CITY OF KINGS MOUNTAIN
NORTH CAROLINA

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2020

Mayor
Scott Neisler

City Council
Mike Butler
Jimmy West
Tommy Hawkins
Keith Miller
David Allen
Jay Rhodes
Annie Thombs

City Manager
Marilyn H. Sellers

Finance Officer
Chris Costner

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MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.
"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the 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, 2020, 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, which represents 79 percent, 74 percent, and 95 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial 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, 2020, 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 Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, other schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual fund financial statements, budget and actual schedules, other schedules, and supplemental ad valorem tax schedules 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 October 30, 2020 on our consideration of the City of Kings Mountain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kings Mountain's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kings Mountain's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 30, 2020

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Management's Discussion and Analysis

As management of the City of Kings Mountain, we offer readers of the City of Kings Mountain's financial statements this narrative overview and analysis of the financial activities of the City of Kings Mountain for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

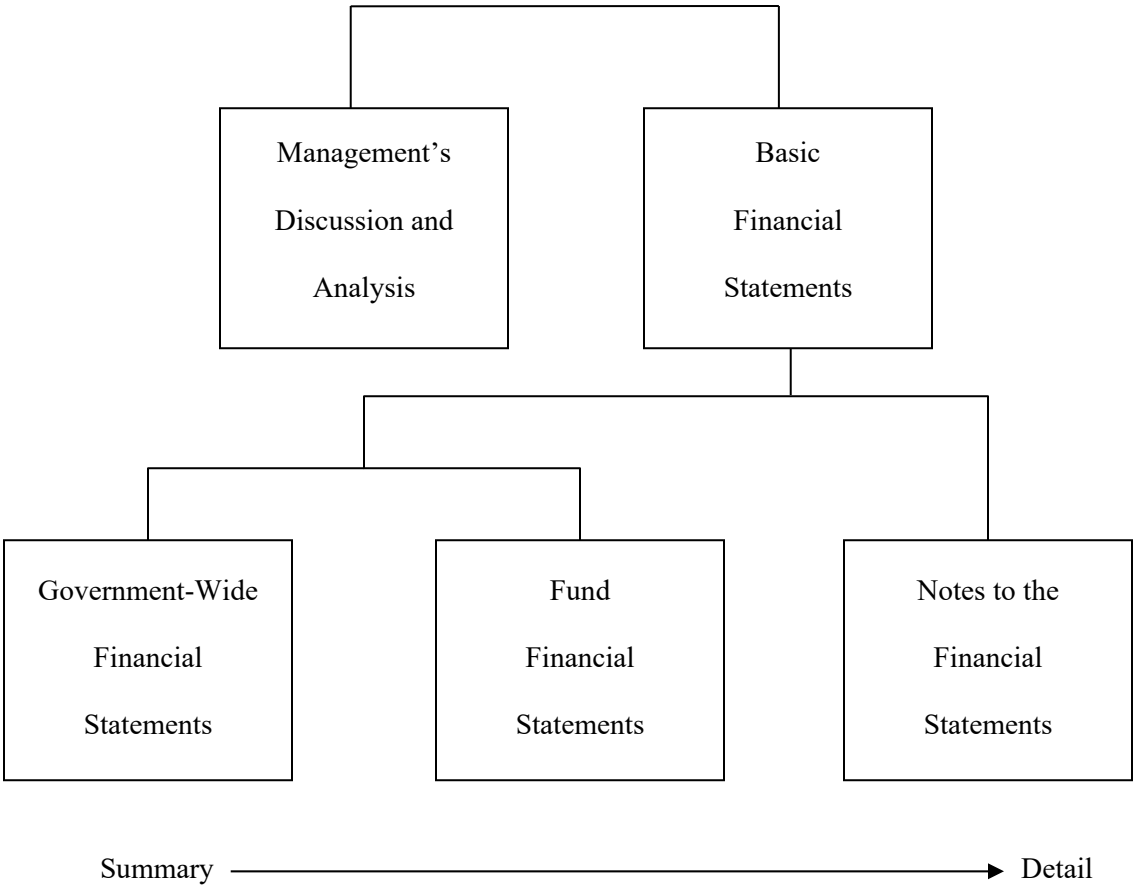
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $63,439,013 (*net position*).
- The government's total net position increased by $3,924,167.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of $12,238,533, an increase of $2,901,691 in comparison with the prior year. Approximately 26.76% of this amount, or $3,275,046, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $7,962,738, or 53.09%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt decreased by $2,004,444 during the current fiscal year. The key factor in this decrease was that current year increases for installment purchases (direct placements) were far less than retirements in both governmental activities and business-type activities.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through 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	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	$15,673,991	$11,841,592	$ 18,845,768	$16,474,046	$34,519,759	$28,315,638
Other assets	438,057	356,189	287,842	578,473	725,899	934,662
Capital assets, net	9,632,108	10,309,790	62,498,965	64,721,835	72,131,073	75,031,625
Total assets	25,744,156	22,507,571	81,632,575	81,774,354	107,376,731	104,281,925
Deferred Outflows of Resources	2,166,499	1,908,148	927,115	812,910	3,093,614	2,721,058
Liabilities:						
Long-term liabilities	13,305,353	12,491,143	29,690,384	30,616,527	42,995,737	43,107,670
Other liabilities	1,093,064	942,067	1,459,788	1,700,589	2,552,852	2,642,656
Total liabilities	14,398,417	13,433,210	31,150,172	32,317,116	45,548,589	45,750,326
Deferred Inflows of Resources	1,034,268	1,214,481	448,475	523,329	1,482,743	1,737,810
Net Position:						
Net investment in capital assets	7,778,098	7,919,936	37,528,517	38,282,787	45,306,615	46,202,723
Restricted	3,245,491	1,817,801	-	-	3,245,491	1,817,801
Unrestricted	1,454,381	30,291	13,432,526	11,464,032	14,886,907	11,494,323
Total net position	$12,477,970	$ 9,768,028	$ 50,961,043	$49,746,819	$63,439,013	$59,514,847

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 $63,439,013 as of June 30, 2020. However, the largest portion (71%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Kings Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kings Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Kings Mountain's net position of $3,245,491 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $14,886,907 is unrestricted.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 2,213,418	$ 2,116,671	$ 25,299,533	$ 26,841,461	$ 27,512,951	$ 28,958,132
Operating grants and contributions	902,450	1,496,707	-	-	902,450	1,496,707
Capital grants and contributions	-	-	14,657	467,234	14,657	467,234
General revenues:						
Property taxes	7,857,613	7,552,420	-	-	7,857,613	7,552,420
Other taxes	4,669,877	4,053,881	-	-	4,669,877	4,053,881
Other	235,128	219,232	460,406	182,863	695,534	402,095
Total revenues	15,878,486	15,438,911	25,774,596	27,491,558	41,653,082	42,930,469
Expenses:						
General government	1,230,185	2,588,198	-	-	1,230,185	2,588,198
Public safety	6,987,502	5,592,299	-	-	6,987,502	5,592,299
Transportation	2,005,352	1,506,372	-	-	2,005,352	1,506,372
Environmental protection	1,851,217	1,562,994	-	-	1,851,217	1,562,994
Economic development	1,052,707	1,260,361	-	-	1,052,707	1,260,361
Culture and recreation	2,426,243	2,041,191	-	-	2,426,243	2,041,191
Interest expense	45,338	48,122	-	-	45,338	48,122
Water and sewer	-	-	7,781,579	6,748,795	7,781,579	6,748,795
Electric	-	-	9,545,852	10,931,645	9,545,852	10,931,645
Gas	-	-	4,359,503	5,000,372	4,359,503	5,000,372
Stormwater	-	-	443,438	448,145	443,438	448,145
Total expenses	15,598,544	14,599,537	22,130,372	23,128,957	37,728,916	37,728,494
Change in net position before transfers	279,942	839,374	3,644,224	4,362,601	3,924,166	5,201,975
Transfers	2,430,000	2,279,757	(2,430,000)	(2,279,757)	-	-
Change in net position	2,709,942	3,119,131	1,214,224	2,082,844	3,924,166	5,201,975
Net Position:						
Beginning of year - July 1	9,768,028	6,648,897	49,746,819	47,663,975	59,514,847	54,312,872
End of year - June 30	$ 12,477,970	$ 9,768,028	$ 50,961,043	$ 49,746,819	$ 63,439,013	$ 59,514,847

Governmental Activities. Governmental activities increased the City's net position by $2,709,942. The key elements of this increase are as follows:

- Slight increases in total revenues
- Decreases in expenses related to general government and economic development
- Overall, the City spent only 85% of amended budget.

Business-Type Activities. Business-type activities increased the City's net position by $1,214,224. Key elements of this increase are as follows:

- Overall decrease in expenses from a large decrease in the Electric Fund and Gas funds for purchased power and purchased natural gas respectively.

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 $8,250,453, while total fund balance reached $9,258,255. 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 55.01 percent of total General Fund expenditures, while total fund balance represents 61.72 percent of that same amount.

At June 30, 2020, the governmental funds of the City of Kings Mountain reported a combined fund balance of $12,238,533 with a net increase of $2,901,691. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

The original budget was amended to account for additional revenues and expenditures that occurred during the fiscal year. Total net amendments to the General Fund's expenditures was $236,068. With respect to actual versus final amended budget, revenues had a positive variance of $640,312 due to an increase in property tax and other tax revenues. The expenditures recognized a positive variance of $2,772,893. The major components of this positive variance are as follows:

- Actual expenditures related to capital outlay for administration and finance were far below final amended budget by approximately $365,000 due to the implementation of new billing software being delayed due to COVID-19.
- Emphasis to curb expenditures by all responsible department heads and members of management across all General Fund departments, especially in light of COVID-19, capital outlay was essentially frozen the last quarter of the fiscal year any spending was closely scrutinized.

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 $6,193,786. The amount of unrestricted net position for the Electric Fund was $5,710,295, for the Gas Fund was $1,717,623, and for the Stormwater Fund was ($189,178). The total changes in net position for the four funds were $(89,352), $1,244,922, $72,597, and $(13,943), 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, 2020 totals $72,131,073 (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:

- Several large equipment purchases for business-type activities, the largest being an electric line bucket truck
- Construction in the Water and Sewer Fund of the Beason Creek lift station

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 2,777,198	$ 2,777,198	$ 7,244,945	$ 7,244,945	$ 10,022,143	$ 10,022,143
Infrastructure	202,046	253,807	-	-	202,046	253,807
Buildings	629,085	979,843	2,692,166	2,931,263	3,321,251	3,911,106
Other improvements	3,430,825	1,862,539	18,653,293	19,499,420	22,084,118	21,361,959
Equipment	1,319,889	1,515,264	4,517,699	4,695,951	5,837,588	6,211,215
Vehicles	1,022,537	1,452,215	1,125,384	804,341	2,147,921	2,256,556
Lines	-	-	28,265,478	29,545,915	28,265,478	29,545,915
Construction in progress	250,528	1,468,924	-	-	250,528	1,468,924
Total	$ 9,632,108	$ 10,309,790	$ 62,498,965	$ 64,721,835	$ 72,131,073	$ 75,031,625

Additional information on the City's capital assets can be found in Note 2 of the basic financial statements.

Long-Term Debt. As of June 30, 2020, the City of Kings Mountain had total installment purchase debt, for direct placements and direct borrowings, outstanding of $26,824,458. The City's debt represents obligations secured solely by certain equipment of the City.

City of Kings Mountain's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchases - direct placements & direct borrowings	$ 1,854,010	$ 2,389,854	$ 24,970,448	$ 26,439,048	$ 26,824,458	$ 28,828,902

The City of Kings Mountain's total debt decreased by $2,004,444 during the current fiscal year. The key factor in this decrease was that installment purchase (direct placements) increases, related to governmental activities, was far less than retirements in both governmental activities and business-type activities.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Kings Mountain is approximately $119,471,430.

Additional information regarding the City of Kings Mountain's long-term debt can be found in Note 2 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The City continues to experience some growth in terms of property valuation. The City has experienced increased demand for all its utility services as a result of residential and industrial/commercial development, although that was somewhat temporarily off-set by COVID-19 shut-downs related to commercial/industrial customers. As of the date of this report, our utility demand has recovered to pre COVID-19 levels.

Budget Highlights for the Fiscal Year Ending June 30, 2021

As a result of the continued COVID pandemic, we budgeted conservatively given the unknowns. Very little capital outlay was budgeted in the governmental funds and we plan to do budget amendments throughout the year to "release" capital as the economic situation improves or at least becomes more clear.

Governmental Activities. The property tax rate remains unchanged at 43 cents per $100 in assessed property value. The FY 20-21 General Fund budget decreased roughly 837,000 dollars over prior year's originally adopted budget. As mentioned above, capital was significantly reduced, and we plan to amend the budget as necessary given economic factors and need. No new positions were added, and no COLA was budgeted as part of the originally adopted budget. The City looked at all rates and fees and there were no significant increases in City fees in the 20-21 General Fund budget.

Business-Type Activities. The City's utility base rates remained unchanged for the 20-21 budget year (gas, water, sewer, and storm water.) Any budgeted increases in revenues for these funds are based upon anticipated increases in volume of services provided. The City has seen a significant decrease in purchased power costs due to our NTE contract, which began 1-1-19.

Requests for Information

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

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

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BASIC FINANCIAL STATEMENTS

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	$ 14,588,256	$ 15,502,758	$ 30,091,014	$ 327,666	$ 241,688
Taxes receivable, net	69,566	-	69,566	-	-
Accounts receivable, net	207,199	2,320,584	2,527,783	40	-
Due from other governments	779,415	-	779,415	-	8,753
Inventories	29,555	1,022,426	1,051,981	119,116	-
Prepaid items	-	-	-	6,963	-
Total current assets	15,673,991	18,845,768	34,519,759	453,785	250,441
Restricted assets:					
Cash and cash equivalents	438,057	287,842	725,899	81,800	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	3,027,726	7,244,945	10,272,671	78,875	-
Other capital assets, net of depreciation	6,604,382	55,254,020	61,858,402	330,442	-
Total capital assets	9,632,108	62,498,965	72,131,073	409,317	-
Total assets	25,744,156	81,632,575	107,376,731	944,902	250,441
Deferred Outflows of Resources:					
Pension deferrals	1,533,879	637,777	2,171,656	22,373	-
OPEB deferrals	632,620	289,338	921,958	-	-
Total deferred outflows of resources	2,166,499	927,115	3,093,614	22,373	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,093,064	1,171,946	2,265,010	217,384	750
Liabilities to be paid from restricted assets:					
Customer deposits	-	287,842	287,842	-	-
Long-term liabilities:					
Net pension liability - LGERS	2,284,382	1,026,316	3,310,698	17,751	-
Total pension liability - LEOSSA	1,023,349	-	1,023,349	-	-
Total OPEB liability	7,706,012	3,524,455	11,230,467	-	-
Due within one year	762,942	1,997,780	2,760,722	4,392	-
Due in more than one year	1,528,668	23,141,833	24,670,501	6,531	-
Total liabilities	14,398,417	31,150,172	45,548,589	246,058	750
Deferred Inflows of Resources:					
OPEB deferrals	967,156	442,343	1,409,499	-	-
Pension deferrals	67,112	6,132	73,244	-	-
Total deferred inflows of resources	1,034,268	448,475	1,482,743	-	-
Net Position:					
Net investment in capital assets	7,778,098	37,528,517	45,306,615	409,318	-
Restricted for:					
Perpetual maintenance	30,924	-	30,924	-	-
Stabilization by state statute	986,614	-	986,614	-	8,753
Streets - Powell Bill	166,422	-	166,422	-	-
Public safety	246,188	-	246,188	-	-
Cultural and recreational	286,706	-	286,706	-	-
Economic and physical development	1,528,637	-	1,528,637	-	-
Working capital	-	-	-	65,832	-
Capital improvements	-	-	-	81,800	-
Tourism promotion	-	-	-	-	240,938
Unrestricted	1,454,381	13,432,526	14,886,907	164,267	-
Total net position	$ 12,477,970	$ 50,961,043	$ 63,439,013	$ 721,217	$ 249,691

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, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ 1,230,185	$ 156,429	$ -	$ -
Public safety	6,987,502	16,177	300,788	-
Transportation	2,005,352	-	338,972	-
Economic and physical development	1,052,707	187,055	65,550	-
Environmental protection	1,851,217	1,406,353	-	-
Culture and recreation	2,426,243	447,404	197,140	-
Interest expense	45,338	-	-	-
Total governmental activities	15,598,544	2,213,418	902,450	-
Business-Type Activities:				
Water and sewer	7,781,579	7,529,802	-	14,657
Electric	9,545,852	12,944,413	-	-
Gas	4,359,503	4,398,109	-	-
Stormwater	443,438	427,209	-	-
Total business-type activities	22,130,372	25,299,533	-	14,657
Total primary government	$ 37,728,916	$ 27,512,951	$ 902,450	$ 14,657
Component Units:				
ABC Board	$ 2,121,170	$ 2,205,817	$ -	$ -
Tourism Development Authority Board	104,478	-	-	-
Total component units	$ 2,225,648	$ 2,205,817	$ -	$ -

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, 2020

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	$ (1,073,756)	$ -	$ (1,073,756)		
Public safety	(6,670,537)	-	(6,670,537)		
Transportation	(1,666,380)	-	(1,666,380)		
Economic and physical development	(800,102)	-	(800,102)		
Environmental protection	(444,864)	-	(444,864)		
Culture and recreation	(1,781,699)	-	(1,781,699)		
Interest expense	(45,338)	-	(45,338)		
Total governmental activities	(12,482,676)	-	(12,482,676)		
Business-Type Activities:					
Water and sewer	-	(237,120)	(237,120)		
Electric	-	3,398,561	3,398,561		
Gas	-	38,606	38,606		
Stormwater	-	(16,229)	(16,229)		
Total business-type activities	-	3,183,818	3,183,818		
Total primary government	(12,482,676)	3,183,818	(9,298,858)		
Component Units:					
ABC Board				$ 84,647	$ -
Tourism Development Authority Board				-	(104,478)
Total component units				84,647	(104,478)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	7,857,613	-	7,857,613	-	-
Local option sales tax	2,327,814	-	2,327,814	-	-
Payment in lieu of taxes	403,476	-	403,476	-	-
Franchise taxes	1,060,013	-	1,060,013	-	-
Other taxes and licenses	878,574	-	878,574	-	110,949
Unrestricted investment earnings	235,128	250,952	486,080	766	1,115
Miscellaneous	-	209,454	209,454	150	1,205
Total general revenues before transfers	12,762,618	460,406	13,223,024	916	113,269
Transfers	2,430,000	(2,430,000)	-	-	-
Total general revenues and transfers	15,192,618	(1,969,594)	13,223,024	916	113,269
Change in net position	2,709,942	1,214,224	3,924,166	85,563	8,791
Net Position:					
Beginning of year - July 1	9,768,028	49,746,819	59,514,847	635,654	240,900
End of year - June 30	$ 12,477,970	$ 50,961,043	$ 63,439,013	$ 721,217	$ 249,691

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	Major Fund		
	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 8,554,304	$ 2,989,134	$ 11,543,438
Cash and cash equivalents, restricted	407,133	30,924	438,057
Taxes receivable, net	69,566	-	69,566
Accounts receivable, net	207,199	-	207,199
Due from other governments	771,048	8,367	779,415
Inventories	29,555	-	29,555
Total assets	$ 10,038,805	$ 3,028,425	$ 13,067,230
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 710,984	$ 48,147	$ 759,131
Deferred Inflows of Resources:			
Property taxes receivable	69,566	-	69,566
Fund Balances:			
Non-spendable:			
Inventories	29,555	-	29,555
Perpetual maintenance	-	30,924	30,924
Restricted:			
Stabilization by state statute	978,247	8,367	986,614
Streets	166,422	-	166,422
Public safety	84,067	162,121	246,188
Cultural and recreational	37,226	249,480	286,706
Economic and physical development	-	1,528,637	1,528,637
Committed:			
General government	-	1,000,749	1,000,749
Unassigned	7,962,738	-	7,962,738
Total fund balances	9,258,255	2,980,278	12,238,533
Total liabilities, deferred inflows of resources, and fund balances	$ 10,038,805	$ 3,028,425	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,632,108
The assets and liabilities of internal service funds are included in the Statement of Net Position.	2,740,885
Net pension liability - LGERS	(2,284,382)
Total pension liability - LEOSSA	(1,023,349)
Total OPEB liability	(7,706,012)
Deferred outflows of resources related to pensions are not reported in the funds.	1,533,879
Deferred outflows of resources related to OPEB are not reported in the funds.	632,620
Deferred inflows of resources related to pensions are not reported in the funds.	(67,112)
Deferred inflows of resources related to OPEB are not reported in the funds.	(967,156)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	69,566
Some liabilities, including notes payable and accrued interest, are not due and payable in the current period and, therefore, not reported in the funds.	(2,321,610)
Net position of governmental activities	$ 12,477,970

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, 2020

	Major Fund		
	General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	$ 6,772,727	$ 1,077,895	$ 7,850,622
Other taxes and licenses	4,669,877	-	4,669,877
Unrestricted intergovernmental	-	-	-
Restricted intergovernmental	778,046	100,404	878,450
Permits and fees	187,625	-	187,625
Sales and services	1,791,849	-	1,791,849
Donations	-	24,000	24,000
Investment earnings	227,262	7,866	235,128
Miscellaneous	233,944	-	233,944
Total revenues	14,661,330	1,210,165	15,871,495
Expenditures:			
Current:			
General government	2,441,342	-	2,441,342
Public safety	5,896,392	140,100	6,036,492
Transportation	1,637,939	-	1,637,939
Economic and physical development	787,463	351,546	1,139,009
Environmental protection	1,413,414	-	1,413,414
Culture and recreation	2,143,250	-	2,143,250
Debt service:			
Principal	626,978	-	626,978
Interest	52,514	-	52,514
Total expenditures	14,999,292	491,646	15,490,938
Revenues over (under) expenditures	(337,962)	718,519	380,557
Other Financing Sources (Uses):			
Transfers in	1,930,000	1,800,932	3,730,932
Transfers out	(1,300,932)	-	(1,300,932)
Issuance of debt	91,134	-	91,134
Total other financing sources (uses)	720,202	1,800,932	2,521,134
Net change in fund balances	382,240	2,519,451	2,901,691
Fund Balances:			
Beginning of year - July 1	8,876,015	460,827	9,336,842
End of year - June 30	$ 9,258,255	$ 2,980,278	$ 12,238,533

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, 2020

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		$ 2,901,691
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	$ 639,221	
Contributed capital	(14,657)	
Depreciation expense	(1,302,246)	
		(677,682)
Change in deferred inflows for tax revenues		6,991
Contributions to the pension and OPEB plan in the current fiscal year are not included on the Statement of Activities.		728,596
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.		17,461
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	(91,134)	
Repayment of debt principal	626,978	
		535,844
OPEB plan expense		(333,188)
Pension expense - LGERS		(1,178,553)
Pension expense - LEOSSA		(63,682)
Accrual of interest expense payable		7,176
Accrual of compensated absences		(82,124)
Net revenue of internal service funds determined to be governmental-type		847,412
Total change in net position of governmental activities (Exhibit B)		$ 2,709,942

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, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 7,555,000	$ 6,475,000	$ 6,772,727	$ 297,727
Other taxes	4,515,500	4,515,500	4,669,877	154,377
Restricted intergovernmental	756,826	787,841	778,046	(9,795)
Permits and fees	150,000	150,000	187,625	37,625
Investment earnings	175,000	175,000	227,262	52,262
Sales and services	1,728,000	1,728,000	1,791,849	63,849
Miscellaneous	170,977	189,677	233,944	44,267
Total revenues	15,051,303	14,021,018	14,661,330	640,312
Expenditures:				
Current:				
General government	3,052,697	3,137,697	2,441,342	696,355
Public safety	6,690,005	7,019,937	5,896,392	1,123,545
Transportation	1,735,000	1,910,000	1,637,939	272,061
Economic and physical development	2,111,542	1,096,542	787,463	309,079
Environmental protection	1,388,986	1,466,855	1,413,414	53,441
Culture and recreation	2,187,048	2,438,548	2,143,250	295,298
Debt service:				
Principal retirement	578,123	626,978	626,978	-
Interest and fees	264,852	75,628	52,514	23,114
Total expenditures	18,008,253	17,772,185	14,999,292	2,772,893
Revenues over (under) expenditures	(2,956,950)	(3,751,167)	(337,962)	3,413,205
Other Financing Sources (Uses):				
Transfers in	2,430,000	2,475,000	1,930,000	(545,000)
Transfers out	(20,000)	(1,321,000)	(1,300,932)	20,068
Issuance of debt	346,950	617,167	91,134	(526,033)
Total other financing sources (uses)	2,756,950	1,771,167	720,202	(1,050,965)
Revenues and other financing sources over (under) expenditures and other financing uses	(200,000)	(1,980,000)	382,240	2,362,240
Fund balance appropriated	200,000	1,980,000	-	1,980,000
Net change in fund balance	$ -	$ -	382,240	$ 382,240
Fund Balance:				
Beginning of year - July 1			8,876,015	
End of year - June 30			$ 9,258,255	

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, 2020

	Business-Type Activities					Governmental Activities
	Enterprise Funds					
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	$ 7,205,291	$ 6,089,974	$ 2,009,519	$ 197,974	$ 15,502,758	$ 3,044,818
Cash - restricted	55,475	162,477	69,890	-	287,842	-
Accounts receivable, net	613,192	1,221,597	436,989	48,806	2,320,584	-
Inventories	468,501	416,131	137,794	-	1,022,426	-
Total current assets	8,342,459	7,890,179	2,654,192	246,780	19,133,610	3,044,818
Capital assets:						
Land and other non-depreciable assets	7,174,055	39,890	31,000	-	7,244,945	-
Other capital assets, net of depreciation	45,929,982	5,387,705	3,742,111	194,222	55,254,020	-
Total capital assets	53,104,037	5,427,595	3,773,111	194,222	62,498,965	-
Total assets	61,446,496	13,317,774	6,427,303	441,002	81,632,575	3,044,818
Deferred Outflows of Resources:						
Pension deferrals	288,031	185,160	102,867	61,719	637,777	-
OPEB deferrals	127,505	83,369	49,040	29,424	289,338	-
Total deferred outflows of resources	415,536	268,529	151,907	91,143	927,115	-
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	226,893	778,928	157,006	9,119	1,171,946	303,933
Liabilities to be paid from restricted assets:						
Customer deposits	55,475	162,477	69,890	-	287,842	-
Current portion of compensated absences	33,744	32,146	11,359	7,334	84,583	-
Current portion of long-term liabilities	1,582,627	141,136	189,434	-	1,913,197	-
Total current liabilities	1,898,739	1,114,687	427,689	16,453	3,457,568	303,933
Non-current liabilities:						
Net pension liability - LGERS	463,502	297,961	165,535	99,318	1,026,316	-
Notes payable	21,902,668	315,951	838,632	-	23,057,251	-
Total OPEB liability	1,553,150	1,015,521	597,365	358,419	3,524,455	-
Compensated absences	33,744	32,145	11,359	7,334	84,582	-
Total non-current liabilities	23,953,064	1,661,578	1,612,891	465,071	27,692,604	-
Total liabilities	25,851,803	2,776,265	2,040,580	481,524	31,150,172	303,933
Deferred Inflows of Resources:						
Pension deferrals	2,770	1,780	989	593	6,132	-
OPEB deferrals	194,931	127,455	74,973	44,984	442,343	-
Total deferred inflows of resources	197,701	129,235	75,962	45,577	448,475	-
Net Position:						
Net investment in capital assets	29,618,742	4,970,508	2,745,045	194,222	37,528,517	-
Unrestricted	6,193,786	5,710,295	1,717,623	(189,178)	13,432,526	2,740,885
Total net position	$ 35,812,528	$ 10,680,803	$ 4,462,668	$ 5,044	$ 50,961,043	$ 2,740,885

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, 2020

	Business-Type Activities					Governmental Activities
	Enterprise Funds					
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Operating Revenues:						
Charges for services	$ 7,053,087	$ 12,487,945	$ 3,845,279	$ 427,209	$ 23,813,520	$ 3,855,003
Miscellaneous revenues	476,715	456,468	552,830	-	1,486,013	-
Total operating revenues	7,529,802	12,944,413	4,398,109	427,209	25,299,533	3,855,003
Operating Expenses:						
Salaries and fringe benefits	1,915,775	1,610,998	998,873	327,562	4,853,208	-
Cost of merchandise sold	800,398	5,370,145	2,197,562	-	8,368,105	-
Other operating expenses	2,232,021	1,782,195	838,094	86,853	4,939,163	-
Depreciation	2,826,556	776,524	301,618	29,005	3,933,703	-
Excess policy fees	-	-	-	-	-	738,940
Administrative fees	-	-	-	-	-	212,110
Claims	-	-	-	-	-	2,073,029
Total operating expenses	7,774,750	9,539,862	4,336,147	443,420	22,094,179	3,024,079
Operating income (loss)	(244,948)	3,404,551	61,962	(16,211)	3,205,354	830,924
Non-Operating Revenues (Expenses):						
Interest income	127,269	87,406	33,450	2,827	250,952	16,488
Interest expense	(6,829)	(5,990)	(23,356)	(18)	(36,193)	-
Income from sale of capital assets previously disposed of	9,454	200,000	-	-	209,454	-
Total non-operating revenues (expenses)	129,894	281,416	10,094	2,809	424,213	16,488
Income (loss) before transfers and capital contributions	(115,054)	3,685,967	72,056	(13,402)	3,629,567	847,412
Non-cash transfer of assets	25,702	(11,045)	541	(541)	14,657	-
Transfers from other funds	-	-	-	-	-	(250,000)
Transfers to other funds	-	(2,430,000)	-	-	(2,430,000)	250,000
Total transfers and capital contributions	25,702	(2,441,045)	541	(541)	(2,415,343)	-
Change in net position	(89,352)	1,244,922	72,597	(13,943)	1,214,224	847,412
Net Position:						
Beginning of year - July 1	35,901,880	9,435,881	4,390,071	18,987	49,746,819	1,893,473
End of year - June 30	$ 35,812,528	$ 10,680,803	$ 4,462,668	$ 5,044	$ 50,961,043	$ 2,740,885

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, 2020

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	$ 7,063,490	$ 13,784,646	$ 3,680,369	$ 426,992	$ 24,955,497	$ 3,946,003
Cash paid for goods and services	(2,915,269)	(7,153,001)	(3,113,968)	(85,238)	(13,267,476)	(3,099,146)
Cash paid to employees for services	(1,756,441)	(1,502,399)	(945,012)	(295,958)	(4,499,810)	-
Cash received (paid) for customer deposits	(333,154)	35,413	7,110	-	(290,631)	-
Other operating revenues	476,715	456,468	552,830	-	1,486,013	-
Net cash provided (used) by operating activities	2,535,341	5,621,127	181,329	45,796	8,383,593	846,857
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(883,889)	(626,438)	(170,638)	(15,211)	(1,696,176)	-
Principal paid on bonds and equipment contracts	(1,571,489)	(193,642)	(194,600)	(18,462)	(1,978,193)	-
Proceeds from issuance of debt	-	417,812	91,781	-	509,593	-
Proceeds from sale of capital assets previously disposed of	9,454	200,000	-	-	209,454	-
Interest expense	(8,129)	(4,490)	(22,857)	(318)	(35,794)	-
Net cash provided (used) by capital and related financing activities	(2,454,053)	(206,758)	(296,314)	(33,991)	(2,991,116)	-
Cash Flows from Non-Capital Financing Activities:						
Operating transfers	-	(2,430,000)	-	-	(2,430,000)	-
Cash Flows from Investing Activities:						
Interest income	127,269	87,406	33,450	2,827	250,952	16,488
Net increase (decrease) in cash and cash equivalents	208,557	3,071,775	(81,535)	14,632	3,213,429	863,345
Cash and Cash Equivalents:						
Beginning of year - July 1	7,052,209	3,180,676	2,160,944	183,342	12,577,171	2,181,473
End of year - June 30	$ 7,260,766	$ 6,252,451	$ 2,079,409	$ 197,974	$ 15,790,600	$ 3,044,818
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	$ (244,948)	$ 3,404,551	$ 61,962	$ (16,211)	$ 3,205,354	$ 830,924
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,826,556	776,524	301,618	29,005	3,933,703	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	10,403	1,296,701	(164,910)	(217)	1,141,977	91,000
Inventories	(16,616)	11,787	(4,806)	-	(9,635)	-
Deferred outflows of resources - pensions	(49,342)	(32,710)	(20,095)	(12,058)	(114,205)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	134,647	(6,446)	(78,080)	(1,840)	48,281	(75,067)
Accrued OPEB liability	188,692	123,375	72,574	43,544	428,185	-
Customer deposits	(333,154)	35,413	7,110	-	(290,631)	-
Deferred inflows of resources - pensions	(33,022)	(21,576)	(12,660)	(7,596)	(74,854)	-
Net pension liability - LGERS	52,125	33,508	18,616	11,169	115,418	-
Net cash provided (used) by operating activities	$ 2,535,341	$ 5,621,127	$ 181,329	$ 45,796	$ 8,383,593	$ 846,857
Supplemental Disclosures of Non-Cash Activities:						
Transfer of assets	$ 25,702	$ (11,045)	$ 541	$ (541)	$ 14,657	$ -

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, 2020

	Firefighter's Retirement Agency Fund
Assets:	
Cash and cash equivalents	$ 247,323
Liabilities:	
Intergovernmental payable	$ 247,323

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

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1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Kings Mountain ABC Board

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

Tourism Development Authority Board

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

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.

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

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

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

The City reports the following major governmental fund:

General Fund

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds

Emergency Telephone System Fund. This fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.

Economic Incentive Fund. This fund is used to account for property tax revenues subject to refund as incentive grants to various recipients.

Capital Project Funds

Library Fund. This fund accounts for financial resources to be used for the acquisition and construction of library capital facilities.

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

Governmental Capital Reserve Fund. This fund accounts for financial resources to be used for future capital needs of the City.

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.

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

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

Nonmajor

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

Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the following 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.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation 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 of North Carolina is responsible for

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System Fund, Economic Incentive Fund, the enterprise funds, and the Cemetery Care Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Governmental Capital Reserve Fund, Library Fund, and the Senior Center Capital Project Fund. The City's workers' compensation and health insurance funds, which are internal service funds, operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds.

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

E. Estimates

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

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

Deposits and Investments

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

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

The City, the ABC Board, and the TDA Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

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 they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets. Drug seizure funds are classified as restricted cash because they can be expended only for public safety purposes. Contributions to the fire museum are classified as restricted cash because they can be expended only for public safety purposes. Senior Center funds are classified as restricted for cultural and recreational purposes because they are donations obtained for the purposes of expanding the senior center. A portion of library funds are classified as restricted for cultural and recreational purposes because it was a donation set up through the Foundation for the Carolinas as an Endowment Fund. Cash in the Cemetery Care Fund is classified as restricted because the funds can only be used for cemetery perpetual maintenance. Customer deposits held by the City before any 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	$ 286,840
Public safety	84,067
Cultural and recreation	36,226
Nonmajor Funds:	
Perpetual maintenance	30,924
Total governmental activities	438,057
Business-Type Activities:	
Water and Sewer Fund:	
Customer deposits	55,475
Electric Fund:	
Customer deposits	162,477
Gas Fund:	
Customer deposits	69,890
Total business-type activities	287,842
Total restricted cash	$ 725,899

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by state law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for Doubtful Accounts

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

Inventories

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

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

Prepaid Items

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

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. The City has a minimum capitalization cost of $5,000, with the exception of land, which will be recorded without regard to its value. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

Asset Class	Estimated Useful Lives
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, pension deferrals and OPEB deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category – property taxes receivable, pension deferrals, and OPEB deferrals.

Long-Term Obligations

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

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

Compensated Absences

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

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

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

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

Restricted Fund Balance

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

Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those*

figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount, of $166,422, represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures. $60,312 is restricted in the General Fund by police contributions and forfeiture funds. $23,755 is restricted in the General Fund by fire museum contributions. $162,121 in the nonmajor funds is restricted by revenue source for certain emergency telephone system expenditures.

Restricted for Cultural and Recreational – portion of fund balance that is restricted for cultural and recreational expenditures. The General Fund has $37,226 restricted for future culture and recreation expenditures while the nonmajor funds have $249,480 restricted for the same.

Restricted for Economic and Physical Development – portion of fund balance that is restricted for incentive grants for economic and physical development passed from the city to the various recipients. The nonmajor funds have $1,528,637 restricted.

Committed Fund Balance

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

Committed for General Government – portion of fund balance that is committed for future capital projects within the City. The nonmajor funds have $1,000,749 restricted.

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 restricted, committed, or assigned to specific purposes or other funds.

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

The 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	$ 9,258,255
Less:	
Inventories	29,555
Stabilization by state statute	978,247
Total available fund balance	$ 8,250,453

Defined Benefit Cost Sharing Plans

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

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the City, the ABC Board, and the TDA Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by

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

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

At June 30, 2020, the City's deposits had a carrying amount of $15,751,971 and a bank balance of $15,542,271. Of the bank balance, $12,452,554 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

The carrying amount of deposits for the TDA Board was $241,688 and the bank balance was $241,688. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was $325,666 and the bank balance was $327,909. $250,000 of the bank balance of the ABC Board was covered by federal depository insurance. The ABC Board had certificates of deposit totaling $81,800 and petty cash funds of $2,000.

At June 30, 2020, the City's petty cash funds totaled $2,325.

Investments

At June 30, 2020, the City of Kings Mountain had $15,309,940 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2020 were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	$ 320,063	$ 132,934	$ 771,048	$ 1,224,045
Nonmajor - emergency telephone system	-	-	8,367	8,367
Allowance for doubtful accounts	(112,864)	(63,368)	-	(176,232)
Total governmental activities	$ 207,199	$ 69,566	$ 779,415	$ 1,056,180
Business-Type Activities:				
Water and sewer	$ 706,369	$ -	$ -	$ 706,369
Electric	1,449,216	-	-	1,449,216
Gas	477,048	-	-	477,048
Stormwater	55,934	-	-	55,934
Allowance for doubtful accounts	(367,983)	-	-	(367,983)
Total business-type activities	$ 2,320,584	$ -	$ -	$ 2,320,584

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

Governmental Activities:	
Local option sales tax	$ 487,944
Sales tax reimbursement	230,283
DMV MV taxes	25,248
911 funds	8,367
Occupancy tax	8,854
Miscellaneous	18,719
Total	$ 779,415

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

	July 1, 2019	Additions	Retirements	Transfers	June 30, 2020
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	$ 2,777,198	$ -	$ -	$ -	$ 2,777,198
Construction in progress	1,468,924	107,978	-	(1,326,374)	250,528
Total non-depreciable capital assets	4,246,122	107,978	-	(1,326,374)	3,027,726
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,646,203	-	-	(14,734)	10,631,469
Other improvements	2,550,173	369,671	-	1,326,374	4,246,218
Equipment	3,946,714	75,143	-	-	4,021,857
Vehicles	6,288,508	86,429	-	-	6,374,937
Total depreciable capital assets	26,500,378	531,243	-	1,311,640	28,343,261
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,814,973	51,761	-	-	2,866,734
Buildings	9,666,360	336,101	-	(77)	10,002,384
Other improvements	687,634	127,759	-	-	815,393
Equipment	2,431,450	270,518	-	-	2,701,968
Vehicles	4,836,293	516,107	-	-	5,352,400
Total accumulated depreciation	20,436,710	$ 1,302,246	$ -	$ (77)	21,738,879
Total depreciable capital assets, net	6,063,668				6,604,382
Governmental activities capital assets, net	$ 10,309,790				$ 9,632,108

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

Governmental Activities:	
General government	$ 148,637
Public safety	424,011
Transportation	163,232
Economic and physical development	4,891
Environmental protection	287,405
Cultural and recreational	274,070
Total depreciation expense	$ 1,302,246

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2020 was as follows:

	July 1, 2019	Additions	Retirements	Transfers	June 30, 2020
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	$ 7,174,055	$ -	$ -	$ -	$ 7,174,055
Total non-depreciable capital assets	7,174,055	-	-	-	7,174,055
Depreciable Capital Assets:					
Buildings	14,535,483	-	-	14,734	14,550,217
Other improvements	54,848,427	368,990	-	-	55,217,417
Lines	29,982,695	47,596	-	-	30,030,291
Equipment	7,527,294	348,964	(17,754)	47,701	7,906,205
Vehicles	1,085,249	118,339	(100,811)	-	1,102,777
Total depreciable capital assets	107,979,148	883,889	(118,565)	62,435	108,806,907
Less Accumulated Depreciation:					
Buildings	12,609,296	161,319	-	77	12,770,692
Other improvements	36,001,686	1,202,791	-	-	37,204,477
Lines	5,343,305	1,086,931	-	-	6,430,236
Equipment	5,190,774	327,272	(17,754)	36,656	5,536,948
Vehicles	987,140	48,243	(100,811)	-	934,572
Total accumulated depreciation	60,132,201	$ 2,826,556	$ (118,565)	$ 36,733	62,876,925
Total depreciable capital assets, net	47,846,947				45,929,982
Water and Sewer Fund capital assets, net	55,021,002				53,104,037

	July 1, 2019	Additions	Retirements	Transfers	June 30, 2020
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	$ -	$ -	$ -	39,890
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	1,344,654	42,011	-	-	1,386,665
Lines	5,951,657	100,986	-	-	6,052,643
Equipment	2,312,032	38,854	-	(47,701)	2,303,185
Vehicles	1,613,840	444,587	-	-	2,058,427
Total depreciable capital assets	13,537,340	626,438	-	(47,701)	14,116,077
Less Accumulated Depreciation:					
Buildings	1,538,397	79,722	-	-	1,618,119
Other improvements	797,112	68,349	-	-	865,461
Lines	3,525,027	216,980	-	-	3,742,007
Equipment	1,132,336	170,622	-	(36,656)	1,266,302
Vehicles	995,632	240,851	-	-	1,236,483
Total accumulated depreciation	7,988,504	$ 776,524	$ -	$ (36,656)	8,728,372
Total depreciable capital assets, net	5,548,836				5,387,705
Electric Fund capital assets, net	5,588,726				5,427,595

	July 1, 2019	Additions	Retirements	Transfers	June 30, 2020
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	$ -	$ -	$ -	31,000
Depreciable Capital Assets:					
Buildings	253,559	-	-	-	253,559
Lines	4,230,607	10,382	-	-	4,240,989
Equipment	1,708,769	68,474	-	-	1,777,243
Vehicles	333,092	91,782	-	(25,457)	399,417
Total depreciable capital assets	6,526,027	170,638	-	(25,457)	6,671,208
Less Accumulated Depreciation:					
Buildings	49,150	12,713	-	-	61,863
Lines	1,750,712	135,490	-	-	1,886,202
Equipment	600,347	116,502	-	-	716,849
Vehicles	253,268	36,913	-	(25,998)	264,183
Total accumulated depreciation	2,653,477	$ 301,618	$ -	$ (25,998)	2,929,097
Total depreciable capital assets, net	3,872,550				3,742,111
Gas Fund capital assets, net	3,903,550				3,773,111

	July 1, 2019	Additions	Retirements	Transfers	June 30, 2020
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	$ -	$ -	$ -	23,907
Other improvements	110,569	15,211	-	-	125,780
Equipment	311,434	-	-	-	311,434
Vehicles	109,573	-	-	25,457	135,030
Total depreciable capital assets	555,483	15,211	-	25,457	596,151
Less Accumulated Depreciation:					
Buildings	5,432	1,199	-	-	6,631
Other improvements	12,407	5,752	-	-	18,159
Equipment	227,714	14,396	-	-	242,110
Vehicles	101,373	7,658	-	25,998	135,029
Total accumulated depreciation	346,926	$ 29,005	$ -	$ 25,998	401,929
Total depreciable capital assets, net	208,557				194,222
Stormwater Fund capital assets, net	208,557				194,222
Total for Business-Type Activities:					
Non-depreciable capital assets	7,244,945				7,244,945
Depreciable capital assets, net of depreciation	57,476,890				55,254,020
Total business-type capital assets, net	$ 64,721,835				$ 62,498,965

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	$ 9,632,108	$ 62,498,965
Long-term debt	(1,854,010)	(24,970,448)
Net investment in capital assets	$ 7,778,098	$ 37,528,517

ABC Board

Activity for the ABC Board for the year ended June 30, 2020 was as follows:

	July 1, 2019	Additions	Retirements	June 30, 2020
Non-Depreciable Capital Assets:				
Land	$ 78,875	$ -	$ -	$ 78,875
CIP	144,114	161,562	(305,676)	-
Total non-depreciable capital assets	222,989	161,562	(305,676)	78,875
Depreciable Capital Assets:				
Buildings and improvements	216,257	305,676	-	521,933
Equipment	74,560	18,332	(8,624)	84,268
Total depreciable capital assets	290,817	324,008	(8,624)	606,201
Less Accumulated Depreciation:				
Buildings and improvements	216,257	4,285	-	220,542
Equipment	60,020	3,821	(8,624)	55,217
Total accumulated depreciation	276,277	$ 8,106	$ (8,624)	275,759
Total depreciable capital assets, net	14,540			330,442
ABC Board capital assets, net	$ 237,529			$ 409,317

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2020 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	$ 433,341	$ 277,643	$ 30,000	$ 740,984
Special revenue fund	48,147	-	-	48,147
Internal service funds	303,933	-	-	303,933
Total governmental activities	$ 785,421	$ 277,643	$ 30,000	$ 1,093,064
Business-Type Activities:				
Water and sewer	$ 175,535	$ 47,658	$ 3,700	$ 226,893
Electric	732,405	39,523	7,000	778,928
Gas	127,262	24,744	5,000	157,006
Stormwater	1,203	7,916	-	9,119
Total business-type activities	$ 1,036,405	$ 119,841	$ 15,700	$ 1,171,946

Pension Plan 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.

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, 2020, was 9.70% of compensation for law enforcement officers and 8.50% 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 $839,297 for the year ended June 30, 2020.

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.

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

At June 30, 2020, the City reported a liability of $3,310,698 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, (measurement date) the City's proportion was 0.12123%, which was a decrease of 0.00263% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of $1,491,411. At June 30, 2020, 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	$ 566,875	$ -
Changes of assumptions	539,589	-
Net difference between projected and actual earnings on pension plan investments	80,752	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,833	19,781
City contributions subsequent to the measurement date	839,297	-
Total	$ 2,057,346	$ 19,781

$839,297 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. 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
2021	$ 594,263
2022	185,871
2023	328,816
2024	89,318
2025	-
Thereafter	-
Total	$ 1,198,268

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	$ 7,572,169	$ 3,310,698	$ (231,450)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	32
Total	34

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

***Deaths After Retirement (Healthy)*:** RP-2014 Healthy Annuitant base rates projected 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

***Deaths Before Retirement*:** RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

***Deaths After Retirement (Beneficiary*):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

***Deaths After Retirement (Disabled)*:** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid $34,923 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of $1,023,349. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of $81,466.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 44,821	$ 21,703
Changes of assumptions	52,028	31,760
City benefit payments and plan administrative expense made subsequent to the measurement date	17,461	-
Total	$ 114,310	$ 53,463

$17,461 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	$ 9,021
2022	9,021
2023	10,664
2024	9,773
2025	4,907
Thereafter	-
Total	$ 43,386

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	$ 1,105,726	$ 1,023,349	$ 947,763

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2020
Beginning balance	$ 948,517
Service cost	38,233
Interest on the total pension liability	33,890
Differences between expected and actual experience in the measurement of the total pension liability	8,128
Changes of assumptions or other inputs	29,504
Benefit payments	(34,923)
Other changes	-
Ending balance of the total pension liability	$ 1,023,349

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.64% at December 31, 2018 to 3.26% at December 31, 2019.

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension expense	$ 1,491,411	$ 81,466	$ 1,572,877
Pension liability	3,310,698	1,023,349	4,334,047
Proportionate share of the net pension liability	0.12123%	n/a	-
Deferred of Outflows of Resources:			
Differences between expected and actual experience	$ 566,875	$ 44,821	$ 611,696
Changes of assumptions	539,589	52,028	591,617
Net difference between projected and actual earnings on plan investments	80,752	-	80,752
Changes in proportion and differences between contributions and proportionate share of contributions	30,833	-	30,833
Benefit payments and administrative costs paid subsequent to the measurement date	839,297	17,461	856,758
Total deferred outflows of resources	$ 2,057,346	$ 114,310	$ 2,171,656
Deferred of Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 21,703	$ 21,703
Changes of assumptions	-	31,760	31,760
Changes in proportion and differences between contributions and proportionate share of contributions	19,781	-	19,781
Total deferred inflows of resources	$ 19,781	$ 53,463	$ 73,244

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. The City made contributions of $90,776 for the reporting year. No amounts were forfeited.

401(k) Plan

The City provides an investment retirement plan (the "401(k) Plan") pursuant to section 401(k) of the Internal Revenue Code for all non-law enforcement employees who qualify based on tenure with the City. The 401(k) Plan provides for City and employee contributions subject to limitations. The City made contributions of $369,678 for the reporting year. No amounts were forfeited.

Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, the City has elected to provide healthcare benefits to retirees of the City through a single-employer, defined benefit plan. At retirement, the City will pay the employees' medical insurance until Medicare coverage begins. After Medicare begins, the City will pay for a Medicare supplemental policy for the employee. To be eligible, the employee must be considered a full-time permanent employee that was employed with the City immediately prior to retirement and retire (under early, normal or disabled retirement conditions) from the North Carolina Local Government Employees' Retirement System (NCLGERS) must meet one of the following conditions in order to participate in the City's Group Health Plan upon retirement: if hired prior to January 29, 1997, the employee must have twenty (20) years of consecutive services; or if hired on or after January 29, 1997, the employee must have twenty-five (25) years of consecutive services. Volunteer Firefighters, Elected Officials and part-time employees and those not meeting the eligibility conditions above may not participate in the City's Group Health Plan upon retirement. The City will provide employee only medical coverage under the Bronze plan at no cost to the retiree. Should a retiree choose a different plan, the retiree must pay the premium shown below at the first of every month. At Medicare eligibility age, the City will convert medical coverage to a Medicare Supplement policy, Plan F. Pre-Medicare health care and prescription drugs benefits are only provided in the City's Group Health Plan. Dental and vision coverage is available at the retiree's expense under COBRA with coverage ceasing when retiree is no longer eligible – normally 18

months. At Medicare eligibility age, the City will convert medical coverage to a Medicare Supplement policy, Plan F. Dependent coverage is not available. The City obtains health coverage through private insurers. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	22	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	143	30
Total	165	30

Total OPEB Liability

The City's total OPEB liability of $11,230,467 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases, including wage inflation	
General employees and firefighters	3.50 - 7.75 percent
Law enforcement officers	3.50 - 7.75 percent
Discount rate	3.50 percent
Healthcare cost trend rates	
Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Medicare	5.38 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2022

The discount rate is based on June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at July 1, 2019	$ 9,866,082
Changes for the year	
Service cost	455,663
Interest	378,099
Differences between expected and actual experience	100,157
Changes in assumptions or other inputs	725,903
Benefit payments	(295,437)
Net changes	1,364,385
Balances at June 30, 2020	$ 11,230,467

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on review of recent plan experience performed concurrently with the June 30, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 13,457,035	$ 11,230,467	$ 9,499,268

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	$ 9,185,599	$ 11,230,467	$ 13,963,819

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

For the year ended June 30, 2020, the City recognized OPEB expense of $703,425. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 114,611	$ 142,645
Changes of assumptions	644,249	1,266,854
City benefit payments and plan administrative expense made subsequent to the measurement date	163,098	-
Total	$ 921,958	$ 1,409,499

$163,098 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2021	$ (130,337)
2022	(130,337)
2023	(130,337)
2024	(130,337)
2025	(130,337)
Thereafter	1,046
Total	$ (650,639)

Other Employment Benefits

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

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

Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	$ 839,297
Benefit payments made for LEOSSA subsequent to measurement date	17,461
Difference between expected and actual experience - Pensions & OPEB	726,307
Changes of assumptions - Pensions	591,617
Benefit payments for OPEB subsequent to measurement date	163,098
Net difference between projected and actual - Pensions	80,752
Changes of assumptions - OPEB	644,249
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	30,833
Total	$ 3,093,614

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

	Statement of Net Position	General Fund Balance Sheet
Deferred Inflows:		
Taxes receivable, net (General Fund)	$ -	$ 69,566
Differences between expected and actual experience - Pensions & OPEB	164,348	-
Change in assumptions - Pensions & OPEB	1,298,614	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	19,781	-
Total	$ 1,482,743	$ 69,566

Unemployment Compensation

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage through BB&T Insurance Services (agent) to protect these exposures. Saville Public Entity 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 liability policy, which are placed with State National Insurance Company. These insurance carriers are all rated as "A" carriers by A.M. Best, the industry's leading rating agency.

The City's insurance program consists of general liability coverage of $1,000,000 per occurrence and $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 $77,811,141 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; equipment breakdown limit of $4,500,000 with a $500 deductible; excess workers' compensation and employers liability/occupational accident coverage with a $450,000 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).

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

	2020	2019
Unpaid claims, beginning	$ 326,000	$ 300,000
Incurred claims	1,924,154	2,961,787
Claim payments	(2,000,154)	(2,935,787)
Unpaid claims, ending	$ 250,000	$ 326,000

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

	2020	2019
Unpaid claims, beginning	$ 53,000	$ 25,000
Incurred claims	72,875	119,891
Claim payments	(72,875)	(91,891)
Unpaid claims, ending	$ 53,000	$ 53,000

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

Claims, Judgments, and Contingent Liabilities

At June 30, 2020, the City was defendant to various lawsuits; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Long-Term Obligations

Installment Purchases Agreements

The City currently only has installment purchase debt for direct placements and direct borrowings. The financing contracts are as follows:

Serviced by the Governmental Funds:		
Home Trust Bank $118,921 note payable in October 2017 for swap loader, due in annual payments of $25,174, plus interest at 2.02% through October 2022	$	72,556
BB&T $127,455 note payable in Augut 2016 for a knuckleboom loader vehicle, due in annual payments of $26,302, plus interest at 1.59% through August 2020		25,890
BB&T $484,455 note payable in August 2016 for a fire pumper truck, due in annual payments of $53,707, including interest at 1.92% through August 2026		348,664
Home Trust Bank $126,500 note payable in April 2018 for rear loader, due in annual payments of $26,869, plus interest at 2.04% through April 2023		77,427
Home Trust Bank $360,446 note payable in August 2018 for tub grinder, due in annual payments of $78,683, including interest at 2.99% through August 2023		292,541
Home Trust Bank $157,158 note payable in December 2018 for a police car, due in annual payments of $34,306, including interest at 2.99% through December 2023		127,551
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		270,137
Home Trust Bank $233,684 note payable in April 2019 for software, due in annual payments of $31,118, including interest at 2.99% through April 2024		233,684
Signature Public Funding Corp $564,379 note payable in October 2017 for garbage trucks, due in annual payments of $119,692, plus interest at 1.987% through October 2022		345,267
Carolina Alliance Bank $205,943 note payable in July 2015 for a heavy rescue vehicle, due in annual payments of $30,905 including interest at 1.67% through July 2021		60,293
Total governmental activities	$	1,854,010

Serviced by the Enterprise Funds:

Water and Sewer Fund:	
NC DWSRF $3,807,822 note payable in October 2014 for water and sewer projects, due in annual payments of $262,175, interest free through May 2034	$ 3,583,088
NC DWSRF $9,678,172 note payable in June 2015 for water and sewer projects, due in annual payments of $808,134, interest free through May 2035	9,073,287
NC DWSRF $11,250,736 note payable in May 2016 for water and sewer projects, due in annual payments of $670,532, interest free through May 2036	10,588,928
BB&T $599,980 note payable in November 2014 for spillway project, due in annual payments, including interest at 2.59% through November 2023	239,992
Total Water and Sewer Fund	23,485,295
Electric Fund:	
Signature Public Funding Corp $309,652 note payable in October 2017 for Digger Derrick, due in annual payments of $64,024, plus interest at 1.987% through October 2022	125,043
Home Trust Bank $154,065 note payable in November 2019 for digger derrick, due in annual payments of $39,600, plus interest at 1.994% through November 2023	114,465
Suntrust Equipment Finance & Leasing $263,747 in November 2019 for hydraulic equipment, due in annual payments of $46,168, including interest at 2.005% through November 2025	217,579
Total Electric Fund	457,087
Gas Fund:	
SunTrust Bank $91,781 note payable in November 2019 for a 2020 F350 truck, due in annual payments of $16,066, including interest at 2.05% through November 2025	75,716
Signature Public Funding Corp $75,208 note payable in October 2017 for altec service truck, due in annual payments of $16,006, plus interest at 1.987% through October 2022	30,370
Carter Bank & Trust $1,600,000 note payable in October 2015 for NTE Gateway Project, due in semi-annual payments of $89,189, including interest at 2.10% through November 2025	921,980
Total Gas Fund	1,028,066
Total business-type activities	$ 24,970,448

Governmental-Type Activities:

The Town's outstanding note from direct placements related to governmental activities of $72,556, from Home Trust Bank, is secured with the property acquired as collateral, a swap loader. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of $25,890, from BB&T, is secured with the property acquired as collateral, a knucleboom loader vehicle. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of $348,664, from BB&T, is secured with the property acquired as collateral, a fire pumper truck. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of $77,427, from Home Trust Bank, is secured with the property acquired as collateral, a rear loader. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of $292,541, from Home Trust Bank, is secured with the property acquired as collateral, a tub grinder. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of $127,551, from Home Trust Bank, is secured with the property acquired as collateral, a police car. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

The Town's outstanding note from direct placements related to governmental activities of $270,137, from BB&T, is secured with the property acquired as collateral, a municipal building. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to BB&T.

The Town's outstanding note from direct placements related to governmental activities of $233,684, from Home Trust Bank, is secured with the property acquired as collateral, software. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

Governmental-Type Activities (continued):

The Town's outstanding note from direct placements related to governmental activities of $345,267, from Signature Public Funding Corp, is secured with the property acquired as collateral, garbage trucks. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The Town's outstanding note from direct placements related to governmental activities of $60,293, from Carolina Alliance Bank, is secured with the property acquired as collateral, a heavy rescue vehicle. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

Business-Type Activities:

Water and Sewer Fund:

The Town's outstanding note from direct borrowings related to business-type activities of $3,583,088, from NC DWSRF, is unsecured. There is no acceleration clause in the agreement. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The Town's outstanding note from direct borrowings related to business-type activities of $9,073,287, from NC DWSRF, is unsecured. There is no acceleration clause in the agreement. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The Town's outstanding note from direct borrowings related to business-type activities of $10,588,928, from NC DWSRF, is unsecured. There is no acceleration clause in the agreement. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

The Town's outstanding note from direct placements related to business-type activities of $239,992, from BB&T, is secured with the property acquired as collateral for the Spillway Project. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral to BB&T.

Electric Fund:

The Town's outstanding note from direct placements related to business-type activities of $125,043, from Signature Public Funding Corp., is secured with the property acquired as collateral, a digger derrick. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The Town's outstanding note from direct placements related to business-type activities of $114,465, from Home Trust Bank, is secured with the property acquired as collateral, a Digger Derrick. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

Business-Type Activities (continued):

The Town's outstanding lease purchase from direct placements related to business-type activities of $217,579, from SunTrust Bank, is secured with the property acquired as collateral, a hydraulic articulating aerial device. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Wells Fargo Equipment, Inc.

Gas Fund:

The Town's outstanding note from direct placements related to business-type activities of $75,716, from SunTrust Bank, is secured with the property acquired as collateral, an F350 truck There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Carolina Alliance Bank.

The Town's outstanding note from direct placements related to business-type activities of $30,370, from Signature Public Funding Corp. is secured with the property acquired as collateral, an Altec service truck. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The Town's outstanding note from direct placements related to business-type activities of $921,980, from Cater Bank & Trust, is secured with the property acquired as collateral for the NTE Gateway Project. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Signature Public Funding Corp.

The future minimum payments of the notes payable related to direct placements and direct borrowings as of June 30, 2020 are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2021	$ 544,142	$ 42,709	$ 1,913,197	$ 27,831
2022	527,215	30,768	1,919,956	21,373
2023	370,421	19,022	1,846,824	14,814
2024	207,574	10,133	1,812,627	9,742
2025	100,259	4,459	1,757,421	5,522
2026-2030	104,399	3,016	7,701,405	2,345
2031-2035	-	-	7,357,208	-
2036	-	-	661,810	-
Total	$ 1,854,010	$ 110,107	$ 24,970,448	$ 81,627

At June 30, 2020, the City had a legal debt margin of approximately $119,471,430.

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	July 1, 2019	Additions	Retirements	June 30, 2020	Current Portion
Governmental Activities:					
Installment purchases - direct placements	$ 2,389,854	$ 91,134	$ (626,978)	$ 1,854,010	$ 544,142
Compensated absences	355,476	286,006	(203,882)	437,600	218,800
Net pension liability - LGERS	2,027,484	256,898	-	2,284,382	-
OPEB obligation	6,769,812	1,138,920	(202,720)	7,706,012	-
Total pension obligation - LEO	948,517	109,755	(34,923)	1,023,349	-
Total governmental activities long-term liabilities	$ 12,491,143	$ 1,882,713	$ (1,068,503)	$ 13,305,353	$ 762,942
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases - direct placements & direct borrowings	$ 25,056,784	$ -	$ (1,571,489)	$ 23,485,295	$ 1,582,627
Net pension liability - LGERS	411,377	52,125	-	463,502	-
OPEB obligation	1,364,458	229,550	(40,858)	1,553,150	-
Compensated absences	66,607	43,856	(42,975)	67,488	33,744
Total Water and Sewer Fund	$ 26,899,226	$ 325,531	$ (1,655,322)	$ 25,569,435	$ 1,616,371
Electric Fund:					
Installment purchases - direct placements	$ 232,917	$ 417,812	$ (193,642)	$ 457,087	$ 141,136
Net pension liability - LGERS	264,453	33,508	-	297,961	-
OPEB obligation	892,146	150,090	(26,715)	1,015,521	-
Compensated absences	58,289	64,119	(58,117)	64,291	32,146
Total Electric Fund	$ 1,447,805	$ 665,529	$ (278,474)	$ 1,834,860	$ 173,282
Gas Fund:					
Installment purchases - direct placements	$ 1,130,885	$ 91,781	$ (194,600)	$ 1,028,066	$ 189,434
Net pension liability - LGERS	146,919	18,616	-	165,535	-
OPEB obligation	524,791	88,289	(15,715)	597,365	-
Compensated absences	27,292	24,435	(29,009)	22,718	11,359
Total Gas Fund	$ 1,829,887	$ 223,121	$ (239,324)	$ 1,813,684	$ 200,793
Stormwater Fund:					
Installment purchases - direct placements	$ 18,462	$ -	$ (18,462)	$ -	$ -
Net pension liability - LGERS	88,149	11,169	-	99,318	-
OPEB obligation	314,875	52,973	(9,429)	358,419	-
Compensated absences	18,123	2,224	(5,679)	14,668	7,334
Total Stormwater Fund	$ 439,609	$ 66,366	$ (33,570)	$ 472,405	$ 7,334
Total Business-Type Activities:					
Installment purchases - direct placements & direct borrowings	$ 26,439,048	$ 509,593	$ (1,978,193)	$ 24,970,448	$ 1,913,197
Net pension liability - LGERS	910,898	115,418	-	1,026,316	-
OPEB obligation	3,096,270	520,902	(92,717)	3,524,455	-
Compensated absences	170,311	134,634	(135,780)	169,165	84,583
Total business-type activities long-term liabilities	$ 30,616,527	$ 1,280,547	$ (2,206,690)	$ 29,690,384	$ 1,997,780

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

Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2020 consist of the following:

From the Electric Fund to the General Fund for operating and capital expenditures	$	1,930,000
From the General Fund to the Emergency Telephone System Fund to cover prior year disallowed costs by E911 Board		932
From the General Fund to the Governmental Capital Reserve Fund for opening of fund		500,000
From the Electric Fund to the Governmental Capital Reserve Fund for the opening of fund		500,000
From the General Fund to the Economic Incentive Special Revenue Fund for opening of fund		800,000
From the Health Insurance Internal Service Fund to the Workers' Compensation Insurance Internal Service Fund for operating expenditures		250,000
Total	$	3,980,932

3. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

4. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of $9,327 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2020. Under state law the local Board of Trustees for the fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their departments.

5. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Beginning balance	$ 948,517	$ 893,642	$ 837,142	$ 798,699
Service cost	38,233	41,154	36,246	36,018
Interest on the total pension liability	33,890	27,687	31,862	28,401
Difference between expected and actual experience	8,128	57,751	(43,051)	-
Changes in assumptions or other inputs	29,504	(36,794)	54,859	(19,644)
Benefit payments	(34,923)	(34,923)	(23,416)	(6,332)
Ending balance of the total pension liability	$ 1,023,349	$ 948,517	$ 893,642	$ 837,142

The amounts presented for each fiscal year were determined as of the prior December 31.

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Total pension liability	$ 1,023,349	$ 948,517	$ 893,642	$ 837,142
Covered payroll	1,493,529	1,467,968	1,446,631	1,382,847
Total pension liability as a percentage of covered payroll	68.52%	64.61%	61.77%	60.54%

Notes to Schedules:

The City of Kings Mountain has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

	Other Post-Employment Benefits		
	2020	2019	2018
Service cost	$ 455,663	$ 475,070	$ 543,451
Interest	378,099	357,432	315,041
Differences between expected and actual experience	100,157	(184,050)	39,402
Changes in assumptions	725,903	(702,174)	(1,107,040)
Benefit payments	(295,437)	(238,777)	(196,028)
Net change in total OPEB liability	1,364,385	(292,499)	(405,174)
Total OPEB liability - beginning	9,866,082	10,158,581	10,563,755
Total OPEB liability - ending	$ 11,230,467	$ 9,866,082	$ 10,158,581
Covered payroll	$ 7,417,747	$ 7,417,747	$ 6,325,862
Total OPEB liability as a percentage of covered payroll	151.40%	133.01%	160.59%

Notes to the required schedules:

Changes in Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS*

	LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Proportion of the net pension liability (asset) (%)	0.12123%	0.12386%	0.11773%	0.12219%	0.11936%	0.11345%	0.10970%
Proportion of the net pension liability (asset) ($)	$ 3,310,698	$ 2,938,382	$ 1,798,588	$ 2,593,281	$ 535,681	$ (669,066)	$ 1,322,306
Covered payroll	$ 8,368,291	$ 8,090,102	$ 7,383,647	$ 7,150,178	$ 6,929,373	$ 6,641,526	$ 6,371,903
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.56%	36.32%	24.36%	36.27%	7.73%	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	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.

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 839,297	$ 660,622	$ 617,811	$ 545,783	$ 483,200	$ 493,511	$ 471,343
Contributions in relation to the contractually required contribution	839,297	660,622	617,811	545,783	483,200	493,511	471,343
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 9,200,402	$ 8,368,291	$ 8,090,102	$ 7,383,647	$ 7,150,178	$ 6,929,373	$ 6,641,526
Contributions as a percentage of covered payroll	9.12%	7.89%	7.64%	7.39%	6.76%	7.12%	7.10%

Pension schedules are intended to show information for ten years. Additional years' information will be displayed as it comes available.

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SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS SECTION

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	$ 6,465,000	$ 6,760,269	$ 295,269	$ 7,540,239
Penalties and interest	10,000	12,458	2,458	14,197
Total ad valorem taxes	6,475,000	6,772,727	297,727	7,554,436
Other Taxes:				
Local option sales tax	2,232,000	2,327,814	95,814	2,061,022
Hold-harmless sales tax	601,000	685,463	84,463	583,043
Utilities franchise tax	1,075,000	1,060,013	(14,987)	1,040,696
Payments in lieu of taxes	392,500	403,476	10,976	168,205
Miscellaneous	215,000	193,111	(21,889)	200,915
Total other taxes	4,515,500	4,669,877	154,377	4,053,881
Restricted Intergovernmental:				
Powell Bill allocation	310,000	308,712	(1,288)	306,739
Federal government grants	66,464	57,650	(8,814)	85,335
State government grants	33,877	34,470	593	113,650
Local government grants	377,500	377,214	(286)	362,483
Total restricted intergovernmental	787,841	778,046	(9,795)	868,207
Permits and Fees:				
Privilege licenses	-	570	570	700
General permits	150,000	187,055	37,055	134,181
Total permits and fees	150,000	187,625	37,625	134,881
Sales and Services:				
Lake authority income	358,500	374,975	16,475	411,332
Disposal fee revenue	1,071,000	1,155,104	84,104	1,025,260
Recycling fees	178,500	131,156	(47,344)	171,386
Cemetery income	110,000	111,865	1,865	119,425
Recreation	10,000	18,749	8,749	8,683
Total sales and services	1,728,000	1,791,849	63,849	1,736,086
Investment Earnings:				
Interest income (loss)	175,000	225,631	50,631	213,983
Interest income (loss) - Powell Bill	-	1,631	1,631	1,169
Total investment earnings	175,000	227,262	52,262	215,152

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Library	15,500	28,839	13,339	25,950
Sale of capital assets	29,700	41,033	11,333	24,584
Court costs and jail fees	3,000	4,262	1,262	3,330
Other revenues	141,477	159,810	18,333	192,080
Total miscellaneous	189,677	233,944	44,267	245,944
Total revenues	14,021,018	14,661,330	640,312	14,808,587
Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	483,118	436,212	46,906	897,811
Operating expenses	616,000	579,924	36,076	569,988
Charges to other funds	(137,654)	(137,654)	-	(92,000)
Total	961,464	878,482	82,982	1,375,799
Administration and Finance:				
Salaries and employee benefits	981,700	980,080	1,620	872,428
Operating expenses	554,650	471,264	83,386	382,033
Charges to other funds	(1,134,811)	(1,134,811)	-	(681,766)
Capital outlay	451,950	171,189	280,761	142,550
Total	853,489	487,722	365,767	715,245
Human Resources:				
Salaries and employee benefits	331,600	265,900	65,700	253,056
Operating expenses	84,205	57,000	27,205	65,103
Charges to other funds	(110,201)	(110,202)	1	(79,000)
Total	305,604	212,698	92,906	239,159
Elections Board:				
Operating expenses	5,000	3,002	1,998	-
Garage:				
Salaries and employee benefits	326,300	315,106	11,194	288,255
Operating expenses	49,709	36,918	12,791	30,441
Total	376,009	352,024	23,985	318,696

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Public Works:				
Salaries and employee benefits	214,500	203,907	10,593	252,603
Operating expenses	71,165	45,890	25,275	47,039
Total	285,665	249,797	35,868	1,176,562
Information Technology:				
Salaries and employee benefits	234,400	224,003	10,397	205,758
Operating expenses	225,400	163,804	61,596	166,401
Charges to other departments	(169,334)	(169,333)	(1)	(111,755)
Capital outlay	60,000	39,143	20,857	56,223
Total	350,466	257,617	92,849	316,627
Total general government	3,137,697	2,441,342	696,355	4,142,088
Public Safety:				
Police:				
Salaries and employee benefits	3,709,100	3,391,521	317,579	2,876,224
Operating expenses	647,704	524,182	123,522	580,137
Capital outlay	142,444	142,440	4	161,411
Total	4,499,248	4,058,143	441,105	3,617,772
Fire:				
Salaries and employee benefits	1,516,000	1,374,839	141,161	1,130,862
Operating expenses	330,597	203,682	126,915	239,822
Capital outlay	315,217	-	315,217	14,734
Total	2,161,814	1,578,521	583,293	1,385,418
Codes and Inspections:				
Salaries and employee benefits	247,475	232,848	14,627	203,211
Operating expenses	111,400	26,880	84,520	37,025
Capital outlay	-	-	-	28,146
Charges to other departments	-	-	-	(11,640)
Total	358,875	259,728	99,147	256,742
Total public safety	7,019,937	5,896,392	1,123,545	5,259,932

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries and employee benefits	1,123,350	949,622	173,728	928,433
Operating expenses	466,650	380,929	85,721	285,494
Capital outlay	-	-	-	360,446
Total	1,590,000	1,330,551	259,449	1,574,373
Streets - Powell Bill:				
Operating expenses	320,000	307,388	12,612	127,314
Capital outlay	-	-	-	51,400
Total	320,000	307,388	12,612	178,714
Total transportation	1,910,000	1,637,939	272,061	1,753,087
Economic and Physical Development:				
Main Street:				
Salaries and employee benefits	89,000	81,418	7,582	29,435
Operating expenses	87,700	72,252	15,448	48,431
Total	176,700	153,670	23,030	77,866
Planning:				
Salaries and employee benefits	315,850	292,518	23,332	212,012
Operating expenses	403,992	212,221	191,771	463,493
Capital outlay	200,000	129,054	70,946	150,000
Total	919,842	633,793	286,049	825,505
Total econcomic and physical development:	1,096,542	787,463	309,079	903,371
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	555,500	526,957	28,543	485,549
Operating expenses	580,450	589,833	(9,383)	517,296
Total	1,135,950	1,116,790	19,160	1,002,845

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Cemetery:				
Salaries and employee benefits	142,295	133,870	8,425	126,529
Operating expenses	26,050	25,250	800	28,760
Capital outlay	-	-	-	10,509
Total	168,345	159,120	9,225	165,798
Recycling:				
Salaries and employee benefits	92,400	82,951	9,449	76,086
Operating expenses	70,160	54,553	15,607	21,822
Total	162,560	137,504	25,056	97,908
Total environmental protection	1,466,855	1,413,414	53,441	1,266,551
Culture and Recreation:				
Library:				
Salaries and employee benefits	453,604	447,953	5,651	343,299
Operating expenses	292,660	240,831	51,829	253,622
Capital outlay	48,520	48,510	10	-
Total	794,784	737,294	57,490	596,921
Senior Services:				
Salaries and employee benefits	401,000	391,138	9,862	325,067
Operating expenses	209,564	154,579	54,985	172,978
Capital outlay	18,000	-	18,000	15,053
Total	628,564	545,717	82,847	513,098
Special Events:				
Salaries and employee benefits	158,250	143,017	15,233	68,223
Operating expenses	275,725	195,329	80,396	187,972
Total	433,975	338,346	95,629	256,195
Lake Authority:				
Salaries and employee benefits	248,650	239,047	9,603	209,468
Operating expenses	86,670	60,792	25,878	74,908
Capital outlay	115,905	114,454	1,451	65,973
Total	451,225	414,293	36,932	350,349

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Tourism and Development:				
Operating expenses	130,000	107,600	22,400	105,393
Total culture and recreation	2,438,548	2,143,250	295,298	1,821,956
Debt Service:				
Principal retirement	626,978	626,978	-	578,123
Interest and fees	75,628	52,514	23,114	42,946
Total debt service	702,606	679,492	23,114	621,069
Total expenditures	17,772,185	14,999,292	2,772,893	15,768,054
Revenues over (under) expenditures	(3,751,167)	(337,962)	3,413,205	(959,467)
Other Financing Sources (Uses):				
Transfers from other funds:				
Electric Fund	2,430,000	1,930,000	(500,000)	2,279,757
Library Capital Project Fund	45,000	-	(45,000)	-
Senior Center Capital Project Fund	-	-	-	145,000
Transfers to other funds:				
Governmental Capital Reserve Fund	(500,000)	(500,000)	-	-
Emergency Telephone Special Revenue Fund	(1,000)	(932)	68	-
Economic Incentive Special Revenue Fund	(800,000)	(800,000)	-	-
Cemetery Fund	(5,000)	-	5,000	(5,000)
Enterprise funds	(15,000)	-	15,000	-
Appropriated fund balance	1,980,000	-	(1,980,000)	-
Issuance of debt	617,167	91,134	(526,033)	660,154
Total other financing sources (uses)	3,751,167	720,202	(3,030,965)	3,079,911
Net change in fund balance	$ -	382,240	$ 382,240	2,120,444
Fund Balance:				
Beginning of year - July 1		8,876,015		6,755,571
End of year - June 30		$ 9,258,255		$ 8,876,015

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	Special Revenue Funds		Capital Project Funds			Permanent Fund	
	Emergency Telephone System Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund	Governmental Capital Reserve Fund	Cemetery Care Fund	Total Nonmajor Governmental Funds
Assets:							
Cash and cash equivalents	$ 210,268	$ 1,528,637	$ 170,390	$ 79,090	1,000,749	$ -	$ 2,989,134
Cash and cash equivalents, restricted	-	-	-	-	-	30,924	30,924
Due from other governments	8,367	-	-	-	-	-	8,367
Total assets	$ 218,635	$ 1,528,637	$ 170,390	$ 79,090	$ 1,000,749	$ 30,924	$ 3,028,425
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	$ 48,147	$ -	$ -	$ -	$ -	$ -	$ 48,147
Fund Balances:							
Non-spendable:							
Perpetual maintenance	-	-	-	-	-	30,924	30,924
Restricted:							
Stabilization by state statute	8,367	-	-	-	-	-	8,367
Public safety	162,121	-	-	-	-	-	162,121
Senior Center project	-	-	-	79,090	-	-	79,090
Economic Development	-	1,528,637	-	-	-	-	1,528,637
Library project	-	-	170,390	-	-	-	170,390
Committed:							
General government	-	-	-	-	1,000,749	-	1,000,749
Total fund balances	170,488	1,528,637	170,390	79,090	1,000,749	30,924	2,980,278
Total liabilities and fund balances	$ 218,635	$ 1,528,637	$ 170,390	$ 79,090	$ 1,000,749	$ 30,924	$ 3,028,425

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, 2020

	Special Revenue Funds		Capital Project Funds			Permanent Fund	
	Emergency Telephone System Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund	Governmental Capital Reserve Fund	Cemetery Care Fund	Total Nonmajor Governmental Funds
Revenues:							
Ad valorem taxes	$ -	$ 1,077,895	$ -	$ -	$ -	$ -	$ 1,077,895
Donations	-	-	24,000	-	-	-	24,000
Restricted intergovernmental	100,404	-	-	-	-	-	100,404
Investment earnings	3,327	2,288	744	608	749	150	7,866
Total revenues	103,731	1,080,183	24,744	608	749	150	1,210,165
Expenditures:							
Current:							
Economic and physical development	-	351,546	-	-	-	-	351,546
Public safety	140,100	-	-	-	-	-	140,100
Total expenditures	140,100	351,546	-	-	-	-	491,646
Revenues over (under) expenditures	(36,369)	728,637	24,744	608	749	150	718,519
Other Financing Sources (Uses):							
Transfers in	932	800,000	-	-	1,000,000	-	1,800,932
Net change in fund balances	(35,437)	1,528,637	24,744	608	1,000,749	150	2,519,451
Fund Balances:							
Beginning of year - July 1	205,925	-	145,646	78,482	-	30,774	460,827
End of year - June 30	$ 170,488	$ 1,528,637	$ 170,390	$ 79,090	$ 1,000,749	$ 30,924	$ 2,980,278

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Restricted intergovernmental	$ 100,400	$ 100,404	$ 4
Investment earnings	-	3,327	3,327
Total revenues	100,400	103,731	3,331
Expenditures:			
Telephone & furniture	100,600	87,943	12,657
Hardware maintenance	72,400	45,551	26,849
Training	10,000	6,606	3,394
Total expenditures	183,000	140,100	42,900
Revenues over (under) expenditures	(82,600)	(36,369)	46,231
Other Financing Sources (Uses):			
Transfers in (out)	-	932	932
Appropriated fund balance	82,600	-	(82,600)
Net change in fund balance	$ -	(35,437)	$ (35,437)
Fund Balance:			
Beginning of year - July 1		205,925	
End of year - June 30		$ 170,488	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ECONOMIC INCENTIVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes	$ 1,080,000	$ 1,077,895	$ (2,105)
Investment earnings	-	2,288	2,288
Total revenues	1,080,000	1,080,183	183
Expenditures:			
Economic development	1,880,000	351,546	1,528,454
Revenues over (under) expenditures	(800,000)	728,637	1,528,637
Other Financing Sources (Uses):			
Transfers in (out)	800,000	800,000	-
Net change in fund balance	$ -	1,528,637	$ 1,528,637
Fund Balance:			
Beginning of year - July 1		-	
End of year - June 30		$ 1,528,637	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Prior Year	Current Year	Total to Date
Revenues:				
Donations	$ 180,000	$ 187,090	$ 24,000	$ 211,090
Investment earnings	-	2,556	744	3,300
Total revenues	180,000	189,646	24,744	214,390
Other Financing Sources (Uses):				
Transfers out	(180,000)	(44,000)	-	(44,000)
Net change in fund balance	$ -	$ 145,646	24,744	$ 170,390
Fund Balance:				
Beginning of year - July 1			145,646	
End of year - June 30			$ 170,390	

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, 2020

	Project Authorization	Prior Year	Current Year	Total to Date
Revenues:				
Donations	$ 215,782	$ 223,482	$ -	$ 223,482
Investment earnings	-	-	608	608
Total revenues	215,782	223,482	608	224,090
Expenditures:				
General capital outlay	70,782	-	-	-
Revenues over (under) expenditures	145,000	223,482	608	224,090
Other Financing Sources (Uses):				
Transfers out	(145,000)	(145,000)	-	(145,000)
Net change in fund balance	$ -	$ 78,482	608	$ 79,090
Fund Balance:				
Beginning of year - July 1			78,482	
End of year - June 30			$ 79,090	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GOVERNMENTAL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Prior Year	Current Year	Total to Date
Revenues:				
Investment earnings	$ -	$ -	$ 749	$ 749
Other Financing Sources (Uses):				
Transfers out	(1,000,000)	-	-	-
Transfers in	1,000,000	-	1,000,000	1,000,000
Total other financing sources (uses)	-	-	1,000,000	1,000,000
Net change in fund balance	$ -	$ -	1,000,749	$ 1,000,749
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			$ 1,000,749	

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	$ -	$ 150	$ 150	$ 181
Expenditures:				
Current:				
Operating expenses	5,000	-	5,000	2,070
Revenues over (under) expenditures	(5,000)	150	5,150	(1,889)
Other Financing Sources (Uses):				
Transfers in (out)	5,000	-	(5,000)	5,000
Net change in fund balance	$ -	150	$ 150	3,111
Fund Balance:				
Beginning of year - July 1		30,774		27,663
End of year - June 30		$ 30,924		$ 30,774

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	$ 6,875,000	$ 7,053,087	$ 178,087	$ 6,829,583
Miscellaneous revenues	354,382	476,715	122,333	35,863
Total operating revenues	7,229,382	7,529,802	300,420	6,865,446
Non-operating revenues:				
Interest income (loss)	30,000	127,269	97,269	89,498
Total revenues	7,259,382	7,657,071	397,689	6,954,944
Expenditures:				
Administration:				
Salaries and employee benefits	273,450	261,566	11,884	243,093
Other operating expenditures	1,201,138	1,015,451	185,687	574,940
Capital outlay	100,000	-	100,000	20,740
Total administration	1,574,588	1,277,017	297,571	838,773
Plant:				
Salaries and employee benefits	343,100	338,415	4,685	289,089
Other operating expenditures	185,600	94,157	91,443	111,187
Capital outlay	65,000	56,610	8,390	207,205
Cost of merchandise sold	402,000	389,974	12,026	335,653
Total plant	995,700	879,156	116,544	943,134
System maintenance and extension:				
Salaries and employee benefits	421,550	397,782	23,768	372,193
Other operating expenditures	448,415	382,962	65,453	312,812
Capital outlay	534,000	423,381	110,619	100,086
Total system maintenance and extension	1,403,965	1,204,125	199,840	785,091
Waste water treatment:				
Salaries and employee benefits	412,150	380,252	31,898	370,699
Other operating expenditures	590,586	463,879	126,707	252,554
Capital outlay	31,714	18,384	13,330	51,178
Cost of merchandise sold	395,000	371,205	23,795	397,034
Total waste water treatment	1,429,450	1,233,720	195,730	1,071,465
Pump station maintenance:				
Salaries and employee benefits	389,650	378,428	11,222	294,750
Other operating expenditures	307,635	258,957	48,678	317,762
Capital outlay	398,500	385,514	12,986	76,675
Cost of merchandise sold	37,000	39,219	(2,219)	40,414
Total pump station maintenance	1,132,785	1,062,118	70,667	729,601

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Debt Service:				
Principal retirement	1,571,489	1,571,489	-	1,861,540
LPA interest	44,405	8,128	36,277	16,970
Total debt service	1,615,894	1,579,617	36,277	1,878,510
Total expenditures	8,152,382	7,235,753	916,629	6,246,574
Revenues over (under) expenditures	(893,000)	421,318	1,314,318	708,370
Other Financing Sources (Uses):				
Transfers in	-	-	-	2,004,467
Sale of capital assets previously disposed	3,000	9,454	6,454	-
Total other financing sources (uses)	3,000	9,454	6,454	2,004,467
Revenues and other financing sources over (under) expenditures and other financing uses	(890,000)	430,772	1,320,772	2,712,837
Appropriated net position	890,000	-	(890,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	430,772	$ 430,772	2,712,837
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Project revenue		-		467,234
Capital project transfers		-		(2,004,467)
Change in inventories		(16,616)		(58)
Capital outlay		883,889		455,884
Change in deferred outflows - OPEB		90,031		(367)
Change in deferred inflows - OPEB		31,507		(91,056)
Change in net pension liability		(52,124)		(159,572)
Change in deferred outflows - pensions		(40,689)		125,655
Change in deferred inflows - pensions		1,516		5,735
OPEB liability		(188,692)		40,452
Compensated absences		(881)		(4,587)
Accrued interest		1,300		2,500
Principal retirement		1,571,489		1,861,540
Non-cash transfer of assets		25,702		-
Depreciation expense		(2,826,556)		(2,738,347)
Change in net position		$ (89,352)		$ 673,383

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, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	$ 12,997,113	$ 12,487,945	$ (509,168)	$ 13,652,071
Miscellaneous revenues	440,345	456,468	16,123	543,379
Total operating revenues	13,437,458	12,944,413	(493,045)	14,195,450
Non-operating revenues:				
Interest income	29,000	87,406	58,406	48,785
Total revenues	13,466,458	13,031,819	(434,639)	14,244,235
Expenditures:				
Meter reading:				
Salaries and employee benefits	163,475	158,511	4,964	155,994
Operating expenditures	56,837	7,226	49,611	8,988
Capital outlay	30,000	-	30,000	-
Total meter reading	250,312	165,737	84,575	164,982
System:				
Salaries and employee benefits	1,200,665	1,343,887	(143,222)	1,658,516
Other operating expenditures	1,840,842	1,786,756	54,086	2,032,760
Capital outlay	1,097,932	626,438	471,494	315,816
Cost of merchandise sold	7,536,963	5,370,145	2,166,818	6,272,387
Debt service - principal	193,642	193,642	-	201,831
Debt service - interest	16,722	4,490	12,232	8,239
Total system	11,886,766	9,325,358	2,561,408	10,489,549
Total expenditures	12,137,078	9,491,095	2,645,983	10,654,531
Revenues over (under) expenditures	1,329,380	3,540,724	2,211,344	3,589,704

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, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Other Financing Sources (Uses):				
Appropriated net position	582,873	-	(582,873)	-
Sale of capital assets	110,000	200,000	90,000	37,536
Transfer to other fund:				
General Fund	(1,930,000)	(1,930,000)	-	(2,279,757)
Capital Reserve Fund	(500,000)	(500,000)	-	-
Proceeds from issuance of debt	407,747	417,812	10,065	-
Total other financing sources (uses)	(1,329,380)	(1,812,188)	(482,808)	(2,242,221)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	1,728,536	$ 1,728,536	1,347,483
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		11,787		38,965
Capital outlay		626,438		315,816
Change in deferred outflows - OPEB		58,866		(240)
Change in deferred inflows - OPEB		20,601		(59,537)
Change in net pension liability		(33,508)		(102,581)
Change in deferred outflows - pensions		(26,157)		80,777
Change in deferred inflows - pensions		975		3,686
Proceeds from issuance of debt		(417,812)		-
Accrued interest		(1,500)		-
OPEB liability		(123,375)		26,449
Compensated absences		(6,002)		1,058
Loss on transfer of asset		(11,045)		-
Loss on disposal of asset		-		(8,685)
Principal retirement		193,642		201,831
Depreciation expense		(776,524)		(783,338)
Change in net position		$ 1,244,922		$ 1,061,684

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, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	$ 5,186,500	$ 3,845,279	$ (1,341,221)	$ 4,985,895
Miscellaneous revenues	358,244	552,830	194,586	358,728
Total operating revenues	5,544,744	4,398,109	(1,146,635)	5,344,623
Non-operating revenues:				
Interest income	14,000	33,450	19,450	30,171
Total revenues	5,558,744	4,431,559	(1,127,185)	5,374,794
Expenditures:				
Salaries and employee benefits	1,070,627	945,012	125,615	901,135
Other operating expenditures	861,953	833,288	28,665	746,037
Capital outlay	450,304	170,638	279,666	168,489
Cost of merchandise sold	3,100,000	2,197,562	902,438	2,986,565
Debt service - principal	194,600	194,600	-	187,193
Debt service - interest	23,041	22,856	185	11,128
Total expenditures	5,700,525	4,363,956	1,336,569	5,000,547
Revenues over (under) expenditures	(141,781)	67,603	209,384	374,247
Other Financing Sources (Uses):				
Appropriated net position	50,000	-	(50,000)	-
Proceeds from issuance of debt	91,781	91,781	-	-
Sales of capital assets	-	-	-	176
Total other financing sources (uses)	141,781	91,781	(50,000)	176

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, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	159,384	$ 159,384	374,423
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(4,806)		(12,919)
Proceeds from issuance of debt		(91,781)		-
Capital outlay		170,638		168,489
Change in deferred outflows - OPEB		34,627		(141)
Change in deferred inflows - OPEB		12,118		(35,021)
Change in net pension liability		(18,616)		(56,990)
Change in deferred outflows - pensions		(14,532)		44,876
Change in deferred inflows - pensions		542		2,048
Gain on transfer of asset		541		-
Loss on disposal of asset		-		(17,050)
Accrued interest		(500)		500
OPEB liability		(72,574)		15,558
Compensated absences		4,574		(174)
Principal retirement		194,600		187,193
Depreciation expense		(301,618)		(313,244)
Change in net position		$ 72,597		$ 357,548

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, 2020
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	$ 446,000	$ 427,209	$ (18,791)	$ 435,666
Miscellaneous revenues	-	-	-	276
Total operating revenues	446,000	427,209	(18,791)	435,942
Non-operating revenues:				
Interest income	-	2,827	2,827	2,432
Total revenues	446,000	430,036	(15,964)	438,374
Expenditures:				
Salaries and employee benefits	318,350	295,957	22,393	306,669
Other operating expenditures	102,540	101,853	687	80,871
Capital outlay	21,330	15,211	6,119	19,999
Debt service - principal	18,462	18,462	-	33,876
Debt service - interest	318	318	-	1,060
Charges to other funds	(15,000)	(15,000)	-	(15,000)
Total expenditures	446,000	416,801	29,199	427,475
Revenues over (under) expenditures	$ -	13,235	$ 13,235	10,899
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Capital outlay		15,211		-
Change in deferred outflows - OPEB		20,776		(85)
Change in deferred inflows - OPEB		7,271		(21,013)
Change in net pension liability		(11,169)		(34,193)
Change in deferred outflows - pensions		(8,719)		26,925
Change in deferred inflows - pensions		325		1,229
Accrued interest		300		500
OPEB liability		(43,544)		9,335
Compensated absences		3,455		(1,678)
Principal retirement		18,462		33,876
Loss on transfer of asset		(541)		-
Depreciation expense		(29,005)		(35,566)
Change in net position		$ (13,943)		$ (9,771)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2020

	Workers' Compensation Insurance	Health Insurance	Total
Assets:			
Cash and cash equivalents	$ 476,074	$ 2,568,744	$ 3,044,818
Liabilities:			
Accounts payable	53,000	250,933	303,933
Net Position:			
Unrestricted	$ 423,074	$ 2,317,811	$ 2,740,885

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, 2020

	Workers' Compensation Insurance	Health Insurance	Total
Operating Revenues:			
Charges for services	$ 186,261	$ 3,668,742	$ 3,855,003
Operating Expenses:			
Excess policy fees	110,286	628,654	738,940
Administrative fees	8,751	203,359	212,110
Claims	72,875	2,000,154	2,073,029
Total operating expenses	191,912	2,832,167	3,024,079
Operating income (loss)	(5,651)	836,575	830,924
Non-Operating Revenues:			
Investment income	2,527	13,961	16,488
Income before transfers	(3,124)	850,536	847,412
Transfers from other funds	-	(250,000)	(250,000)
Transfers to other funds	250,000	-	250,000
Total transfers	250,000	(250,000)	-
Change in net position	246,876	600,536	847,412
Net Position:			
Beginning of year - July 1	176,198	1,717,275	1,893,473
End of year - June 30	$ 423,074	$ 2,317,811	$ 2,740,885

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Workers' Compensation Insurance	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 186,261	$ 3,759,742	$ 3,946,003
Cash paid for goods and services	(191,912)	(2,907,234)	(3,099,146)
Net cash provided (used) by operating activities	(5,651)	852,508	846,857
Cash Flows from Non-Capital Financing Activities:			
Operating transfers	250,000	(250,000)	-
Cash Flows from Investing Activities:			
Interest income	2,527	13,961	16,488
Net increase (decrease) in cash and cash equivalents	246,876	616,469	863,345
Cash and Cash Equivalents:			
Beginning of year - July 1	229,198	1,952,275	2,181,473
End of year - June 30	$ 476,074	$ 2,568,744	$ 3,044,818
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	$ (5,651)	$ 836,575	$ 830,924
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
(Increase) decrease in operating accounts receivable	-	91,000	91,000
Increase (decrease) in operating accounts payable and accrued liabilities	-	(75,067)	(75,067)
Total adjustments	-	15,933	15,933
Net cash provided (used) by operating activities	$ (5,651)	$ 852,508	$ 846,857

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, 2020

	Financial Plan	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services	$ 179,750	$ 186,261	$ 6,511
Non-operating revenues:			
Interest income	250	2,527	2,277
Total revenues	180,000	188,788	8,788
Expenditures:			
Operating expenditures:			
Excess policy fees	120,000	110,286	9,714
Administrative fees	10,000	8,751	1,249
Claims	300,000	72,875	227,125
Total expenditures	430,000	191,912	238,088
Operating income (loss)	(250,000)	(3,124)	246,876
Other Financing Sources (Uses):			
Transfers from other funds	250,000	250,000	-
Revenues over (under) expenditures	$ -	$ 246,876	$ 246,876

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, 2020

	Financial Plan	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services	$ 3,575,000	$ 3,668,742	$ 93,742
Non-operating revenues:			
Interest income	-	13,961	13,961
Total revenues	3,575,000	3,682,703	107,703
Expenditures:			
Operating expenditures:			
Excess policy fees	800,000	628,654	171,346
Administrative fees	225,000	203,359	21,641
Claims	2,800,000	2,000,154	799,846
Total expenditures	3,825,000	2,832,167	992,833
Operating income (loss)	(250,000)	850,536	1,100,536
Other Financing Sources (Uses):			
Transfers to other funds	(250,000)	(250,000)	-
Appropriated fund balance	500,000	-	(500,000)
Revenues over (under) expenditures	$ -	$ 600,536	$ 600,536

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD
STATEMENT OF NET POSITION
JUNE 30, 2020

	Tourism Development Authority
Assets:	
Cash and cash equivalents	$ 241,688
Due from other governments	8,753
Total assets	250,441
Liabilities:	
Accounts payable	750
Net Position:	
Restricted:	
Stabilization by state statute	8,753
Tourism promotion	240,938
Total net position	$ 249,691

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, 2020

	Final Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Occupancy taxes	$ 130,000	$ 110,949	$ (19,051)
Non-operating revenues:			
Miscellaneous	1,000	1,205	205
Investment earnings	250	1,115	865
Total revenues	131,250	113,269	(17,981)
Expenditures:			
Current:			
Operating expenses	46,250	23,303	22,947
Grants and contributions	85,000	81,175	3,825
Total expenditures	131,250	104,478	26,772
Net change in fund balance	$ -	8,791	$ 8,791
Fund Balance:			
Beginning of year - July 1		240,900	
End of year - June 30		$ 249,691	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets:				
Cash and cash equivalents	$ 240,262	$ 12,900	$ 5,839	$ 247,323
Liabilities:				
Intergovernmental payable	$ 240,262	$ 12,900	$ 5,839	$ 247,323

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SUPPLEMENTARY INFORMATION

SUPPLEMENTAL FINANCIAL DATA

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	$ -	$ 7,863,404	$ 7,811,898	$ 51,506
2018-2019	48,161	-	26,208	21,953
2017-2018	19,767	-	7,235	12,532
2016-2017	12,536	-	2,736	9,800
2015-2016	8,053	-	1,037	7,016
2014-2015	11,882	-	569	11,313
2013-2014	7,749	-	751	6,998
2012-2013	7,063	-	630	6,433
2011-2012	5,758	-	375	5,383
2010-2011	4,974	-	4,974	-
Total	$ 125,943	$ 7,863,404	$ 7,856,413	132,934
Less: Allowance for uncollectible accounts				63,368
Ad valorem taxes receivable, net				$ 69,566

Reconciliation with Revenues:

Ad valorem taxes:	
General Fund	$ 6,760,269
Economic Incentive Fund	1,077,895
Total ad valorem tax revenues	7,838,164
Reconciling items:	
Taxes written off	(4,974)
Interest	12,457
Miscellaneous adjustments	10,766
Total collections and credits	$ 7,856,413

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	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	$ 1,828,698,605	$ 0.43	$ 7,863,404	$ 7,522,651	$ 340,753
Total property valuation	$ 1,828,698,605				
Net Levy			7,863,404	7,522,651	340,753
Uncollected taxes at June 30, 2020			51,506	51,506	-
Current Year's Taxes Collected			$ 7,811,898	$ 7,471,145	$ 340,753
Current Levy Collection Percentage			99.34%	99.32%	100.00%

Secondary Market Disclosures:	
Assessed valuation:	
Assessment ratio	100%
Real property	$ 785,943,279
Personal property	915,416,251
Public service companies	127,339,075
Total assessed valuation	$ 1,828,698,605
Tax rate per $100	0.43
Levy (includes discoveries, releases, and abatements)	$ 7,863,404

COMPLIANCE SECTION

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MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.
"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the City of Kings Mountain ABC Board, as described in our report on the City of Kings Mountain, North Carolina's, financial statements. The financial statements of the City of Kings Mountain ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with the City of Kings Mountain ABC Board.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kings Mountain's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Kings Mountain's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide and 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, North Carolina
October 30, 2020

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified?	None reported
Non-compliance material to financial statements noted?	No

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

None reported.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

None reported.