801,195</u>
Less Accumulated Depreciation:					
Buildings	11,533,824	223,998	-	-	11,757,822
Other improvements	32,555,990	378,707	-	-	32,934,697
Lines	2,234,252	289,861	-	-	2,524,113
Equipment	4,256,483	158,774	(8,331)	-	4,406,926
Vehicles	<u>672,503</u>	<u>110,272</u>	<u>(30,954)</u>	<u>15,204</u>	<u>767,025</u>
Total accumulated depreciation	<u>51,253,052</u>	<u>\$ 1,161,612</u>	<u>\$ (39,285)</u>	<u>\$ 15,204</u>	<u>52,390,583</u>
Total depreciable capital assets, net	<u>17,722,401</u>				<u>23,410,612</u>
Water and Sewer Fund					
capital assets, net	<u>29,599,417</u>				<u>39,689,185</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	\$ -	\$ -	\$ -	39,890
Construction in progress	<u>340,372</u>	<u>-</u>	<u>(340,372)</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	<u>380,262</u>	<u>-</u>	<u>(340,372)</u>	<u>-</u>	<u>39,890</u>
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	894,009	231,594	-	-	1,125,603
Lines	5,593,002	123,001	-	-	5,716,003
Equipment	975,043	932,078	-	-	1,907,121
Vehicles	<u>1,289,734</u>	<u>230,467</u>	<u>(92,780)</u>	<u>(15,204)</u>	<u>1,412,217</u>
Total depreciable capital assets	<u>11,066,945</u>	<u>1,517,140</u>	<u>(92,780)</u>	<u>(15,204)</u>	<u>12,476,101</u>
Less Accumulated Depreciation:					
Buildings	1,140,660	79,504	-	-	1,220,164
Other improvements	365,553	83,314	-	-	448,867
Lines	2,475,458	201,012	-	-	2,676,470
Equipment	580,377	65,776	-	-	646,153
Vehicles	<u>825,317</u>	<u>128,891</u>	<u>(92,780)</u>	<u>(15,204)</u>	<u>846,224</u>
Total accumulated depreciation	<u>5,387,365</u>	<u>\$ 558,497</u>	<u>\$ (92,780)</u>	<u>\$ (15,204)</u>	<u>5,837,878</u>
Total depreciable capital assets, net	<u>5,679,580</u>				<u>6,638,223</u>
Electric Fund capital assets, net	<u>6,059,842</u>				<u>6,678,113</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	\$ -	\$ -	\$ -	31,000
Construction in progress	<u>273,271</u>	<u>-</u>	<u>(273,271)</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	<u>304,271</u>	<u>-</u>	<u>(273,271)</u>	<u>-</u>	<u>31,000</u>
Depreciable Capital Assets:					
Buildings	154,498	-	-	-	154,498
Lines	2,467,707	22,210	-	-	2,489,917
Equipment	556,638	719,554	-	-	1,276,192
Vehicles	<u>228,028</u>	<u>73,307</u>	<u>-</u>	<u>-</u>	<u>301,335</u>
Total depreciable capital assets	<u>3,406,871</u>	<u>815,071</u>	<u>-</u>	<u>-</u>	<u>4,221,942</u>
Less Accumulated Depreciation:					
Buildings	7,873	7,725	-	-	15,598
Lines	1,297,796	55,133	-	-	1,352,929
Equipment	178,843	68,280	-	-	247,123
Vehicles	<u>195,187</u>	<u>21,695</u>	<u>-</u>	<u>-</u>	<u>216,882</u>
Total accumulated depreciation	<u>1,679,699</u>	<u>\$ 152,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,832,532</u>
Total depreciable capital assets, net	<u>1,727,172</u>				<u>2,389,410</u>
Gas Fund capital assets, net	<u>2,031,443</u>				<u>2,420,410</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	\$ -	\$ 23,907	\$ -	\$ -	\$ 23,907
Other improvements	-	12,804	-	-	12,804
Equipment	167,868	52,800	-	-	220,668
Vehicles	<u>21,276</u>	<u>72,429</u>	-	<u>15,868</u>	<u>109,573</u>
Total depreciable capital assets	<u>189,144</u>	<u>161,940</u>	-	<u>15,868</u>	<u>366,952</u>
Less Accumulated Depreciation:					
Buildings	-	648	-	-	648
Other improvements	-	163	-	-	163
Equipment	167,868	3,747	-	-	171,615
Vehicles	<u>21,276</u>	<u>6,245</u>	-	<u>15,868</u>	<u>43,389</u>
Total accumulated depreciation	<u>189,144</u>	<u>\$ 10,803</u>	<u>\$ -</u>	<u>\$ 15,868</u>	<u>215,815</u>
Total depreciable capital assets, net	-				<u>151,137</u>
Stormwater Fund capital assets, net	-				<u>151,137</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	\$ 12,561,549				\$ 16,349,463
Depreciable capital assets, net of depreciation	<u>25,129,153</u>				<u>32,589,382</u>
Total business-type capital assets, net	<u>\$ 37,690,702</u>				<u>\$ 48,938,845</u>

Construction Commitments

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-To-Date</u>	<u>Commitment</u>
Senior center addition	\$ -	\$ 1,909,650
Waterline rehab project	3,897,002	529,318
36" water transmission line project	6,062,913	2,078,519

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,160,569	\$ 48,938,845
Long-term debt	<u>(1,825,150)</u>	<u>(16,685,151)</u>
Net investment in capital assets	<u>\$ 8,335,419</u>	<u>\$ 32,253,694</u>

ABC Board

Activity for the ABC Board for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Non-Depreciable Capital Assets:				
Land	\$ 78,875	\$ -	\$ -	\$ 78,875
Total capital assets not being depreciated	<u>78,875</u>	<u>-</u>	<u>-</u>	<u>78,875</u>
Depreciable Capital Assets:				
Buildings and improvements	216,257	-	-	216,257
Equipment	<u>89,030</u>	<u>-</u>	<u>18,463</u>	<u>70,567</u>
Total depreciable capital assets	<u>305,287</u>	<u>-</u>	<u>18,463</u>	<u>286,824</u>
Less Accumulated Depreciation:				
Buildings and improvements	216,257	-	-	216,257
Equipment	<u>71,674</u>	<u>4,758</u>	<u>18,463</u>	<u>57,969</u>
Total accumulated depreciation	<u>287,931</u>	<u>\$ 4,758</u>	<u>\$ 18,463</u>	<u>274,226</u>
Total depreciable capital assets, net	<u>17,356</u>			<u>12,598</u>
ABC Board capital assets, net	<u>\$ 96,231</u>			<u>\$ 91,473</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 277,371	\$ 189,648	\$ 11,051	\$ 478,070
Capital project funds	43,639	-	-	43,639
Internal service funds	<u>167,364</u>	<u>-</u>	<u>-</u>	<u>167,364</u>
Total governmental activities	<u>\$ 488,374</u>	<u>\$ 189,648</u>	<u>\$ 11,051</u>	<u>\$ 689,073</u>
Business-Type Activities:				
Water and sewer	\$ 2,348,715	\$ 40,157	\$ 38,923	\$ 2,427,795
Electric	1,208,741	31,808	11,495	1,252,044
Gas	180,971	13,376	2,628	196,975
Stormwater	<u>829</u>	<u>6,840</u>	<u>709</u>	<u>8,378</u>
Total business-type activities	<u>\$ 3,739,256</u>	<u>\$ 92,181</u>	<u>\$ 53,755</u>	<u>\$ 3,885,192</u>

Pension Plan and Post-Employment Obligations

Local Government Employees' Retirement System

Plan Description. The City and the ABC Board are participating employers in the State-wide Local Governmental Employees' Retirement system (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the 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, or at www.osc.nc.gov.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Kings Mountain employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Kings Mountain's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Kings Mountain were \$493,511 for the year ended June 30, 2015.

Refunds of Contributions – City employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

At June 30, 2015, the City reported an asset of \$669,066 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.110%, which was an increase of 0.004% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$55,715. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 73,106
Net difference between projected and actual earnings on pension plan investments	-	1,557,573
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,936	-
City contributions subsequent to the measurement date	493,511	-
Total	<u>\$ 548,447</u>	<u>\$ 1,630,679</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$493,511 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2016	\$ (393,948)
2017	(393,948)
2018	(393,948)
2019	<u>(393,899)</u>
Total	<u>\$ (1,575,743)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	<u>4.5%</u>	3.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: fixed income 2.2%, global equity 5.8%, real estate 5.2%, alternatives 9.8%, credit 6.8%, and inflation protection 3.4%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ <u>2,271,103</u>	\$ <u>(669,066)</u>	\$ <u>(3,144,595)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% 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, 2014, the Separation Allowance's membership consisted of:

Active plan members	31
Total	31

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing benefits to plan members.
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

There were no contributions made by employees during the year June 30, 2015. The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, and (b) projected salary increases ranging from 4.25 to 7.85% per year. The inflation component was 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2013 was 17 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	\$ 64,612
Interest on net pension obligation	7,216
Adjustment to the annual required contribution	<u>(12,192)</u>
Annual pension cost	59,636
Employer contributions made for fiscal year ended June 30, 2015	<u>-</u>
Increase in net pension obligation	59,636
Net pension obligation:	
Beginning of year - July 1	<u>144,327</u>
End of year - June 30	<u>\$ 203,963</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 42,473	42.44%	\$ 68,967
2014	44,905	0.00%	144,327
2015	59,636	0.00%	203,963

Funded Status and Funding Progress. As of December 30, 2014, 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 \$442,592. The covered payroll (annual payroll of active employees covered by the plan) was \$1,322,354, and the ratio of the UAAL to the covered payroll was 33.47%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of salary of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$82,375, which consisted of \$67,594 from the City and \$14,781 from the law enforcement officers.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, were \$392,511, which consisted of \$284,545 from the City and \$107,966 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.

During the year ended June 30, 2015, the City made contributions of \$67,476 on behalf of 24 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, 2014, the date of the latest actuarial valuation:

	General	Law
	Employees	Enforcement Officers
Retirees and dependents receiving benefits	24	-
Active plan members	188	31
Total	<u>212</u>	<u>31</u>

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

The current ARC rate is 8.2% of annual covered payroll. For the current year, the City contributed \$67,476, or 1.0%, 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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.

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	\$	557,105
Interest on net OPEB obligation		120,930
Adjustments to annual required contribution		<u>(115,526)</u>
Annual OPEB cost (expense)		562,509
Contributions made		<u>(67,476)</u>
Increase (decrease) in net OPEB obligation		495,033
Net OPEB obligation:		
Beginning of year - July 1		<u>3,023,255</u>
End of year - June 30	\$	<u><u>3,518,288</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Year Ended	Annual	Percentage of	Net
June 30	OPEB	Annual OPEB	OPEB
	Cost	Cost Contributed	Obligation
2015	\$ 562,509	12.0%	\$ 3,518,288
2014	530,306	14.2%	3,023,255
2013	530,306	14.2%	2,568,358

Fund Status and Funding Progress. As of December 31, 2014, 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 \$6,548,366. The covered payroll (annual payroll of active employees covered by the plan) was \$6,767,777, and the ratio of the UAAL to the covered payroll was 96.8%.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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 7.50 to 5.00% annually for pre-Medicare and 5.50 to 5.00% annually for post-Medicare. Both rates included a 3.00% 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, 2014 was 30 years.

Other Employment Benefits

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 7.07% and 7.41% of covered payroll, respectively.

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

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>Fiscal Year Contributions Resume</u>
Less than 10	1	2015
10 - 20	2	2016
20 or more	3	2017

The period of reprieve is determined separately for law enforcement officers. The City of Kings Mountain will have a 3-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$493,511
Change in pension proportion	<u>54,936</u>
Total	<u>\$548,447</u>

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

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$1,630,679
Taxes receivable, net	<u>64,194</u>
Total	<u>\$1,694,873</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Unemployment Compensation

The City and the ABC Board have elected to pay direct costs of unemployment benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in a period following discharge of employees.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage to protect these exposures. Arthur J. Gallagher & Co. is the City's current insurance broker. State National Insurance Company provides all of the above coverage except for the excess workers' compensation that is placed with Midwest Employers Casualty Co., a Boiler & Machinery policy with Traveler's Property Casualty Co. of America, and an employee dishonesty policy and public official bonds, 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 \$550,000 self-insured retention. Settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>2015</u>	<u>2014</u>
Unpaid claims, beginning	\$ 135,599	\$ 157,062
Incurred claims	1,665,799	1,717,742
Claim payments	<u>(1,667,054)</u>	<u>(1,739,205)</u>
Unpaid claims, ending	<u>\$ 134,344</u>	<u>\$ 135,599</u>

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

	<u>2015</u>	<u>2014</u>
Unpaid claims, beginning	\$ 11,633	\$ 1,500
Incurred claims	81,724	177,743
Claim payments	<u>(60,337)</u>	<u>(167,610)</u>
Unpaid claims, ending	<u>\$ 33,020</u>	<u>\$ 11,633</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, 2015, 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, 2015

Long-Term Obligations

Installment Purchases Agreements

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

Serviced by the Governmental Funds:

BB&T \$19,829 note payable in November 2012 for the fiber optic project, due in annual payments of \$4,086, including interest at 1.51% through November 2016	\$ 7,987
BB&T \$52,800 note payable in August 2011 for accounting software, due in annual payments of \$8,246, including interest at 2.28% through August 2018	21,567
BB&T \$150,249 note payable in September 2012 for a sanitation refuse truck, due in annual payments of \$31,209, including interest at 1.93% through September 2016	60,658
BB&T \$214,290 note payable in December 2008 for a refuse truck, due in annual payments of \$35,007, including interest at 3.47% through December 2015	33,833
BB&T \$117,357 note payable in October 2010 for a recycle garbage truck, due in annual payments of \$24,919, including interest at 2.03% through October 2015	24,424
BB&T \$210,000 note payable in February 2008 for library repairs and improvements, due in annual payments of \$21,000, plus interest at 3.41% through February 2018	63,000
BB&T \$57,576 note payable in August 2012 for a backhoe loader, due in annual payments of \$12,003, including interest at 2.12% through August 2016	31,188
BB&T \$313,200 note payable in March 2012 for the radio tower project, due in annual payments of \$48,003, including interest at 1.79% through March 2019	183,719
BB&T \$256,200 note payable in March 2014 for a heil front loader, due in annual payments of \$52,869, including interest at 1.59% through March 2018	153,694
BB&T \$1,080,548 note payable in November 2014 for a Municipal Building, due in annual payments of \$135,069, plus interest at 1.90% through November 2022	945,480
BB&T \$299,600 note payable in November 2014 for data center infrastructure, due in annual payments of \$63,021, including interest at 1.85% through September 2019	<u>299,600</u>
Total governmental activities	<u>\$ 1,825,150</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Serviced by the Enterprise Funds:

BB&T \$475,893 note payable in November 2012 for the fiber optic project, due in annual payments of \$90,052, including interest at 1.51% through November 2016	\$ 191,752
BB&T \$71,865 note payable in August 2012 for a backhoe, due in annual payments of \$14,982, plus interest at 2.12% through August 2016	29,965
NCDENR \$5,243,500 note payable in October 2014 for water and sewer projects, due in annual payments of \$262,175, interest free through May 2034	4,981,325
NCDENR \$16,162,670 note payable in June 2015 for water and sewer projects, due in annual payments of \$808,134, interest free through May 2035	7,239,835
BB&T \$599,980 note payable in November 2014 for spillway project, due in annual payments, including interest at 2.59% through November 2023	539,982
BB&T \$2,359,786 note payable in November 2006 for energy project, due in quarterly payments, including interest at 4.21% through May 2019	1,014,516
BB&T \$660,000 note payable in January 2007 for Grace Street water tank, due in annual payments of \$80,766, including interest at 3.85% through January 2017	152,659
BB&T \$2,378,363 note payable in April 2014 for the smart meters, due in annual payments of \$612,234, including interest at 1.18% through April 2018	1,794,194
BB&T \$46,521 note payable in August 2013 for a dump truck, due in annual payments of \$9,736, plus interest at 2.31% through August 2017	27,908
BB&T \$84,789 note payable in August 2013 for a bucket truck, due in annual payments of \$17,697, plus interest at 2.17% through August 2017	50,867
BB&T \$167,200 note payable in August 2011 for accounting software, due in annual payments of \$26,113, including interest at 2.28% through August 2018	98,760
BB&T \$387,847 capital lease in October 2014 vehicles and hydraulic equipment, due in annual payments of \$63,597, including interest at 1.65% through October 2018	244,250
BB&T \$121,800 note payable in March 2012 for the radio tower project, due in annual payments of \$18,668, including interest at 1.79% through March 2019	71,446

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Serviced by the Enterprise Funds (continued):

BB&T \$258,954 note payable in October 2011 for a sewer cleaner, due in annual payments of \$39,204, including interest at 1.98% through October 2017	113,105
BB&T \$88,278 note payable in October 2011 for a freightliner dump truck, due in annual payments of \$13,365, including interest at 1.98% through October 2017	38,558
BB&T \$253,778 note payable in March 2012 for bar screen and belt press, due in annual payments of \$52,522, including interest at 1.74% through March 2016	51,623
BB&T \$218,546 note payable in September 2011 for a bucket truck, due in annual payments of \$45,125, including interest at 1.62% through September 2015	<u>44,406</u>
Total business-type activities	<u>\$16,685,151</u>

The future minimum payments of the installment purchases as of June 30, 2015 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>
2016	\$ 421,764	\$ 34,275	\$ 1,968,672	\$ 289,335
2017	363,290	26,856	1,899,482	282,283
2018	321,972	19,784	1,731,422	274,052
2019	251,043	13,562	1,061,092	270,797
2020	196,945	8,844	684,165	8,914
2021-2025	270,136	7,698	3,360,826	15,539
2026-2030	-	-	3,120,834	-
2031-2035	-	-	2,858,658	-
Total	<u>\$ 1,825,150</u>	<u>\$ 111,019</u>	<u>\$ 16,685,151</u>	<u>\$ 1,140,920</u>

At June 30, 2015, the City had a legal debt margin of \$70,385,719.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases	\$ 804,018	\$ 1,380,148	\$ (359,016)	\$ 1,825,150	\$ 421,764
Compensated absences	345,598	120,606	(175,496)	290,708	145,354
Net pension liability - LGERS	925,614	-	(925,614)	-	-
OPEB obligation	2,146,510	399,381	(67,476)	2,478,415	-
Net pension obligation	<u>144,327</u>	<u>59,636</u>	<u>-</u>	<u>203,963</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 4,366,067</u>	<u>\$ 1,959,771</u>	<u>\$ (1,527,602)</u>	<u>\$ 4,798,236</u>	<u>\$ 567,118</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases	\$ 5,118,102	\$ 10,881,272	\$ (1,143,917)	\$ 14,855,457	\$ 1,357,728
Net pension liability - LGERS	185,123	-	(185,123)	-	-
OPEB obligation	423,256	87,749	(9,447)	501,558	-
Compensated absences	<u>56,303</u>	<u>17,189</u>	<u>(10,034)</u>	<u>63,458</u>	<u>31,729</u>
Total Water and Sewer Fund	<u>\$ 5,782,784</u>	<u>\$ 10,986,210</u>	<u>\$ (1,348,521)</u>	<u>\$ 15,420,473</u>	<u>\$ 1,389,457</u>
Electric Fund:					
Installment purchases	\$ 1,379,930	\$ 230,467	\$ (438,161)	\$ 1,172,236	\$ 396,106
Net pension liability - LGERS	105,785	-	(105,785)	-	-
OPEB obligation	272,093	58,274	(6,073)	324,294	-
Compensated absences	<u>37,311</u>	<u>18,594</u>	<u>(7,301)</u>	<u>48,604</u>	<u>24,302</u>
Total Electric Fund	<u>\$ 1,795,119</u>	<u>\$ 307,335</u>	<u>\$ (557,320)</u>	<u>\$ 1,545,134</u>	<u>\$ 420,408</u>
Gas Fund:					
Installment purchases	\$ 793,421	\$ -	\$ (197,357)	\$ 596,064	\$ 199,864
Net pension liability - LGERS	66,115	-	(66,115)	-	-
OPEB obligation	151,163	29,474	(3,374)	177,263	-
Compensated absences	<u>16,291</u>	<u>10,387</u>	<u>(1,577)</u>	<u>25,101</u>	<u>12,551</u>
Total Gas Fund	<u>\$ 1,026,990</u>	<u>\$ 39,861</u>	<u>\$ (268,423)</u>	<u>\$ 798,428</u>	<u>\$ 212,415</u>
Stormwater Fund:					
Installment purchases	\$ -	\$ 77,380	\$ (15,986)	\$ 61,394	\$ 14,974
Net pension liability - LGERS	39,669	-	(39,669)	-	-
OPEB obligation	30,233	7,200	(675)	36,758	-
Compensated absences	<u>12,707</u>	<u>6,225</u>	<u>(286)</u>	<u>18,646</u>	<u>9,323</u>
Total Stormwater Fund	<u>\$ 82,609</u>	<u>\$ 90,805</u>	<u>\$ (56,616)</u>	<u>\$ 116,798</u>	<u>\$ 24,297</u>
Total Business-Type Activities:					
Installment purchases	\$ 7,291,453	\$ 11,189,119	\$ (1,795,421)	\$ 16,685,151	\$ 1,968,672
Net pension liability - LGERS	396,692	-	(396,692)	-	-
OPEB obligation	876,745	182,697	(19,569)	1,039,873	-
Compensated absences	<u>122,612</u>	<u>52,395</u>	<u>(19,198)</u>	<u>155,809</u>	<u>77,905</u>
Total business-type activities long-term liabilities	<u>\$ 8,687,502</u>	<u>\$ 11,424,211</u>	<u>\$ (2,230,880)</u>	<u>\$ 17,880,833</u>	<u>\$ 2,046,577</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Interest expense paid during the year for governmental activities totaled \$40,895.

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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, 2015 consist of the following:

From the Library Fund to the General Fund to close fund	\$ 12,224
From the Gas Fund to the General Fund for operating expenditures	610,000
From the Electric Fund to the General Fund for operating expenditures	1,840,000
From the General Fund to the Stormwater Fund for Powell Bill salaries	96,000
From the General Fund to the Cemetary Perpetual Care Fund for perpetual maintenance	3,440
From the Electric Fund to the Water and Sewer Fund for the Smart Meter project	70,219
From the General Fund to the Senior Center Capital Project Fund for the senior center expansion project	75,000
From the Gas Fund to the Water and Sewer Fund for the Smart Meter project	59,322
Total	<u>\$ 2,766,205</u>

The due to/from other funds at June 30, 2015 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 40,000
Gas Fund	General Fund	200,000

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4. **Summary Disclosures of Significant Contingencies**

Federal and State-Assisted Programs

The City has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

5. **Significant Effects of Subsequent Events**

On October 15, 2015, the City issued revenue bonds in the amount of \$1,600,000 in the Gas Fund for the natural gas system.

6. **Change in Accounting Principles/Restatement**

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$595,675 and \$255,289, respectively.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued		Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
		Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B - A)			
12/31/2005	\$ -	\$ 230,089	\$ 230,089	0.00%	\$ 1,024,647	22.46%
12/31/2006	-	232,844	232,844	0.00%	1,073,339	21.69%
12/31/2007	-	266,909	266,909	0.00%	1,209,478	22.07%
12/31/2008	-	249,141	249,141	0.00%	1,145,253	21.75%
12/31/2009	-	366,844	366,844	0.00%	1,177,710	31.15%
12/31/2010	-	334,496	334,496	0.00%	1,156,598	28.92%
12/31/2011	-	349,022	349,022	0.00%	1,187,866	29.38%
12/31/2013	-	433,166	433,166	0.00%	1,317,204	32.89%
12/31/2014	-	442,592	442,592	0.00%	1,322,354	33.47%

Schedule of Employer Contributions

Year Ended June 30	Annual		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2013	\$ 42,903	\$ 12,018	28.01%
2014	45,713	-	0.00%
2015	64,612	-	0.00%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	16 years
Asset valuation method	Market value

Actuarial assumptions:

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

* Includes inflation at 3.00%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (B)					
12/31/2008	\$ -	\$ 5,813,240		\$ 5,813,240	0.00%	\$ 5,978,231	97.2%
12/31/2010	-	5,565,799		5,565,799	0.00%	6,047,996	92.0%
12/31/2012	-	6,084,352		6,084,352	0.00%	6,119,411	99.4%
12/31/2014	-	6,548,366		6,548,366	0.00%	6,767,777	96.8%

Schedule of Employer Contributions

Year Ended June 30	Annual		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2011	\$ 602,488	\$ 49,766	8.26%
2012	602,488	75,793	12.58%
2013	525,714	58,228	11.08%
2014	525,714	75,409	14.34%
2015	557,105	67,476	12.11%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return*	4.00%
Medical trend assumptions:	
Pre-Medicare trend rate	7.5%-5.00%
Post-Medicare trend rate	5.5%-5.00%
Year of ultimate trend rate	2020

* Includes inflation at 3.00%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset) (%)	0.10970%	0.11345%
Proportion of the net pension liability (asset) (\$)	\$ (669,066)	\$ 1,322,306
Covered-employee payroll	\$ 6,641,526	\$ 6,371,903
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CITY OF KINGS MOUNTAIN'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARSLOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 493,511	\$ 471,343
Contributions in relation to the contractually required contribution	<u>493,511</u>	<u>471,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,929,373	\$ 6,641,526
Contributions as a percentage of covered-employee payroll	7.12%	7.10%

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 4,420,118	\$ 4,469,805	\$ 49,687	\$ 3,998,173
Penalties and interest	15,000	17,642	2,642	21,429
Total ad valorem taxes	<u>4,435,118</u>	<u>4,487,447</u>	<u>52,329</u>	<u>4,019,602</u>
Other Taxes:				
Local option sales tax	1,123,250	1,127,023	3,773	947,531
Hold-harmless sales tax	328,663	330,322	1,659	277,164
Utilities franchise tax	899,597	932,517	32,920	946,338
Payments in lieu of taxes	113,066	117,708	4,642	116,958
Miscellaneous	203,754	208,122	4,368	181,896
Total other taxes	<u>2,668,330</u>	<u>2,715,692</u>	<u>47,362</u>	<u>2,469,887</u>
Restricted Intergovernmental:				
Powell Bill allocation	316,996	316,996	-	316,066
Federal government grants	129,374	132,876	3,502	57,821
State government grants	501,637	505,397	3,760	66,288
Local government grants	255,310	292,910	37,600	289,731
Total restricted intergovernmental	<u>1,203,317</u>	<u>1,248,179</u>	<u>44,862</u>	<u>729,906</u>
Permits and Fees:				
Privilege licenses	13,500	15,607	2,107	22,910
General permits	96,000	105,682	9,682	96,563
Total permits and fees	<u>109,500</u>	<u>121,289</u>	<u>11,789</u>	<u>119,473</u>
Sales and Services:				
Lake authority income	320,000	319,757	(243)	354,552
Disposal fee revenue	796,628	695,240	(101,388)	803,271
Recycling fees	114,000	119,881	5,881	118,202
Cemetery income	83,000	93,005	10,005	104,590
Recreation	19,450	17,414	(2,036)	22,909
Total sales and services	<u>1,333,078</u>	<u>1,245,297</u>	<u>(87,781)</u>	<u>1,403,524</u>
Investment Earnings:				
Interest income (loss)	5,750	10,791	5,041	10,470
Interest income (loss) - Powell Bill	500	420	(80)	618
Total investment earnings	<u>6,250</u>	<u>11,211</u>	<u>4,961</u>	<u>11,088</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Miscellaneous:				
Library	19,130	21,970	2,840	23,632
Sale of capital assets	108,040	48,737	(59,303)	89,209
Court costs and jail fees	1,800	4,361	2,561	3,560
Other revenues	217,437	231,457	14,020	186,032
Total miscellaneous	<u>346,407</u>	<u>306,525</u>	<u>(39,882)</u>	<u>302,433</u>
Total revenues	<u>10,102,000</u>	<u>10,135,640</u>	<u>33,640</u>	<u>9,055,913</u>
Expenditures:				
General Government:				
Non-Departmental:				
Salaries and employee benefits	122,037	80,271	41,766	141,781
Operating expenses	500,026	467,869	32,157	462,732
Capital outlay	147,378	146,840	538	384,138
Total	<u>769,441</u>	<u>694,980</u>	<u>74,461</u>	<u>988,651</u>
Administration and Finance:				
Salaries and employee benefits	931,393	905,888	25,505	881,448
Operating expenses	332,652	278,367	54,285	269,098
Charges to other funds	(549,180)	(549,180)	-	(549,180)
Total	<u>714,865</u>	<u>635,075</u>	<u>79,790</u>	<u>601,366</u>
Human Resources:				
Salaries and employee benefits	188,337	185,817	2,520	163,033
Operating expenses	76,040	48,700	27,340	45,705
Total	<u>264,377</u>	<u>234,517</u>	<u>29,860</u>	<u>208,738</u>
Elections Board:				
Operating expenses	10,000	-	10,000	6,330
Total	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>6,330</u>
Garage:				
Salaries and employee benefits	241,156	231,740	9,416	230,653
Operating expenses	41,796	26,602	15,194	19,907
Capital outlay	-	-	-	49,746
Total	<u>282,952</u>	<u>258,342</u>	<u>24,610</u>	<u>300,306</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Public Works:				
Salaries and employee benefits	136,113	132,441	3,672	130,365
Operating expenses	47,415	40,118	7,297	41,002
Capital outlay	13,500	13,430	70	-
Total	<u>197,028</u>	<u>185,989</u>	<u>11,039</u>	<u>171,367</u>
Information Technology:				
Salaries and employee benefits	145,229	140,573	4,656	132,517
Operating expenses	49,690	33,852	15,838	21,777
Capital outlay	290,000	289,013	987	-
Total	<u>484,919</u>	<u>463,438</u>	<u>21,481</u>	<u>154,294</u>
Total general government	<u>2,723,582</u>	<u>2,472,341</u>	<u>251,241</u>	<u>2,431,052</u>
Public Safety:				
Police:				
Salaries and employee benefits	2,314,377	2,230,935	83,442	2,161,065
Operating expenses	386,901	409,139	(22,238)	441,397
Capital outlay	114,500	114,554	(54)	148,354
Total	<u>2,815,778</u>	<u>2,754,628</u>	<u>61,150</u>	<u>2,750,816</u>
Fire:				
Salaries and employee benefits	658,583	636,086	22,497	598,924
Operating expenses	141,360	141,276	84	160,129
Total	<u>799,943</u>	<u>777,362</u>	<u>22,581</u>	<u>759,053</u>
Communications:				
Phone and furniture	35,407	21,163	14,244	10,016
Software	20,889	20,889	-	26,763
Hardware	44,454	44,454	-	129,677
Total	<u>100,750</u>	<u>86,506</u>	<u>14,244</u>	<u>166,456</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Codes and Inspections:				
Salaries and employee benefits	190,803	162,177	28,626	242,919
Operating expenses	47,660	33,241	14,419	29,521
Charges to other departments	(20,760)	(20,760)	-	(40,260)
Total	<u>217,703</u>	<u>174,658</u>	<u>43,045</u>	<u>232,180</u>
Total public safety	<u>3,934,174</u>	<u>3,793,154</u>	<u>141,020</u>	<u>3,908,505</u>
Transportation:				
Streets:				
Salaries and employee benefits	767,851	747,196	20,655	773,625
Operating expenses	196,577	172,778	23,799	171,696
Capital outlay	6,500	6,491	9	-
Total	<u>970,928</u>	<u>926,465</u>	<u>44,463</u>	<u>945,321</u>
Streets - Powell Bill:				
Operating expenses	416,030	428,303	(12,273)	201,308
Capital outlay	97,807	69,425	28,382	102,000
Total	<u>513,837</u>	<u>497,728</u>	<u>16,109</u>	<u>303,308</u>
Streets - Main Street:				
Salaries and employee benefits	71,653	68,685	2,968	62,865
Operating expenses	32,202	30,608	1,594	25,128
Capital outlay	13,000	-	13,000	3,000
Total	<u>116,855</u>	<u>99,293</u>	<u>17,562</u>	<u>90,993</u>
Total transportation	<u>1,601,620</u>	<u>1,523,486</u>	<u>78,134</u>	<u>1,339,622</u>
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	201,651	191,728	9,923	160,550
Operating expenses	1,430,910	1,778,136	(347,226)	276,740
Total	<u>1,632,561</u>	<u>1,969,864</u>	<u>(337,303)</u>	<u>437,290</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, 2015

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

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	417,128	405,067	12,061	408,295
Operating expenses	484,251	408,187	76,064	436,472
Total	901,379	813,254	88,125	844,767
Cemetery:				
Salaries and employee benefits	100,969	92,965	8,004	85,738
Operating expenses	19,939	19,354	585	23,272
Total	120,908	112,319	8,589	109,010
Recycling:				
Salaries and employee benefits	76,669	74,138	2,531	71,374
Operating expenses	20,470	18,739	1,731	39,578
Total	97,139	92,877	4,262	110,952
Total environmental protection	1,119,426	1,018,450	100,976	1,064,729
Culture and Recreation:				
Library:				
Salaries and employee benefits	371,714	350,612	21,102	346,861
Operating expenses	362,793	317,917	44,876	199,658
Capital outlay	10,434	10,684	(250)	72,990
Total	744,941	679,213	65,728	619,509
Senior Services:				
Salaries and employee benefits	244,612	223,475	21,137	265,997
Operating expenses	183,836	171,335	12,501	176,785
Capital outlay	16,300	16,525	(225)	-
Total	444,748	411,335	33,413	442,782
Recreation:				
Salaries and employee benefits	60,799	56,410	4,389	57,889
Operating expenses	111,950	108,399	3,551	119,691
Capital outlay	-	-	-	32,214
Total	172,749	164,809	7,940	209,794

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Lake Authority:				
Salaries and employee benefits	198,865	182,887	15,978	168,679
Operating expenses	90,627	86,891	3,736	102,531
Capital outlay	18,500	5,157	13,343	44,155
Total	<u>307,992</u>	<u>274,935</u>	<u>33,057</u>	<u>315,365</u>
Tourism and Development:				
Operating expenses	<u>98,213</u>	<u>103,211</u>	<u>(4,998)</u>	<u>80,908</u>
Total	<u>98,213</u>	<u>103,211</u>	<u>(4,998)</u>	<u>80,908</u>
Total culture and recreation	<u>1,768,643</u>	<u>1,633,503</u>	<u>135,140</u>	<u>1,668,358</u>
Debt Service:				
Principal retirement	359,016	359,016	-	238,355
Interest and fees	<u>29,846</u>	<u>29,844</u>	<u>2</u>	<u>22,478</u>
Total debt service	<u>388,862</u>	<u>388,860</u>	<u>2</u>	<u>260,833</u>
Total expenditures	<u>13,168,868</u>	<u>12,799,658</u>	<u>369,210</u>	<u>11,110,389</u>
Revenues over (under) expenditures	<u>(3,066,868)</u>	<u>(2,664,018)</u>	<u>402,850</u>	<u>(2,054,476)</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,798,224	2,462,224	(336,000)	2,320,000
Transfers to other funds:				
Fiduciary Fund	(4,000)	(3,440)	560	(4,305)
Proprietary Fund	(109,806)	(96,000)	13,806	-
Capital Project Fund	(75,000)	(75,000)	-	(75,000)
Appropriated fund balance	157,850	-	(157,850)	-
Issuance of debt	<u>299,600</u>	<u>299,600</u>	<u>-</u>	<u>256,200</u>
Total other financing sources (uses)	<u>3,066,868</u>	<u>2,587,384</u>	<u>(479,484)</u>	<u>2,496,895</u>
Net change in fund balance	<u>\$ -</u>	<u>(76,634)</u>	<u>\$ (76,634)</u>	<u>442,419</u>
Fund Balance:				
Beginning of year - July 1		<u>3,682,209</u>		<u>3,239,790</u>
End of year - June 30		<u>\$ 3,605,575</u>		<u>\$ 3,682,209</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	General Capital Projects Fund	Senior Center Capital Project Fund	Cemetery Care Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 53,512	\$ 518,107	\$ -	\$ 571,619
Cash and cash equivalents, restricted	<u>-</u>	<u>3,593</u>	<u>19,091</u>	<u>22,684</u>
Total assets	<u>\$ 53,512</u>	<u>\$ 521,700</u>	<u>\$ 19,091</u>	<u>\$ 594,303</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 43,639	\$ -	\$ 43,639
Total liabilities	<u>-</u>	<u>43,639</u>	<u>-</u>	<u>43,639</u>
Fund Balances:				
Non-spendable:				
Perpetual maintenance	-	-	19,091	19,091
Restricted:				
Senior center project	-	478,061	-	478,061
Committed:				
Future capital projects	<u>53,512</u>	<u>-</u>	<u>-</u>	<u>53,512</u>
Total fund balances	<u>53,512</u>	<u>478,061</u>	<u>19,091</u>	<u>550,664</u>
Total liabilities and fund balances	<u>\$ 53,512</u>	<u>\$ 521,700</u>	<u>\$ 19,091</u>	<u>\$ 594,303</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	General Capital Projects Fund	Senior Center Capital Project Fund	Library Repairs and Improvements	Cemetery Care Fund	Total Nonmajor Governmental Funds
Revenues:					
Donations	\$ 5,549	\$ 139,857	\$ -	\$ -	\$ 145,406
Restricted intergovernmental	-	100,000	-	-	100,000
Investment earnings	15	-	5	6	26
Total revenues	<u>5,564</u>	<u>239,857</u>	<u>5</u>	<u>6</u>	<u>245,432</u>
Expenditures:					
Current:					
Economic and physical development	-	1,018,214	-	3,496	1,021,710
Capital outlay	-	-	-	8,380	8,380
Total expenditures	<u>-</u>	<u>1,018,214</u>	<u>-</u>	<u>11,876</u>	<u>1,030,090</u>
Revenues over (under) expenditures	<u>5,564</u>	<u>(778,357)</u>	<u>5</u>	<u>(11,870)</u>	<u>(784,658)</u>
Other Financing Sources (Uses):					
Transfers in	-	75,000	-	3,440	78,440
Transfers out	-	-	(12,224)	-	(12,224)
Issuance of debt	-	1,080,548	-	-	1,080,548
Total other financing sources (uses)	<u>-</u>	<u>1,155,548</u>	<u>(12,224)</u>	<u>3,440</u>	<u>1,146,764</u>
Net change in fund balances	5,564	377,191	(12,219)	(8,430)	362,106
Fund Balances:					
Beginning of year - July 1	<u>47,948</u>	<u>100,870</u>	<u>12,219</u>	<u>27,521</u>	<u>188,558</u>
End of year - June 30	<u>\$ 53,512</u>	<u>\$ 478,061</u>	<u>\$ -</u>	<u>\$ 19,091</u>	<u>\$ 550,664</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, 2015

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 70,000	\$ 90,823	\$ 5,549	\$ 96,372
Investment earnings	-	1,284	15	1,299
Total revenues	<u>70,000</u>	<u>92,107</u>	<u>5,564</u>	<u>97,671</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>
Net change in fund balance	<u>\$ -</u>	<u>\$ 47,948</u>	5,564	<u>\$ 53,512</u>
Fund Balance:				
Beginning of year - July 1			<u>47,948</u>	
End of year - June 30			<u>\$ 53,512</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SENIOR CENTER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 215,774	\$ 184,611	\$ 139,857	\$ 324,468
Restricted intergovernmental	100,000	-	100,000	100,000
Total revenues	<u>315,774</u>	<u>184,611</u>	<u>239,857</u>	<u>424,468</u>
Expenditures:				
Architectural fees	2,417	58,813	12,883	71,696
Construction	1,032,285	-	928,323	928,323
Project development	94,110	99,928	77,008	176,936
Total expenditures	<u>1,128,812</u>	<u>158,741</u>	<u>1,018,214</u>	<u>1,176,955</u>
Revenues over (under) expenditures	<u>(813,038)</u>	<u>25,870</u>	<u>(778,357)</u>	<u>(752,487)</u>
Other Financing Sources (Uses):				
Issuance of debt	1,080,548	-	1,080,548	1,080,548
Transfers in (out)	(267,510)	75,000	75,000	150,000
Total other financing sources (uses)	<u>813,038</u>	<u>75,000</u>	<u>1,155,548</u>	<u>1,230,548</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 100,870</u>	377,191	<u>\$ 478,061</u>
Fund Balance:				
Beginning of year - July 1			<u>100,870</u>	
End of year - June 30			<u>\$ 478,061</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, 2015

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Interest	\$ -	\$ 377	\$ 5	\$ 382
Expenditures:				
Library renovations	210,000	198,158	-	198,158
Total expenditures	<u>210,000</u>	<u>198,158</u>	<u>-</u>	<u>198,158</u>
Revenues over (under) expenditures	<u>(210,000)</u>	<u>(197,781)</u>	<u>5</u>	<u>(197,776)</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(12,224)	(12,224)
Issuance of debt	<u>210,000</u>	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Total other financing sources (uses)	<u>210,000</u>	<u>210,000</u>	<u>(12,224)</u>	<u>197,776</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,219</u>	<u>(12,219)</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>12,219</u>	
End of year - June 30			<u>\$ -</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, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 6	\$ (6)	\$ 13
Expenditures:				
Current:				
Operating expenses	4,000	3,496	504	3,861
Capital outlay	9,000	8,380	620	-
Total expenditures	13,000	11,876	1,124	3,861
Revenues over (under) expenditures	(13,000)	(11,870)	(1,130)	(3,848)
Other Financing Sources (Uses):				
Transfers in (out)	3,170	3,440	270	4,305
Total other financing sources (uses)	3,170	3,440	270	4,305
Revenues and other financing sources over (under) expenditures and other financing uses	(9,830)	(8,430)	(1,400)	457
Fund balance appropriated	9,830	-	9,830	-
Net change in fund balance	\$ -	(8,430)	\$ (8,430)	457
Fund Balance:				
Beginning of year - July 1		27,521		27,064
End of year - June 30		\$ 19,091		\$ 27,521

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 4,736,539	\$ 4,879,203	\$ 142,664	\$ 4,672,161
Miscellaneous revenues	23,727	24,860	1,133	96,118
Total operating revenues	<u>4,760,266</u>	<u>4,904,063</u>	<u>143,797</u>	<u>4,768,279</u>
Non-operating revenues:				
Interest income (loss)	2,000	6,984	4,984	2,158
Total non-operating revenues	<u>2,000</u>	<u>6,984</u>	<u>4,984</u>	<u>2,158</u>
Total revenues	<u>4,762,266</u>	<u>4,911,047</u>	<u>148,781</u>	<u>4,770,437</u>
Expenditures:				
Administration:				
Salaries and employee benefits	154,421	149,769	4,652	149,344
Other operating expenditures	352,816	298,902	53,914	295,565
Capital outlay	<u>633,592</u>	<u>625,162</u>	<u>8,430</u>	<u>368,475</u>
Total administration	<u>1,140,829</u>	<u>1,073,833</u>	<u>66,996</u>	<u>813,384</u>
Plant:				
Salaries and employee benefits	252,668	249,997	2,671	245,238
Other operating expenditures	148,775	218,359	(69,584)	146,716
Capital outlay	343,225	32,890	310,335	60,373
Cost of merchandise sold	<u>225,000</u>	<u>220,081</u>	<u>4,919</u>	<u>223,644</u>
Total plant	<u>969,668</u>	<u>721,327</u>	<u>248,341</u>	<u>675,971</u>
System maintenance and extension:				
Salaries and employee benefits	327,760	313,051	14,709	311,514
Other operating expenditures	305,923	272,472	33,451	300,037
Capital outlay	<u>50,000</u>	<u>61,304</u>	<u>(11,304)</u>	<u>-</u>
Total system maintenance and extension	<u>683,683</u>	<u>646,827</u>	<u>36,856</u>	<u>611,551</u>
Waste water treatment:				
Salaries and employee benefits	335,471	330,030	5,441	275,327
Other operating expenditures	243,650	226,478	17,172	220,406
Capital outlay	-	-	-	53,010
Cost of merchandise sold	<u>390,000</u>	<u>400,839</u>	<u>(10,839)</u>	<u>436,108</u>
Total waste water treatment	<u>969,121</u>	<u>957,347</u>	<u>11,774</u>	<u>984,851</u>
Industrial pre-treatment:				
Salaries and employee benefits	-	-	-	42,951
Other operating expenditures	-	-	-	8,097
Total industrial pre-treatment	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,048</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Total
Pump station maintenance:				
Salaries and employee benefits	424,541	416,300	8,241	400,797
Other operating expenditures	218,700	207,886	10,814	216,629
Capital outlay	222,075	222,090	(15)	37,604
Cost of merchandise sold	30,000	132,886	(102,886)	111,501
Total pump station maintenance	<u>895,316</u>	<u>979,162</u>	<u>(83,846)</u>	<u>766,531</u>
Debt Service:				
Principal retirement	1,143,917	1,143,917	-	590,457
LPA interest	<u>66,387</u>	<u>141,787</u>	<u>(75,400)</u>	<u>73,792</u>
Total debt service	<u>1,210,304</u>	<u>1,285,704</u>	<u>(75,400)</u>	<u>664,249</u>
Total expenditures	<u>5,868,921</u>	<u>5,664,200</u>	<u>204,721</u>	<u>4,567,585</u>
Revenues over (under) expenditures	<u>(1,106,655)</u>	<u>(753,153)</u>	<u>353,502</u>	<u>202,852</u>
Other Financing Sources (Uses):				
Transfers in	143,347	129,541	(13,806)	-
Sale of capital assets	2,440	2,440	-	-
Proceeds from debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>926,515</u>
Total other financing sources (uses)	<u>145,787</u>	<u>131,981</u>	<u>(13,806)</u>	<u>926,515</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(960,868)</u>	<u>(621,172)</u>	<u>339,696</u>	<u>1,129,367</u>
Appropriated net position	<u>960,868</u>	<u>-</u>	<u>(960,868)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(621,172)</u>	<u>\$ (621,172)</u>	<u>1,129,367</u>
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		101		-
Proceeds from issuance of debt		-		(926,515)
Change in inventories		101,165		77,717
Capital outlay		941,446		519,462
Pension expense		(7,800)		-
Contributions to pension plan		69,092		-
OPEB liability		(78,302)		(37,545)
Accrued interest		6,973		(11,805)
Principal retirement		1,143,917		590,457
Depreciation expense		<u>(1,161,612)</u>		<u>(1,044,884)</u>
Change in net position		<u>\$ 393,808</u>		<u>\$ 296,254</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - WATER PLANT UPGRADE AND LINE REHAB PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Interest income	\$ -	\$ -	\$ 101	\$ 101
Total revenues	<u>-</u>	<u>-</u>	<u>101</u>	<u>101</u>
Expenditures:				
Professional services	-	455,274	-	455,274
36" water line project	15,212,670	747,667	7,543,526	8,291,193
Water line rehabilitation project	5,243,500	2,769,455	2,174,878	4,944,333
Water plant improvement project	13,410,640	477,048	233	477,281
Spillway project	599,980	23,045	591,297	614,342
Total expenditures	<u>34,466,790</u>	<u>4,472,489</u>	<u>10,309,934</u>	<u>14,782,423</u>
Revenues over (under) expenditures	<u>(34,466,790)</u>	<u>(4,472,489)</u>	<u>(10,309,833)</u>	<u>(14,782,322)</u>
Other Financing Sources (Uses):				
Proceeds from financing	<u>34,466,790</u>	<u>2,202,043</u>	<u>10,881,272</u>	<u>13,083,315</u>
Total other financing sources (Uses)	<u>34,466,790</u>	<u>2,202,043</u>	<u>10,881,272</u>	<u>13,083,315</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,270,446)</u>	571,439	<u>\$ (1,699,007)</u>
Fund Balance:				
Beginning of year - July 1			<u>(2,270,446)</u>	
End of year - June 30			<u>\$ (1,699,007)</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, 2015
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 12,790,105	\$ 12,326,794	\$ (463,311)	\$ 13,099,884
Miscellaneous revenues	154,405	163,423	9,018	204,749
Total operating revenues	12,944,510	12,490,217	(454,293)	13,304,633
Non-operating revenues:				
Interest income	4,000	5,633	1,633	4,395
Total non-operating revenues	4,000	5,633	1,633	4,395
Total revenues	12,948,510	12,495,850	(452,660)	13,309,028
Expenditures:				
Meter reading:				
Salaries and employee benefits	155,944	149,503	6,441	189,487
Operating expenditures	36,050	31,278	4,772	31,330
Capital outlay	1,420,218	1,176,768	243,450	16,736
Total meter reading	1,612,212	1,357,549	254,663	237,553
System:				
Salaries and employee benefits	935,587	916,215	19,372	811,231
Other operating expenditures	1,499,580	1,458,772	40,808	1,492,416
Capital outlay	-	-	-	666,758
Cost of merchandise sold	7,185,029	6,772,504	412,525	8,602,308
Debt service - principal	440,524	438,161	2,363	186,997
Debt service - interest	21,314	21,314	-	11,424
Total system	10,082,034	9,606,966	475,068	11,771,134
Total expenditures	11,694,246	10,964,515	729,731	12,008,687
Revenues over (under) expenditures	1,254,264	1,531,335	277,071	1,300,341

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, 2015
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Total
Other Financing Sources (Uses):				
Appropriated from net position	396,438	-	(396,438)	-
Sale of capital assets	29,050	29,570	520	-
Transfers in (out)	(1,910,219)	(1,910,219)	-	(1,820,000)
Proceeds from issuance of debt	230,467	230,467	-	917,216
Total other financing sources (uses)	<u>(1,254,264)</u>	<u>(1,650,182)</u>	<u>(395,918)</u>	<u>(902,784)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(118,847)</u>	<u>\$ (118,847)</u>	397,557
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		46,796		8,067
Capital outlay		1,176,768		679,630
Pension expense		(4,457)		-
Contributions to pension plan		39,481		-
Proceeds from issuance of debt		(230,467)		(917,216)
Accrued interest		(20,599)		(1,764)
OPEB liability		(52,201)		(37,663)
Principal retirement		438,161		186,997
Depreciation expense		<u>(558,497)</u>		<u>(536,972)</u>
Change in net position		<u>\$ 716,138</u>		<u>\$ (221,364)</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, 2015
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Total
Revenues:				
Operating revenues:				
Charges for services	\$ 5,102,500	\$ 5,096,332	\$ (6,168)	\$ 5,539,190
Miscellaneous revenues	64,000	69,449	5,449	184,946
Total operating revenues	5,166,500	5,165,781	(719)	5,724,136
Non-operating revenues:				
Interest income	2,500	3,858	1,358	3,280
Total non-operating revenues	2,500	3,858	1,358	3,280
Total revenues	5,169,000	5,169,639	639	5,727,416
Expenditures:				
Salaries and employee benefits	598,776	603,271	(4,495)	588,789
Other operating expenditures	828,573	789,842	38,731	760,400
Capital outlay	562,434	541,800	20,634	441,276
Cost of merchandise sold	3,085,000	3,052,559	32,441	3,566,351
Debt service - principal	197,045	197,357	(312)	33,224
Debt service - interest	13,805	13,805	-	2,625
Total expenditures	5,285,633	5,198,634	86,999	5,392,665
Revenues over (under) expenditures	(116,633)	(28,995)	87,638	334,751
Other Financing Sources (Uses):				
Appropriated from net position	785,955	-	(785,955)	-
Proceeds from issuance of debt	-	-	-	665,942
Sales of capital assets	-	-	-	1,025
Transfer to other fund:				
General Fund	(669,322)	(669,322)	-	(500,000)
Total other financing sources (uses)	116,633	(669,322)	(785,955)	166,967

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, 2015
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(698,317)	\$ (698,317)	501,718
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		26,078		(17,347)
Proceeds from issuance of debt		-		(665,942)
Capital outlay		541,800		423,556
Pension expense		(2,786)		-
Contributions to pension plan		24,676		-
Accrued interest		868		2,934
OPEB liability		(26,100)		(23,904)
Principal retirement		197,357		33,224
Depreciation expense		(152,833)		(124,694)
Change in net position		\$ (89,257)		\$ 129,545

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 401,218	\$ 375,239	\$ (25,979)	\$ 190,990
Miscellaneous revenues	-	1,000	1,000	-
Total operating revenues	<u>401,218</u>	<u>376,239</u>	<u>(24,979)</u>	<u>190,990</u>
Non-operating revenues:				
Interest income	-	42	42	58
Total non-operating revenues	-	42	42	58
Total revenues	<u>401,218</u>	<u>376,281</u>	<u>(24,937)</u>	<u>191,048</u>
Expenditures:				
Salaries and employee benefits	265,837	269,533	(3,696)	85,160
Other operating expenditures	47,981	43,128	4,853	25,002
Capital outlay	161,705	161,940	(235)	-
Debt service - principal	15,985	15,986	(1)	-
Total expenditures	<u>491,508</u>	<u>490,587</u>	<u>921</u>	<u>110,162</u>
Revenues over (under) expenditures	<u>(90,290)</u>	<u>(114,306)</u>	<u>(24,016)</u>	<u>80,886</u>
Other Financing Sources (Uses):				
Appropriated from net position	12,910	-	(12,910)	-
Debt issued	77,380	77,380	-	-
Transfer from other fund:	-	96,000	96,000	-
Total other financing sources (uses)	<u>90,290</u>	<u>173,380</u>	<u>83,090</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>59,074</u>	<u>\$ 59,074</u>	<u>80,886</u>
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Proceeds from issuance of debt		(77,380)		-
Capital outlay		161,940		-
Pension expense		(1,671)		-
Contributions to pension plan		14,805		-
Accrued interest		(709)		-
OPEB liability		(6,525)		(30,233)
Principal retirement		15,986		-
Depreciation expense		<u>(10,803)</u>		<u>-</u>
Change in net position		<u>\$ 154,717</u>		<u>\$ 50,653</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	<u>Workers' Compensation Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 205,685	\$ 167,731	\$ 373,416
Accounts receivable	<u>-</u>	<u>46,203</u>	<u>46,203</u>
Total assets	<u>205,685</u>	<u>213,934</u>	<u>419,619</u>
Liabilities:			
Accounts payable	<u>33,020</u>	<u>134,344</u>	<u>167,364</u>
Total liabilities	<u>33,020</u>	<u>134,344</u>	<u>167,364</u>
Net Position:			
Unrestricted	<u>\$ 172,665</u>	<u>\$ 79,590</u>	<u>\$ 252,255</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, 2015**

	Workers' Compensation Insurance	Health Insurance	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for services	\$ 179,093	\$ 1,949,409	\$ 2,128,502
Operating Expenses:			
Excess policy fees	57,389	225,025	282,414
Administrative fees	14,500	143,097	157,597
Claims	60,337	1,667,054	1,727,391
Total operating expenses	<u>132,226</u>	<u>2,035,176</u>	<u>2,167,402</u>
Operating income (loss)	46,867	(85,767)	(38,900)
Non-Operating Revenues:			
Investment income (loss)	<u>202</u>	<u>920</u>	<u>1,122</u>
Change in net position	47,069	(84,847)	(37,778)
Net Position:			
Beginning of year - July 1	<u>125,596</u>	<u>164,437</u>	<u>290,033</u>
End of year - June 30	<u>\$ 172,665</u>	<u>\$ 79,590</u>	<u>\$ 252,255</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Workers' Compensation Insurance	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 179,093	\$ 1,923,490	\$ 2,102,583
Cash paid for goods and services	<u>(114,600)</u>	<u>(2,036,431)</u>	<u>(2,151,031)</u>
Net cash provided (used) by operating activities	<u>64,493</u>	<u>(112,941)</u>	<u>(48,448)</u>
Cash Flows from Investing Activities:			
Interest income	<u>202</u>	<u>920</u>	<u>1,122</u>
Net increase (decrease) in cash and cash equivalents	64,695	(112,021)	(47,326)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>140,990</u>	<u>279,752</u>	<u>420,742</u>
End of year - June 30	<u>\$ 205,685</u>	<u>\$ 167,731</u>	<u>\$ 373,416</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	<u>\$ 46,867</u>	<u>\$ (85,767)</u>	<u>\$ (38,900)</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in operating accounts receivable	-	(25,919)	(25,919)
Increase (decrease) in operating accounts payable and accrued liabilities	<u>17,626</u>	<u>(1,255)</u>	<u>16,371</u>
Total adjustments	<u>17,626</u>	<u>(27,174)</u>	<u>(9,548)</u>
Net cash provided (used) by operating activities	<u>\$ 64,493</u>	<u>\$ (112,941)</u>	<u>\$ (48,448)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUND
 WORKERS' COMPENSATION INSURANCE
 SCHEDULE OF REVENUES AND EXPENDITURES -
 FINANCIAL PLAN AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 179,093	\$ 179,093	\$ -
Non-operating revenues:			
Interest income (loss)	240	202	38
Total revenues	<u>179,333</u>	<u>179,295</u>	<u>38</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	69,583	57,389	12,194
Administrative fees	14,500	14,500	-
Claims	<u>95,250</u>	<u>60,337</u>	<u>34,913</u>
Total expenditures	<u>179,333</u>	<u>132,226</u>	<u>47,107</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 47,069</u>	<u>\$ 47,069</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**INTERNAL SERVICE FUND
HEALTH INSURANCE
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 1,947,732	\$ 1,949,409	\$ (1,677)
Non-operating revenues:			
Interest income	1,200	920	280
Total revenues	<u>1,948,932</u>	<u>1,950,329</u>	<u>(1,397)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	238,000	225,025	12,975
Administrative fees	142,000	143,097	(1,097)
Claims	<u>1,635,932</u>	<u>1,667,054</u>	<u>(31,122)</u>
Total expenditures	<u>2,015,932</u>	<u>2,035,176</u>	<u>(19,244)</u>
Operating income (loss)	(67,000)	(84,847)	17,847
Other Financing Sources (Uses):			
Appropriated net position	<u>67,000</u>	<u>-</u>	<u>67,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (84,847)</u>	<u>\$ (84,847)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD
STATEMENT OF NET POSITION
JUNE 30, 2015

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 117,257
Due from other governments	<u>9,404</u>
Total assets	<u>126,661</u>
Liabilities:	
Accounts payable	<u>24,100</u>
Total liabilities	<u>24,100</u>
Net Position:	
Restricted for tourism	<u>\$ 102,561</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 94,000	\$ 103,211	\$ 9,211
Non-operating revenues:			
Investment earnings	<u>100</u>	<u>22</u>	<u>(78)</u>
Total revenues	<u>94,100</u>	<u>103,233</u>	<u>9,133</u>
Expenditures:			
Current:			
Operating expenses	15,095	15,071	24
Cultural and recreation	<u>79,005</u>	<u>70,477</u>	<u>8,528</u>
Total expenditures	<u>94,100</u>	<u>85,548</u>	<u>8,552</u>
Net change in fund balance	<u>\$ -</u>	17,685	<u>\$ 17,685</u>
Fund Balance:			
Beginning of year - July 1		<u>84,876</u>	
End of year - June 30		<u>\$ 102,561</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Cash and cash equivalents	\$ 218,881	\$ 2,555	\$ 701	\$ 220,735
Accounts receivable	<u>5,760</u>	<u>6,688</u>	<u>5,760</u>	<u>6,688</u>
Total assets	<u>\$ 224,641</u>	<u>\$ 9,243</u>	<u>\$ 6,461</u>	<u>\$ 227,423</u>
Liabilities:				
Intergovernmental payable	<u>\$ 224,641</u>	<u>\$ 9,243</u>	<u>\$ 6,461</u>	<u>\$ 227,423</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 4,444,801	\$ 4,395,800	\$ 49,001
2013-2014	67,919	-	48,229	19,690
2012-2013	22,606	-	11,023	11,583
2011-2012	12,248	-	5,377	6,871
2010-2011	8,721	-	4,344	4,377
2009-2010	10,731	-	6,737	3,994
2008-2009	7,445	-	4,221	3,224
2007-2008	6,863	-	3,934	2,929
2006-2007	5,743	-	3,657	2,086
2005-2006	4,780	-	4,780	-
Total	<u>\$ 147,056</u>	<u>\$ 4,444,801</u>	<u>\$ 4,488,102</u>	103,755
Less: Allowance for uncollectible accounts				<u>(39,561)</u>
Ad valorem taxes receivable, net				<u>\$ 64,194</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 4,469,805
Reconciling items:				
Taxes written off				(4,780)
Miscellaneous adjustments				<u>23,077</u>
Total collections and credits				<u>\$ 4,488,102</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 1,111,200,250	\$ 0.40	\$ 4,444,801	\$ 4,221,284	\$ 223,517
Total property valuation	\$ 1,111,200,250				
Net Levy			4,444,801	4,221,284	223,517
Uncollected taxes at June 30, 2015			(49,001)	(49,001)	-
Current Year's Taxes Collected			\$ 4,395,800	\$ 4,172,283	\$ 223,517
Current Levy Collection Percentage			<u>98.90%</u>	<u>98.84%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 680,834,954	
Personal property				312,376,039	
Public service companies				117,989,257	
Total assessed valuation				<u>\$ 1,111,200,250</u>	
Tax rate per \$100					0.40
Levy (includes discoveries, releases, and abatements)					<u>\$ 4,444,801</u>

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

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2016. Our report includes a reference to other auditors who audited the financial statements of the Kings Mountain ABC Board, as described in our report on the City of Kings Mountain, North Carolina's financial statements. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. As described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2015-002 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kings Mountain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002.

We noted certain matters that we reported to management of the City of Kings Mountain in a separate letter dated February 17, 2016

City of Kings Mountain's Responses to Findings

The City of Kings Mountain's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Kings Mountain's responses were not subjected to the auditing procedures applied in the audit of the financial statements; and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
February 17, 2016

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major Federal Program

We have audited the City of Kings Mountain, North Carolina's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Kings Mountain's major federal programs for the year ended June 30, 2015. The City of Kings Mountain's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion On Each Major Federal Program

In our opinion, the City of Kings Mountain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
February 17, 2016

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Kings Mountain, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Kings Mountain's major State programs for the year ended June 30, 2015. The City of Kings Mountain's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Opinion on Each Major State Program

In our opinion, the City of Kings Mountain complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
February 17, 2016

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Significant deficiency identified that are not considered to be material weaknesses? Yes

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified? No

• Significant deficiency identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
----------------------------	----------------------

Drinking Water State Revolving Fund Cluster	66.468
---	--------

Dollar threshold used to distinguish between Type A and Type B programs	\$312,425
---	-----------

Auditee qualified as low-risk auditee?	No
--	----

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

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

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

Identification of major State programs:

Program Name _____

Powell Bill
Rural Center – Building Reuse Grant

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-001:

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

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

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

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

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

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

Name of Contact Person: Crystal Certain, Finance Officer

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-002

Criteria: Management should have a control system in place to reduce the likelihood that violations of North Carolina General Statutes occur and go undetected.

Condition: In the current year, there was a violation of the N.C. General Statute 159-8(a). Expenditures exceeded appropriations and, therefore, a failure in the pre-audit requirement. The budget amendment and pre-audit process was not effective.

Cause: Inadequate budget monitoring by management. The City expended more than had been budgeted in the budget ordinance for economic and physical development, tourism and development, library repairs and improvements, and Senior Center Capital Project Fund expenditures.

Effect: The City was in violation of North Carolina General Statutes.

Context: While reviewing financial statements and budget reports, we noted the condition described above.

Recommendation: Implement stringent budgetary monitoring controls to prevent expenditures exceeding appropriations. Management should make sure that all items are booked at year-end and that the proper budget amendments have been made for these expenditures.

Name of Contact Person: Crystal Certain, Finance Director

Management Response/Corrective Action: Management concurs with the recommendation and will diligently review budgetary data to ensure compliance with North Carolina General Statutes.

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

None reported

4. Findings and Questioned Costs Related to the Audit of State Awards

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2014-001 was repeated as 2015-001.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Federal Awards:			
Environmental Protection Agency			
Passed through Department of Environmental Natural Resources Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Fund	66.468	\$ 10,281,292	\$ -
U.S. Department of Health and Human Services:			
Passed-through Isothermal Planning and Development Commission: Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	5,302	-
Institute of Museum and Library Services:			
Passed-through Division of State Library: Grants to States	45.310	70,713	4,934
U.S. Department of Health and Human Services:			
Passed-through the N.C. Department of Insurance: Centers for Medicare & Medicaid Services Research, Demonstrations, and Evaluations	93.779	4,953	-
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	849	-
U.S. Department of Transportation FHWA:			
Passed-through the N.C. Department of Transportation: Highway Planning and Construction	20.205	51,059	-
Total Federal Awards		<u>10,414,168</u>	<u>4,934</u>
State Awards:			
N.C. Rural Development Center			
FY 12/13 Building Reuse & Restoration Fund Vacant Program Cont # 2013-081-60501-107		-	480,000
N.C. Department of Cultural Resources:			
State Aid - Library		-	8,783
N.C. Department of Aging:			
Senior Center General Purpose		-	11,680
NC Division of Aging		-	100,000
N.C. Department of Transportation:			
Powell Bill		-	593,728
Total State Awards		<u>-</u>	<u>1,194,191</u>
Total Federal and State Awards		<u>\$ 10,414,168</u>	<u>\$ 1,199,125</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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

1. Basis of Presentation

The accompanying schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Kings Mountain under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Kings Mountain, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Kings Mountain.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

3. Loans Outstanding

The City of Kings Mountain had the following loan balances outstanding at June 30, 2015. The loans made during the year are included in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the City's basic financial statements.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ <u>12,221,160</u>

This page left blank intentionally.