

REVIEWED

By SLGFD at 10:52 am, Nov 04, 2021

**CITY OF KINGS MOUNTAIN
NORTH CAROLINA**

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, 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 73 percent, 67 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, 2021, 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, effective July 1, 2020, the entity adopted new accounting guidance promulgated in GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 22, 2021 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 22, 2021

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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, 2021. 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

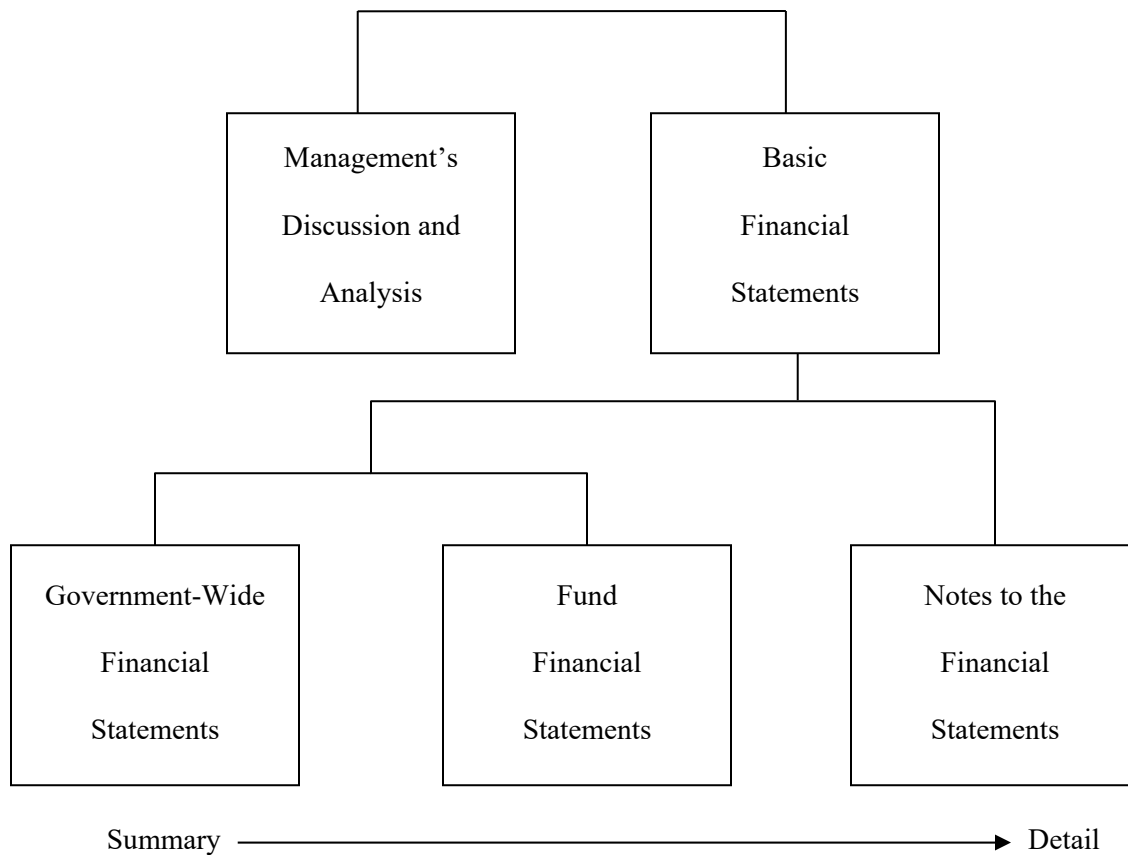
- The assets and deferred outflows of resources of the City of Kings Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$66,259,352 (*net position*). For the Kings Mountain Tourism Development Authority ("TDA"), the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$319,300.
- The government's total net position increased by \$2,820,339. The TDA's total net position increased by \$69,609.
- As of the close of the current fiscal year, the City of Kings Mountain's governmental funds reported combined ending fund balances of \$16,003,616, an increase of \$3,765,083 in comparison with the prior year. Approximately 25.52% of this amount, or \$4,083,756, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,296,491, or 48.27%, of total General Fund expenditures for the fiscal year.
- The City of Kings Mountain's total debt decreased by \$1,200,522 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.
- During the fiscal year, the City implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of this standard resulted in a restatement of net position for the City's one fiduciary fund.

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 K) 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 a custodial 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 K 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:						
Current assets	\$ 20,516,002	\$ 15,673,991	\$ 19,046,124	\$ 18,845,768	\$ 39,562,126	\$ 34,519,759
Other assets	349,368	438,057	1,499,594	287,842	1,848,962	725,899
Capital assets, net	10,408,156	9,632,108	60,490,799	62,498,965	70,898,955	72,131,073
Total assets	<u>31,273,526</u>	<u>25,744,156</u>	<u>81,036,517</u>	<u>81,632,575</u>	<u>112,310,043</u>	<u>107,376,731</u>
Deferred Outflows of Resources	<u>4,944,514</u>	<u>2,166,499</u>	<u>1,566,506</u>	<u>927,115</u>	<u>6,511,020</u>	<u>3,093,614</u>
Liabilities:						
Long-term liabilities	18,335,329	13,305,353	28,150,623	29,690,384	46,485,952	42,995,737
Other liabilities	1,345,646	1,093,064	2,832,554	1,459,788	4,178,200	2,552,852
Total liabilities	<u>19,680,975</u>	<u>14,398,417</u>	<u>30,983,177</u>	<u>31,150,172</u>	<u>50,664,152</u>	<u>45,548,589</u>
Deferred Inflows of Resources	<u>1,401,423</u>	<u>1,034,268</u>	<u>496,136</u>	<u>448,475</u>	<u>1,897,559</u>	<u>1,482,743</u>
Net Position:						
Net investment in capital assets	7,841,471	7,778,098	37,433,548	37,528,517	45,275,019	45,306,615
Restricted	4,037,053	3,245,491	-	-	4,037,053	3,245,491
Unrestricted	3,257,118	1,454,381	13,690,162	13,432,526	16,947,280	14,886,907
Total net position	<u>\$ 15,135,642</u>	<u>\$ 12,477,970</u>	<u>\$ 51,123,710</u>	<u>\$ 50,961,043</u>	<u>\$ 66,259,352</u>	<u>\$ 63,439,013</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Kings Mountain exceeded liabilities and deferred inflows by \$66,259,352 as of June 30, 2021. However, the largest portion (68%) 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 \$4,037,053 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,947,280 is unrestricted.

At June 30, 2021, all of the TDA's net position is restricted for tourism activity, except for \$14,733, which is restricted for stabilization by state statute. Ending net position for the TDA was \$319,300.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,503,870	\$ 2,213,418	\$ 25,534,215	\$ 25,299,533	\$ 28,038,085	\$ 27,512,951
Operating grants and contributions	1,213,623	902,450	-	-	1,213,623	902,450
Capital grants and contributions	-	-	8,300	14,657	8,300	14,657
General revenues:						
Property taxes	7,892,627	7,857,613	-	-	7,892,627	7,857,613
Other taxes	5,335,041	4,669,877	-	-	5,335,041	4,669,877
Other	27,443	235,128	369,278	460,406	396,721	695,534
Total revenues	<u>16,972,604</u>	<u>15,878,486</u>	<u>25,911,793</u>	<u>25,774,596</u>	<u>42,884,397</u>	<u>41,653,082</u>
Expenses:						
General government	1,277,450	1,230,185	-	-	1,277,450	1,230,185
Public safety	8,144,667	6,987,502	-	-	8,144,667	6,987,502
Transportation	1,865,914	2,005,352	-	-	1,865,914	2,005,352
Environmental protection	1,938,321	1,851,217	-	-	1,938,321	1,851,217
Economic development	1,202,631	1,052,707	-	-	1,202,631	1,052,707
Culture and recreation	3,357,586	2,426,243	-	-	3,357,586	2,426,243
Interest expense	58,363	45,338	-	-	58,363	45,338
Water and sewer	-	-	7,554,276	7,781,579	7,554,276	7,781,579
Electric	-	-	10,182,271	9,545,852	10,182,271	9,545,852
Gas	-	-	4,218,284	4,359,503	4,218,284	4,359,503
Stormwater	-	-	264,295	443,438	264,295	443,438
Total expenses	<u>17,844,932</u>	<u>15,598,544</u>	<u>22,219,126</u>	<u>22,130,372</u>	<u>40,064,058</u>	<u>37,728,916</u>
Change in net position before transfers	(872,328)	279,942	3,692,667	3,644,224	2,820,339	3,924,166
Transfers	<u>3,530,000</u>	<u>2,430,000</u>	<u>(3,530,000)</u>	<u>(2,430,000)</u>	<u>-</u>	<u>-</u>
Change in net position	2,657,672	2,709,942	162,667	1,214,224	2,820,339	3,924,166
Net Position:						
Beginning of year - July 1	<u>12,477,970</u>	<u>9,768,028</u>	<u>50,961,043</u>	<u>49,746,819</u>	<u>63,439,013</u>	<u>59,514,847</u>
End of year - June 30	<u>\$ 15,135,642</u>	<u>\$ 12,477,970</u>	<u>\$ 51,123,710</u>	<u>\$ 50,961,043</u>	<u>\$ 66,259,352</u>	<u>\$ 63,439,013</u>

Governmental Activities. Governmental activities increased the City's net position by \$2,657,672. The key elements of this increase are as follows:

- Increases in total revenues: Sales and use taxes were significantly more than fiscal year 2020 amounts due simply to fewer COVID impacts in FYE 2021. Also, the City received and recognized as revenue, significantly more federal grant dollars (\$300K- CARES Act)
- Increases in transfers to the Governmental Funds for non-recurring expenditures (Capital reserve fund, capital project fund for Streetscape Phase II)
- Overall, the City spent only 86% of amended budget in the General Fund.

Business-Type Activities. Business-type activities increased the City's net position by \$162,667. Key elements of this increase are as follows:

- Overall change in net position before transfers was basically identical to fiscal year end 2020 amounts. The decrease in the change in total net position is due to increased transfers to the Governmental Funds, from the Electric Fund, as noted above.

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 \$8,736,003, while total fund balance reached \$9,933,171. 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 50.82 percent of total General Fund expenditures, while total fund balance represents 57.79 percent of that same amount. The fund balance available percentage for comparison to our peers is 46.35%.

At June 30, 2021, the governmental funds of the City of Kings Mountain reported a combined fund balance of \$16,003,616 with a net increase of \$3,765,083. 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 \$2,736,323. With respect to actual versus final amended budget, revenues had a positive variance of \$1,010,550 due to property tax revenues, other tax revenues (sales tax), and sales and service (sanitation) revenues being more than budgeted. This was due in part to conservatism in budgeting given unknowns of COVID impacts. The expenditures recognized a positive variance of \$2,732,964. The major components of this positive variance are as follows:

- Actual expenditures related to payroll, particularly for public safety functions and public works/streets were significantly less than budgeted due to numerous unfilled positions during the course of the fiscal year.

- 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 in some cases was delayed until future years and spending was closely scrutinized. Overall, the City only spent 86% of total budget in the General Fund, even after significant transfers to the capital reserve fund, capital project fund, and additional contributions to accumulate resources/net assets in the internal service self-insurance funds.

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 \$6,126,070. The amount of unrestricted net position for the Electric Fund was \$5,752,458, for the Gas Fund was \$1,794,573, and for the Stormwater Fund was \$17,061. The total changes in net position for the four funds were \$(224,883), \$66,844, \$136,308, and \$184,398, 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, 2021 totals \$70,898,955 (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:

- Total additions of \$2.17M for governmental-type activities, the largest being an IT infrastructure project of roughly \$550K. Vehicle additions, including a garbage truck, totaled roughly \$400K, and investment in new billing software totaled roughly \$250K. Also, the City replaced roofs on several buildings (Library, Police Department, and YMCA) as well as completing a major HVAC project at City Hall.
- Business-type Activities-Construction in the Water and Sewer Fund of several major upgrades to water/sewer lines (I85 and Meadowbrook projects-\$1M, paid for with cash)

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,788,797	\$ 2,777,198	\$ 7,244,945	\$ 7,244,945	\$ 10,033,742	\$ 10,022,143
Infrastructure	167,607	202,046	-	-	167,607	202,046
Buildings	319,366	629,085	2,439,106	2,692,166	2,758,472	3,321,251
Other improvements	4,042,652	3,430,825	17,801,274	18,653,293	21,843,926	22,084,118
Equipment	1,981,907	1,319,889	3,887,125	4,517,699	5,869,032	5,837,588
Vehicles	988,397	1,022,537	772,310	1,125,384	1,760,707	2,147,921
Lines	-	-	28,221,309	28,265,478	28,221,309	28,265,478
Construction in progress	119,430	250,528	124,730	-	244,160	250,528
Total	<u>\$ 10,408,156</u>	<u>\$ 9,632,108</u>	<u>\$ 60,490,799</u>	<u>\$ 62,498,965</u>	<u>\$ 70,898,955</u>	<u>\$ 72,131,073</u>

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

Long-Term Debt. As of June 30, 2021, the City of Kings Mountain had total installment purchase debt, for direct placements and direct borrowings, outstanding of \$25,623,936. The City's debt represents obligations secured solely by certain equipment of the City.

City of Kings Mountain's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Installment purchases - direct placements & direct borrowings	<u>\$ 2,566,685</u>	<u>\$ 1,854,010</u>	<u>\$ 23,057,251</u>	<u>\$ 24,970,448</u>	<u>\$ 25,623,936</u>	<u>\$ 26,824,458</u>

The City of Kings Mountain's total debt decreased by \$1,200,522 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 \$120,969,720.

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. Cleveland County performed a revaluation which will be effective for fiscal year beginning 7-1-2021. 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. The City continues to monitor developments regarding potential impacts regarding the Twin Kings Casino and the potential for development of the surrounding area. At this time it is anticipated that any significant financial impacts are most likely several budget years in the future.

Budget Highlights for the Fiscal Year Ending June 30, 2022

As a result of the continued COVID pandemic, we budgeted conservatively given the unknowns. Some 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 21-22 General Fund budget increased roughly \$950,000 dollars over prior year's originally adopted budget. Again we anticipate sales and use taxes to have recovered completely and we anticipate property tax revenues to increase as a result of the revaluation. As mentioned above, we plan to amend the budget as necessary given economic factors and need. No new positions were added, and a 2.5% 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 21-22 General Fund budget.

Business-Type Activities. The City's utility base rates remained relatively unchanged for the 21-22 budget year (gas, water, sewer, and storm water.) Any budgeted changes in revenues for these funds are based upon anticipated changes in volume of services provided.

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

BASIC FINANCIAL STATEMENTS

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority Board
Assets:					
Current assets:					
Cash and cash equivalents	\$ 19,264,464	\$ 15,792,025	\$ 35,056,489	\$ 329,976	\$ 305,067
Taxes receivable, net	49,685	-	49,685	-	-
Accounts receivable, net	164,131	2,209,566	2,373,697	40	-
Due from other governments	991,019	-	991,019	-	14,733
Inventories	46,703	1,044,533	1,091,236	110,014	-
Prepaid items	-	-	-	15,634	-
Total current assets	<u>20,516,002</u>	<u>19,046,124</u>	<u>39,562,126</u>	<u>455,664</u>	<u>319,800</u>
Restricted assets:					
Cash and cash equivalents	349,368	1,499,594	1,848,962	-	-
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	2,908,227	7,369,675	10,277,902	78,875	-
Other capital assets, net of depreciation	7,499,929	53,121,124	60,621,053	318,703	-
Total capital assets	<u>10,408,156</u>	<u>60,490,799</u>	<u>70,898,955</u>	<u>397,578</u>	<u>-</u>
Total assets	<u>31,273,526</u>	<u>81,036,517</u>	<u>112,310,043</u>	<u>853,242</u>	<u>319,800</u>
Deferred Outflows of Resources:					
Pension deferrals	2,659,567	735,616	3,395,183	26,105	-
OPEB deferrals	2,284,947	830,890	3,115,837	-	-
Total deferred outflows of resources	<u>4,944,514</u>	<u>1,566,506</u>	<u>6,511,020</u>	<u>26,105</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	1,345,646	1,332,960	2,678,606	208,893	500
Liabilities to be paid from restricted assets:					
Customer deposits	-	1,499,594	1,499,594	-	-
Long-term liabilities:					
Net pension liability - LGERS	3,494,191	1,270,615	4,764,806	22,513	-
Total pension liability - LEOSSA	1,737,355	-	1,737,355	-	-
Total OPEB liability	10,061,022	3,658,553	13,719,575	-	-
Due within one year	1,025,152	2,002,060	3,027,212	1,646	-
Due in more than one year	2,017,609	21,219,395	23,237,004	990	-
Total liabilities	<u>19,680,975</u>	<u>30,983,177</u>	<u>50,664,152</u>	<u>234,042</u>	<u>500</u>
Deferred Inflows of Resources:					
OPEB deferrals	1,355,461	492,895	1,848,356	-	-
Pension deferrals	45,962	3,241	49,203	-	-
Total deferred inflows of resources	<u>1,401,423</u>	<u>496,136</u>	<u>1,897,559</u>	<u>-</u>	<u>-</u>
Net Position:					
Net investment in capital assets	7,841,471	37,433,548	45,275,019	397,578	-
Restricted for:					
Perpetual maintenance	26,755	-	26,755	-	-
Stabilization by state statute	1,155,150	-	1,155,150	-	14,733
Streets - Powell Bill	195,243	-	195,243	-	-
Public safety	241,450	-	241,450	-	-
Cultural and recreational	202,098	-	202,098	-	-
Economic and physical development	2,216,357	-	2,216,357	-	-
Working capital	-	-	-	70,606	-
Capital improvements	-	-	-	82,237	-
Tourism promotion	-	-	-	94,884	304,567
Unrestricted	3,257,118	13,690,162	16,947,280	-	-
Total net position	<u>\$ 15,135,642</u>	<u>\$ 51,123,710</u>	<u>\$ 66,259,352</u>	<u>\$ 645,305</u>	<u>\$ 319,300</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,277,450	\$ 156,685	\$ -	\$ -
Public safety	8,144,667	14,792	613,093	-
Transportation	1,865,914	-	303,784	-
Economic and physical development	1,202,631	337,524	41,015	-
Environmental protection	1,938,321	1,575,864	-	-
Culture and recreation	3,357,586	419,005	255,731	-
Interest expense	58,363	-	-	-
Total governmental activities	<u>17,844,932</u>	<u>2,503,870</u>	<u>1,213,623</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	7,554,276	6,982,614	-	8,300
Electric	10,182,271	13,766,835	-	-
Gas	4,218,284	4,336,443	-	-
Stormwater	264,295	448,323	-	-
Total business-type activities	<u>22,219,126</u>	<u>25,534,215</u>	<u>-</u>	<u>8,300</u>
Total primary government	<u>\$ 40,064,058</u>	<u>\$ 28,038,085</u>	<u>\$ 1,213,623</u>	<u>\$ 8,300</u>
Component Units:				
ABC Board	\$ 2,453,926	\$ 2,377,240	\$ -	\$ -
Tourism Development Authority Board	<u>61,514</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 2,515,440</u>	<u>\$ 2,377,240</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Units</u>	
	<u>Primary Government</u>				
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>ABC Board</u>	<u>Tourism Development Authority Board</u>
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (1,120,765)	\$ -	\$ (1,120,765)		
Public safety	(7,516,782)	-	(7,516,782)		
Transportation	(1,562,130)	-	(1,562,130)		
Economic and physical development	(824,092)	-	(824,092)		
Environmental protection	(362,457)	-	(362,457)		
Culture and recreation	(2,682,850)	-	(2,682,850)		
Interest expense	(58,363)	-	(58,363)		
Total governmental activities	<u>(14,127,439)</u>	<u>-</u>	<u>(14,127,439)</u>		
Business-Type Activities:					
Water and sewer	-	(563,362)	(563,362)		
Electric	-	3,584,564	3,584,564		
Gas	-	118,159	118,159		
Stormwater	-	184,028	184,028		
Total business-type activities	<u>-</u>	<u>3,323,389</u>	<u>3,323,389</u>		
Total primary government	<u>(14,127,439)</u>	<u>3,323,389</u>	<u>(10,804,050)</u>		
Component Units:					
ABC Board				\$ (76,686)	\$ -
Tourism Development Authority Board				<u>-</u>	<u>(61,514)</u>
Total component units				<u>(76,686)</u>	<u>(61,514)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	7,892,627	-	7,892,627	-	-
Local option sales tax	2,703,930	-	2,703,930	-	-
Payment in lieu of taxes	632,803	-	632,803	-	-
Franchise taxes	1,025,445	-	1,025,445	-	-
Other taxes and licenses	972,863	-	972,863	-	128,963
Unrestricted investment earnings	27,443	32,229	59,672	758	391
Miscellaneous	-	337,049	337,049	16	1,769
Total general revenues before transfers	<u>13,255,111</u>	<u>369,278</u>	<u>13,624,389</u>	<u>774</u>	<u>131,123</u>
Transfers	<u>3,530,000</u>	<u>(3,530,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>16,785,111</u>	<u>(3,160,722)</u>	<u>13,624,389</u>	<u>774</u>	<u>131,123</u>
Change in net position	2,657,672	162,667	2,820,339	(75,912)	69,609
Net Position:					
Beginning of year - July 1	<u>12,477,970</u>	<u>50,961,043</u>	<u>63,439,013</u>	<u>721,217</u>	<u>249,691</u>
End of year - June 30	<u>\$ 15,135,642</u>	<u>\$ 51,123,710</u>	<u>\$ 66,259,352</u>	<u>\$ 645,305</u>	<u>\$ 319,300</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 9,322,503	\$ 6,039,518	\$ 15,362,021
Cash and cash equivalents, restricted	322,613	26,755	349,368
Taxes receivable, net	49,685	-	49,685
Accounts receivable, net	164,131	-	164,131
Due from other governments	986,334	4,685	991,019
Inventories	46,703	-	46,703
Total assets	<u>\$ 10,891,969</u>	<u>\$ 6,070,958</u>	<u>\$ 16,962,927</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 909,113</u>	<u>\$ 513</u>	<u>\$ 909,626</u>
Deferred Inflows of Resources:			
Property taxes receivable	<u>49,685</u>	<u>-</u>	<u>49,685</u>
Fund Balances:			
Non-spendable:			
Inventories	46,703	-	46,703
Perpetual maintenance	-	26,755	26,755
Restricted:			
Stabilization by state statute	1,150,465	4,685	1,155,150
Streets	195,243	-	195,243
Public safety	84,067	157,383	241,450
Cultural and recreational	40,202	161,896	202,098
Economic and physical development	-	2,216,357	2,216,357
Committed:			
General government	-	3,503,369	3,503,369
Assigned	120,000	-	120,000
Unassigned	8,296,491	-	8,296,491
Total fund balances	<u>9,933,171</u>	<u>6,070,445</u>	<u>16,003,616</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,891,969</u>	<u>\$ 6,070,958</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,408,156
The assets and liabilities of internal service funds are included in the Statement of Net Position.	3,501,423
Net pension liability - LGERS	(3,494,191)
Total pension liability - LEOSA	(1,737,355)
Total OPEB liability	(10,061,022)
Deferred outflows of resources related to pensions are not reported in the funds.	2,659,567
Deferred outflows of resources related to OPEB are not reported in the funds.	2,284,947
Deferred inflows of resources related to pensions are not reported in the funds.	(45,962)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,355,461)
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	49,685
Some liabilities, including notes payable and accrued interest, are not due and payable in the current period and, therefore, not reported in the funds.	<u>(3,077,761)</u>
Net position of governmental activities	<u>\$ 15,135,642</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 6,887,368	\$ 1,025,140	\$ 7,912,508
Other taxes and licenses	5,335,041	-	5,335,041
Restricted intergovernmental	1,145,388	56,220	1,201,608
Permits and fees	337,959	-	337,959
Sales and services	1,961,030	-	1,961,030
Donations	-	12,015	12,015
Investment earnings	20,810	6,633	27,443
Miscellaneous	204,881	-	204,881
Total revenues	<u>15,892,477</u>	<u>1,100,008</u>	<u>16,992,485</u>
Expenditures:			
Current:			
General government	3,086,536	-	3,086,536
Public safety	6,569,196	69,777	6,638,973
Transportation	1,280,083	-	1,280,083
Economic and physical development	950,295	344,891	1,295,186
Environmental protection	1,678,052	-	1,678,052
Culture and recreation	2,937,884	-	2,937,884
Debt service:			
Principal	633,377	-	633,377
Interest	53,363	-	53,363
Total expenditures	<u>17,188,786</u>	<u>414,668</u>	<u>17,603,454</u>
Revenues over (under) expenditures	<u>(1,296,309)</u>	<u>685,340</u>	<u>(610,969)</u>
Other Financing Sources (Uses):			
Transfers in	3,630,000	3,004,827	6,634,827
Transfers out	(3,004,827)	(600,000)	(3,604,827)
Issuance of debt	1,346,052	-	1,346,052
Total other financing sources (uses)	<u>1,971,225</u>	<u>2,404,827</u>	<u>4,376,052</u>
Net change in fund balances	674,916	3,090,167	3,765,083
Fund Balances:			
Beginning of year - July 1	<u>9,258,255</u>	<u>2,980,278</u>	<u>12,238,533</u>
End of year - June 30	<u>\$ 9,933,171</u>	<u>\$ 6,070,445</u>	<u>\$ 16,003,616</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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	\$ 3,765,083
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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	\$ 2,167,095	
Loss on disposal of capital assets	(191,910)	
Depreciation expense	<u>(1,199,137)</u>	776,048

Change in deferred inflows for tax revenues	(19,881)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Issuance of debt	(1,346,052)	
Repayment of debt principal	<u>633,377</u>	(712,675)

OPEB plan expense	(1,090,988)
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Pension expense - LGERS	(601,699)
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Pension expense - LEOSSA	(175,278)
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Accrual of interest expense payable	(5,000)
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Accrual of compensated absences	(38,476)
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Net revenue of internal service funds determined to be governmental-type	<u>760,538</u>
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Total change in net position of governmental activities (Exhibit B)	<u>\$ 2,657,672</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 6,690,000	\$ 6,690,000	\$ 6,887,368	\$ 197,368
Other taxes	4,577,500	4,777,000	5,335,041	558,041
Restricted intergovernmental	800,500	1,215,500	1,145,388	(70,112)
Permits and fees	125,000	125,000	337,959	212,959
Investment earnings	75,000	75,000	20,810	(54,190)
Sales and services	1,821,250	1,821,250	1,961,030	139,780
Miscellaneous	171,177	178,177	204,881	26,704
Total revenues	<u>14,260,427</u>	<u>14,881,927</u>	<u>15,892,477</u>	<u>1,010,550</u>
Expenditures:				
Current:				
General government	2,546,865	3,660,236	3,086,536	573,700
Public safety	7,023,474	7,682,544	6,569,196	1,113,348
Transportation	1,778,750	1,704,900	1,280,083	424,817
Economic and physical development	888,929	1,118,419	950,295	168,124
Environmental protection	1,286,687	1,745,570	1,678,052	67,518
Culture and recreation	2,913,517	3,260,876	2,937,884	322,992
Debt service:				
Principal retirement	633,377	633,377	633,377	-
Interest and fees	113,828	115,828	53,363	62,465
Total expenditures	<u>17,185,427</u>	<u>19,921,750</u>	<u>17,188,786</u>	<u>2,732,964</u>
Revenues over (under) expenditures	<u>(2,925,000)</u>	<u>(5,039,823)</u>	<u>(1,296,309)</u>	<u>3,743,514</u>
Other Financing Sources (Uses):				
Transfers in	2,630,000	3,642,000	3,630,000	(12,000)
Transfers out	(5,000)	(3,010,000)	(3,004,827)	5,173
Issuance of debt	300,000	1,462,613	1,346,052	(116,561)
Total other financing sources (uses)	<u>2,925,000</u>	<u>2,094,613</u>	<u>1,971,225</u>	<u>(123,388)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	-	(2,945,210)	674,916	3,620,126
Fund balance appropriated	-	2,945,210	-	2,945,210
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	674,916	<u>\$ 674,916</u>
Fund Balance:				
Beginning of year - July 1			<u>9,258,255</u>	
End of year - June 30			<u>\$ 9,933,171</u>	

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 7,091,782	\$ 6,086,504	\$ 2,343,284	\$ 270,455	\$ 15,792,025	\$ 3,902,443
Cash - restricted	1,268,560	162,689	68,345	-	1,499,594	-
Accounts receivable, net	713,777	1,211,376	239,201	45,212	2,209,566	-
Inventories	461,187	436,257	147,089	-	1,044,533	-
Total current assets	9,535,306	7,896,826	2,797,919	315,667	20,545,718	3,902,443
Non-current assets:						
Capital assets:						
Land and other non-depreciable assets	7,182,355	39,890	147,430	-	7,369,675	-
Other capital assets, net of depreciation	44,181,888	5,271,250	3,495,605	172,381	53,121,124	-
Total capital assets	51,364,243	5,311,140	3,643,035	172,381	60,490,799	-
Total assets	60,899,549	13,207,966	6,440,954	488,048	81,036,517	3,902,443
Deferred Outflows of Resources:						
Pension deferrals	354,672	197,040	131,360	52,544	735,616	-
OPEB deferrals	400,608	222,560	148,373	59,349	830,890	-
Total deferred outflows of resources	755,280	419,600	279,733	111,893	1,566,506	-
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	215,470	881,374	222,921	13,195	1,332,960	401,020
Liabilities to be paid from restricted assets:						
Customer deposits	1,268,560	162,689	68,345	-	1,499,594	-
Current portion of compensated absences	32,357	33,350	11,504	4,892	82,103	-
Current portion of long-term liabilities	1,582,627	143,931	193,399	-	1,919,957	-
Total current liabilities	3,099,014	1,221,344	496,169	18,087	4,834,614	401,020
Non-current liabilities:						
Net pension liability - LGERS	612,618	340,343	226,896	90,758	1,270,615	-
Notes payable	20,320,041	172,020	645,233	-	21,137,294	-
Total OPEB liability	1,763,945	979,970	653,313	261,325	3,658,553	-
Compensated absences	32,357	33,349	11,504	4,891	82,101	-
Total non-current liabilities	22,728,961	1,525,682	1,536,946	356,974	26,148,563	-
Total liabilities	25,827,975	2,747,026	2,033,115	375,061	30,983,177	401,020
Deferred Inflows of Resources:						
Pension deferrals	1,563	868	579	231	3,241	-
OPEB deferrals	237,646	132,025	88,017	35,207	492,895	-
Total deferred inflows of resources	239,209	132,893	88,596	35,438	496,136	-
Net Position:						
Net investment in capital assets	29,461,575	4,995,189	2,804,403	172,381	37,433,548	-
Unrestricted	6,126,070	5,752,458	1,794,573	17,061	13,690,162	3,501,423
Total net position	\$ 35,587,645	\$ 10,747,647	\$ 4,598,976	\$ 189,442	\$ 51,123,710	\$ 3,501,423

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, 2021

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund	Total	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 6,949,452	\$ 12,781,443	\$ 3,964,223	\$ 448,323	\$ 24,143,441	\$ 3,989,169
Miscellaneous revenues	33,162	985,392	372,220	-	1,390,774	-
Total operating revenues	6,982,614	13,766,835	4,336,443	448,323	25,534,215	3,989,169
Operating Expenses:						
Salaries and fringe benefits	1,800,867	1,323,372	886,778	111,772	4,122,789	-
Cost of merchandise sold	739,899	6,253,785	2,239,460	-	9,233,144	-
Other operating expenses	2,148,754	1,819,257	777,815	130,682	4,876,508	-
Depreciation	2,859,240	778,789	295,583	21,841	3,955,453	-
Excess policy fees	-	-	-	-	-	380,283
Administrative fees	-	-	-	-	-	219,713
Claims	-	-	-	-	-	3,133,907
Total operating expenses	7,548,760	10,175,203	4,199,636	264,295	22,187,894	3,733,903
Operating income (loss)	(566,146)	3,591,632	136,807	184,028	3,346,321	255,266
Non-Operating Revenues (Expenses):						
Interest income	15,370	12,280	4,209	370	32,229	5,272
Interest expense	(5,516)	(7,068)	(18,648)	-	(31,232)	-
Income from sale of capital assets previously disposed of	323,109	-	13,940	-	337,049	-
Total non-operating revenues (expenses)	332,963	5,212	(499)	370	338,046	5,272
Income (loss) before transfers and capital contributions	(233,183)	3,596,844	136,308	184,398	3,684,367	260,538
Transfers from other funds	-	-	-	-	-	750,000
Transfers to other funds	-	(3,530,000)	-	-	(3,530,000)	(250,000)
Capital contributions	8,300	-	-	-	8,300	-
Total transfers and capital contributions	8,300	(3,530,000)	-	-	(3,521,700)	500,000
Change in net position	(224,883)	66,844	136,308	184,398	162,667	760,538
Net Position:						
Beginning of year - July 1	35,812,528	10,680,803	4,462,668	5,044	50,961,043	2,740,885
End of year - June 30	\$ 35,587,645	\$ 10,747,647	\$ 4,598,976	\$ 189,442	\$ 51,123,710	\$ 3,501,423

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, 2021

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities
	Water and Sewer Fund	Electric Utility Fund	Gas Fund	Nonmajor Fund		Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 5,648,875	\$ 12,791,676	\$ 4,162,011	\$ 451,917	\$ 23,054,479	\$ 3,989,169
Cash paid for goods and services	(1,692,070)	(7,988,734)	(2,958,655)	(126,606)	(12,766,065)	(3,636,816)
Cash paid to employees for services	(1,741,966)	(1,461,546)	(884,371)	(253,200)	(4,341,083)	-
Cash received (paid) for customer deposits	13,085	212	(1,545)	-	11,752	-
Other operating revenues	33,162	985,392	372,220	-	1,390,774	-
Net cash provided (used) by operating activities	<u>2,261,086</u>	<u>4,327,000</u>	<u>689,660</u>	<u>72,111</u>	<u>7,349,857</u>	<u>352,353</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(1,111,146)	(662,334)	(165,507)	-	(1,938,987)	-
Capital Contribution	1,200,000	-	-	-	1,200,000	-
Principal paid on bonds and equipment contracts	(1,582,627)	(141,136)	(189,434)	-	(1,913,197)	-
Proceeds from sale of capital assets previously disposed of	323,109	-	13,940	-	337,049	-
Interest expense	(6,216)	(9,068)	(20,648)	-	(35,932)	-
Net cash provided (used) by capital and related financing activities	<u>(1,176,880)</u>	<u>(812,538)</u>	<u>(361,649)</u>	<u>-</u>	<u>(2,351,067)</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:						
Operating transfers	-	(3,530,000)	-	-	(3,530,000)	500,000
Cash Flows from Investing Activities:						
Interest income	15,370	12,280	4,209	370	32,229	5,272
Net increase (decrease) in cash and cash equivalents	1,099,576	(3,258)	332,220	72,481	1,501,019	857,625
Cash and Cash Equivalents:						
Beginning of year - July 1	<u>7,260,766</u>	<u>6,252,451</u>	<u>2,079,409</u>	<u>197,974</u>	<u>15,790,600</u>	<u>3,044,818</u>
End of year - June 30	<u>\$ 8,360,342</u>	<u>\$ 6,249,193</u>	<u>\$ 2,411,629</u>	<u>\$ 270,455</u>	<u>\$ 17,291,619</u>	<u>\$ 3,902,443</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ (566,146)	\$ 3,591,632	\$ 136,807	\$ 184,028	\$ 3,346,321	\$ 255,266
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,859,240	778,789	295,583	21,841	3,955,453	-
Changes in assets, deferred outflows of resources, and liabilities:						
(Increase) decrease in:						
Accounts receivable	(100,577)	10,233	197,788	3,594	111,038	-
Inventories	7,314	(20,126)	(9,295)	-	(22,107)	-
Deferred outflows of resources - pensions	(339,744)	(151,071)	(127,826)	(20,750)	(639,391)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(13,505)	106,842	68,205	(809)	160,733	97,087
Accrued OPEB liability	210,795	(35,551)	55,948	(97,094)	134,098	-
Customer deposits	13,085	212	(1,545)	-	11,752	-
Deferred inflows of resources - pensions	41,508	3,658	12,634	(10,139)	47,661	-
Net pension liability - LGERS	149,116	42,382	61,361	(8,560)	244,299	-
Net cash provided (used) by operating activities	<u>\$ 2,261,086</u>	<u>\$ 4,327,000</u>	<u>\$ 689,660</u>	<u>\$ 72,111</u>	<u>\$ 7,349,857</u>	<u>\$ 352,353</u>
Supplemental Disclosures of Non-Cash Activities:						
Capital contributions	<u>\$ 8,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,300</u>	<u>\$ -</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021

	<u>Custodial Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>243,850</u>
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	\$ <u>243,850</u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Fund</u>
Additions	
Investment income	\$ 2,789
Deductions:	
Benefit payments	5,720
Administrative expense	<u>542</u>
Total deductions	<u>6,262</u>
Net increase (decrease) in fiduciary net position	(3,473)
Net position - beginning, as previously reported	-
Net position - beginning, as restated	<u>247,323</u>
Net position - ending	<u><u>\$ 243,850</u></u>

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, but to include all relevant information required by generally accepted accounting principles as supplementary information in the County's Annual Financial Report.

B. Basis of Presentation

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

General Capital Projects 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.

Custodial Fund

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. Custodial funds are used to account for assets the City holds on behalf of others that meet

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

certain criteria. The City maintains the following custodial fund: the Firefighter's Retirement Fund, which accounts 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. 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, General Capital Project 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

City of Kings Mountain Restricted Cash

Governmental Activities:

General Fund:

Streets \$ 198,344

Public safety 84,067

Cultural and recreation 40,202

Nonmajor Funds:

Perpetual maintenance 26,755

Total governmental activities 349,368

Business-Type Activities:

Water and Sewer Fund:

Customer deposits 1,268,560

Electric Fund:

Customer deposits 162,689

Gas Fund:

Customer deposits 68,345

Total business-type activities 1,499,594

Total restricted cash \$ 1,848,962

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, 2020. 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

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

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

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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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*

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$195,243, 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, sum of \$84,067. \$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. \$157,383 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 \$40,202 restricted for future culture and recreation expenditures while the nonmajor funds have \$161,896 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 \$2,216,357 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 \$3,503,369 committed.

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.

Assigned for subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The general fund has \$120,000 assigned at year end.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 9,933,171
Less:	
Inventories	46,703
Stabilization by state statute	<u>1,150,465</u>
Total available fund balance	<u><u>\$ 8,736,003</u></u>

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the City's deposits had a carrying amount of \$17,368,700 and a bank balance of \$17,679,580. Of the bank balance, \$14,447,279 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 \$305,067 and the bank balance was \$312,567. The bank balance of the TDA Board was fully covered by federal depository insurance.

The carrying amount of deposits for the ABC Board was \$245,739 and the bank balance was \$237,451. \$237,451 of the bank balance of the ABC Board was covered by federal depository insurance. The ABC Board had certificates of deposit totaling \$82,237 and petty cash funds of \$2,000.

At June 30, 2021, the City's petty cash funds totaled \$2,325.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Investments

At June 30, 2021, the City of Kings Mountain had \$19,778,276 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's and AAAMf by Moody Investor Services. The Government Portfolio is reported at fair value. The City has no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2021 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 249,186	\$ 113,053	\$ 986,334	\$ 1,348,573
Nonmajor - emergency telephone system	-	-	4,685	4,685
Allowance for doubtful accounts	(85,055)	(63,368)	-	(148,423)
Total governmental activities	<u>\$ 164,131</u>	<u>\$ 49,685</u>	<u>\$ 991,019</u>	<u>\$ 1,204,835</u>
Business-Type Activities:				
Water and sewer	\$ 805,173	\$ -	\$ -	\$ 805,173
Electric	1,390,307	-	-	1,390,307
Gas	263,185	-	-	263,185
Stormwater	69,837	-	-	69,837
Allowance for doubtful accounts	(318,936)	-	-	(318,936)
Total business-type activities	<u>\$ 2,209,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,209,566</u>

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

Governmental Activities:	
Local option sales tax	\$ 621,103
Sales tax reimbursement	310,176
DMV MV taxes	39,866
911 funds	4,685
Occupancy tax	<u>15,189</u>
Total	<u>\$ 991,019</u>

The Tourism Development Authority's receivables consist of occupancy taxes from local hotels of \$14,733 due from the City of Kings Mountain. Management expects all accounts receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 2,777,198	\$ 11,599	\$ -	\$ -	\$ 2,788,797
Construction in progress	<u>250,528</u>	<u>119,430</u>	<u>-</u>	<u>(250,528)</u>	<u>119,430</u>
Total non-depreciable capital assets	<u>3,027,726</u>	<u>131,029</u>	<u>-</u>	<u>(250,528)</u>	<u>2,908,227</u>
Depreciable Capital Assets:					
Infrastructure - streets & paving	3,068,780	-	-	-	3,068,780
Buildings	10,631,469	-	-	-	10,631,469
Other improvements	4,246,218	580,062	(134,462)	250,528	4,942,346
Equipment	4,021,857	1,061,995	(377,537)	(19,681)	4,686,634
Vehicles	<u>6,374,937</u>	<u>394,009</u>	<u>-</u>	<u>-</u>	<u>6,768,946</u>
Total depreciable capital assets	<u>28,343,261</u>	<u>2,036,066</u>	<u>(511,999)</u>	<u>230,847</u>	<u>30,098,175</u>
Less Accumulated Depreciation:					
Infrastructure - streets & paving	2,866,734	34,439	-	-	2,901,173
Buildings	10,002,384	309,719	-	-	10,312,103
Other improvements	815,393	134,915	(50,614)	-	899,694
Equipment	2,701,968	291,915	(269,475)	(19,681)	2,704,727
Vehicles	<u>5,352,400</u>	<u>428,149</u>	<u>-</u>	<u>-</u>	<u>5,780,549</u>
Total accumulated depreciation	<u>21,738,879</u>	<u>\$ 1,199,137</u>	<u>\$ (320,089)</u>	<u>\$ (19,681)</u>	<u>22,598,246</u>
Total depreciable capital assets, net	<u>6,604,382</u>				<u>7,499,929</u>
Governmental activities capital assets, net	<u>\$ 9,632,108</u>				<u>\$ 10,408,156</u>

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

Governmental Activities:	
General government	\$ 136,869
Public safety	390,438
Transportation	150,308
Economic and physical development	4,504
Environmental protection	264,649
Cultural and recreational	<u>252,369</u>
Total depreciation expense	<u>\$ 1,199,137</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Proprietary Capital Assets

The capital asset activity of the proprietary funds for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Business-Type Activities:					
Water and Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 7,174,055	\$ -	\$ -	\$ -	\$ 7,174,055
Construction in progress	-	8,300	-	-	8,300
Total non-depreciable capital assets	<u>7,174,055</u>	<u>8,300</u>	<u>-</u>	<u>-</u>	<u>7,182,355</u>
Depreciable Capital Assets:					
Buildings	14,550,217	-	-	-	14,550,217
Other improvements	55,217,417	-	-	-	55,217,417
Lines	30,030,291	1,090,266	-	-	31,120,557
Equipment	7,906,205	20,880	(57,675)	19,681	7,889,091
Vehicles	<u>1,102,777</u>	<u>-</u>	<u>(55,548)</u>	<u>21,276</u>	<u>1,068,505</u>
Total depreciable capital assets	<u>108,806,907</u>	<u>1,111,146</u>	<u>(113,223)</u>	<u>40,957</u>	<u>109,845,787</u>
Less Accumulated Depreciation:					
Buildings	12,770,692	160,878	-	-	12,931,570
Other improvements	37,204,477	1,214,305	-	-	38,418,782
Lines	6,430,236	1,084,058	-	-	7,514,294
Equipment	5,536,948	353,799	(57,675)	19,681	5,852,753
Vehicles	<u>934,572</u>	<u>46,200</u>	<u>(55,548)</u>	<u>21,276</u>	<u>946,500</u>
Total accumulated depreciation	<u>62,876,925</u>	<u>\$ 2,859,240</u>	<u>\$ (113,223)</u>	<u>\$ 40,957</u>	<u>65,663,899</u>
Total depreciable capital assets, net	<u>45,929,982</u>				<u>44,181,888</u>
Water and Sewer Fund					
capital assets, net	<u>53,104,037</u>				<u>51,364,243</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Electric Fund:					
Non-Depreciable Capital Assets:					
Land	39,890	\$ -	\$ -	\$ -	39,890
Depreciable Capital Assets:					
Buildings	2,315,157	-	-	-	2,315,157
Other improvements	1,386,665	404,958	-	-	1,791,623
Lines	6,052,643	257,376	-	-	6,310,019
Equipment	2,303,185	-	-	-	2,303,185
Vehicles	2,058,427	-	-	-	2,058,427
Total depreciable capital assets	14,116,077	662,334	-	-	14,778,411
Less Accumulated Depreciation:					
Buildings	1,618,119	79,504	-	-	1,697,623
Other improvements	865,461	41,477	-	-	906,938
Lines	3,742,007	221,467	-	-	3,963,474
Equipment	1,266,302	167,449	-	-	1,433,751
Vehicles	1,236,483	268,892	-	-	1,505,375
Total accumulated depreciation	8,728,372	\$ 778,789	\$ -	\$ -	9,507,161
Total depreciable capital assets, net	5,387,705				5,271,250
Electric Fund capital assets, net	5,427,595				5,311,140
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Gas Fund:					
Non-Depreciable Capital Assets:					
Land	31,000	\$ -	\$ -	\$ -	31,000
Construction in progress	-	116,430	-	-	116,430
Total non-depreciable capital assets	31,000	116,430	-	-	147,430
Depreciable Capital Assets:					
Buildings	253,559	-	-	-	253,559
Lines	4,240,989	41,477	-	-	4,282,466
Equipment	1,777,243	7,600	-	-	1,784,843
Vehicles	399,417	-	(28,428)	-	370,989
Total depreciable capital assets	6,671,208	49,077	(28,428)	-	6,691,857
Less Accumulated Depreciation:					
Buildings	61,863	12,678	-	-	74,541
Lines	1,886,202	127,763	-	-	2,013,965
Equipment	716,849	145,588	(28,428)	-	834,009
Vehicles	264,183	9,554	-	-	273,737
Total accumulated depreciation	2,929,097	\$ 295,583	\$ (28,428)	\$ -	3,196,252
Total depreciable capital assets, net	3,742,111				3,495,605
Gas Fund capital assets, net	3,773,111				3,643,035

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Stormwater Fund:					
Depreciable Capital Assets:					
Buildings	23,907	\$ -	\$ -	\$ -	23,907
Other improvements	125,780	-	-	-	125,780
Equipment	311,434	-	-	-	311,434
Vehicles	135,030	-	-	(21,276)	113,754
Total depreciable capital assets	<u>596,151</u>	<u>-</u>	<u>-</u>	<u>(21,276)</u>	<u>574,875</u>
Less Accumulated Depreciation:					
Buildings	6,631	1,195	-	-	7,826
Other improvements	18,159	6,289	-	-	24,448
Equipment	242,110	14,357	-	-	256,467
Vehicles	135,029	-	-	(21,276)	113,753
Total accumulated depreciation	<u>401,929</u>	<u>\$ 21,841</u>	<u>\$ -</u>	<u>\$ (21,276)</u>	<u>402,494</u>
Total depreciable capital assets, net	<u>194,222</u>				<u>172,381</u>
Stormwater Fund capital assets, net	<u>194,222</u>				<u>172,381</u>
Total for Business-Type Activities:					
Non-depreciable capital assets	7,244,945				7,369,675
Depreciable capital assets, net of depreciation	<u>55,254,020</u>				<u>53,121,124</u>
Total business-type capital assets, net	<u>\$ 62,498,965</u>				<u>\$ 60,490,799</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 10,408,156	\$ 60,490,799
Long-term debt	<u>(2,566,685)</u>	<u>(23,057,251)</u>
Net investment in capital assets	<u>\$ 7,841,471</u>	<u>\$ 37,433,548</u>

At June 30, 2021 the city had a Construction commitment for the Meadowbrook project in the amount of \$167,000.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

ABC Board

Activity for the ABC Board for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers, net</u>	<u>June 30, 2021</u>
Non-Depreciable Capital Assets:					
Land	\$ 78,875	\$ -	\$ -	\$ -	\$ 78,875
Depreciable Capital Assets:					
Buildings and improvements	521,933	-	-	-	521,933
Equipment	84,268	-	-	-	84,268
Total depreciable capital assets	606,201	-	-	-	606,201
Less Accumulated Depreciation:					
Buildings and improvements	220,542	7,641	-	-	228,183
Equipment	55,217	4,098	-	-	59,315
Total accumulated depreciation	275,759	\$ 11,739	\$ -	\$ -	287,498
Total depreciable capital assets, net	330,442				318,703
ABC Board capital assets, net	\$ 409,317				\$ 397,578

B. Liabilities

Payables

Payables at the government-wide level, Exhibit A, at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>TDA</u>	<u>Total</u>
Governmental Activities:					
General	\$ 586,691	\$ 307,689	\$ 35,000	\$ 14,733	\$ 944,113
Special revenue fund	513	-	-	-	513
Internal service funds	401,020	-	-	-	401,020
Total governmental activities	\$ 988,224	\$ 307,689	\$ 35,000	\$ 14,733	\$ 1,345,646
Business-Type Activities:					
Water and sewer	\$ 161,731	\$ 50,739	\$ 3,000	\$ -	\$ 215,470
Electric	839,860	36,514	5,000	-	881,374
Gas	196,192	23,729	3,000	-	222,921
Stormwater	884	12,311	-	-	13,195
Total business-type activities	\$ 1,198,667	\$ 123,293	\$ 11,000	\$ -	\$ 1,332,960

As of June 30, 2021, the Tourism Development Authority's payables consisted of vendor payables.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, was 10.84% of compensation for law enforcement officers and 10.15% 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 \$952,213 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$4,764,806 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, (measurement date) the City's proportion was 0.13334%, which was an increase of 0.01211% from its proportion measured as of June 30, 2019.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$1,694,220. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 601,711	\$ -
Changes of assumptions	354,595	-
Net difference between projected and actual earnings on pension plan investments	670,518	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	179,522	12,154
City contributions subsequent to the measurement date	<u>952,213</u>	<u>-</u>
Total	<u><u>\$ 2,758,559</u></u>	<u><u>\$ 12,154</u></u>

\$952,213 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, 2022. 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	<u>Amount</u>
2022	\$ 514,896
2023	671,629
2024	409,228
2025	198,439
2026	-
Thereafter	-
Total	<u><u>\$ 1,794,192</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2019 valuation, with the exception of the discount rate 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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)	\$ 9,667,273	\$ 4,764,806	\$ 690,512

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	33
Total	35

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the City reported a total pension liability of \$1,737,355. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$209,146.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 165,618	\$ 14,587
Changes of assumptions	454,922	22,462
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>16,084</u>	<u>-</u>
Total	<u>\$ 636,624</u>	<u>\$ 37,049</u>

\$16,084 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 124,626
2023	126,269
2024	125,378
2025	120,512
2026	86,706
Thereafter	<u>-</u>
Total	<u>\$ 583,491</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 1,880,063</u>	<u>\$ 1,737,355</u>	<u>\$ 1,606,240</u>

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

	2021
Beginning balance	\$ 1,023,349
Service cost	51,406
Interest on the total pension liability	32,792
Differences between expected and actual experience in the measurement of the total pension liability	159,829
Changes of assumptions or other inputs	504,902
Benefit payments	<u>(34,923)</u>
Ending balance of the total pension liability	<u>\$ 1,737,355</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.26% at December 31, 2019 to 1.93% at December 31, 2020.

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, 2019 valuation were based on the results of an actuarial experience study, completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 1,694,220	\$ 209,146	\$ 1,903,366
Pension liability	4,764,806	1,737,355	6,502,161
Proportionate share of the net pension liability	0.13334%	n/a	-

Deferred of Outflows of Resources:

Differences between expected and actual experience	\$ 601,711	\$ 165,618	\$ 767,329
Changes of assumptions	354,595	454,922	809,517
Net difference between projected and actual earnings on plan investments	670,518	-	670,518
Changes in proportion and differences between contributions and proportionate share of contributions	179,522	-	179,522
Benefit payments and administrative costs paid subsequent to the measurement date	<u>952,213</u>	<u>16,084</u>	<u>968,297</u>
Total deferred outflows of resources	<u>\$ 2,758,559</u>	<u>\$ 636,624</u>	<u>\$ 3,395,183</u>

Deferred of Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 14,587	\$ 14,587
Changes of assumptions	-	22,462	22,462
Changes in proportion and differences between contributions and proportionate share of contributions	<u>12,154</u>	<u>-</u>	<u>12,154</u>
Total deferred inflows of resources	<u>\$ 12,154</u>	<u>\$ 37,049</u>	<u>\$ 49,203</u>

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$116,472 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 \$472,078 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Membership of the plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	36	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	165	30
Total	<u>201</u>	<u>30</u>

Total OPEB Liability

The City's total OPEB liability of \$13,719,575 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 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
Real Wage Growth	1.0 percent
Salary increases, including wage inflation	
General employees and firefighters	3.50 - 7.75 percent
Law enforcement officers	3.50 - 7.35 percent
Discount rate	2.21 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2020 decreasing to an ultimate rate of 4.50 percent by 2030
Medicare	5.25 percent for 2020 decreasing to an ultimate rate of 4.50 percent by 2024

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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 11,230,467
Changes for the year	
Service cost	510,940
Interest	407,064
Differences between expected and actual experience	(753,145)
Changes in assumptions or other inputs	2,548,170
Benefit payments	(223,921)
Net changes	2,489,108
Balance at June 30, 2021	\$ 13,719,575

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2020 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, 2020 valuation were based on review of recent plan experience performed concurrently with the June 30, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 16,677,149	\$ 13,719,575	\$ 11,464,997

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 11,182,532	\$ 13,719,575	\$ 17,175,624

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$993,755. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,784	\$ 788,617
Changes of assumptions	2,818,208	1,059,739
City benefit payments and plan administrative expense made subsequent to the measurement date	198,845	-
Total	<u>\$ 3,115,837</u>	<u>\$ 1,848,356</u>

\$198,845 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 75,751
2023	75,751
2024	75,751
2025	75,751
2026	120,235
Thereafter	645,397
Total	<u>\$ 1,068,636</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 (LGERS)	\$ 952,213
Benefit payments made for LEOSSA subsequent to measurement date	16,084
Difference between expected and actual experience - Pensions & OPEB	866,113
Changes of assumptions - Pensions	809,517
Benefit payments for OPEB subsequent to measurement date	198,845
Net difference between projected and actual - Pensions	670,518
Changes of assumptions - OPEB	2,818,208
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	179,522
Total	<u><u>\$ 6,511,020</u></u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deferred Inflows:		
Taxes receivable, net (General Fund)	\$ -	\$ 49,685
Differences between expected and actual experience -		
Pensions & OPEB	803,204	-
Change in assumptions - Pensions & OPEB	1,082,201	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - Pensions	12,154	-
Total	<u>\$ 1,897,559</u>	<u>\$ 49,685</u>

Unemployment Compensation

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance coverage 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

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$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:

	<u>2021</u>	<u>2020</u>
Unpaid claims, beginning	\$ 250,000	\$ 326,000
Incurred claims	2,940,823	1,924,154
Claim payments	<u>(2,890,823)</u>	<u>(2,000,154)</u>
Unpaid claims, ending	<u>\$ 300,000</u>	<u>\$ 250,000</u>

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

	<u>2021</u>	<u>2020</u>
Unpaid claims, beginning	\$ 53,000	\$ 53,000
Incurred claims	290,085	72,875
Claim payments	<u>(243,085)</u>	<u>(72,875)</u>
Unpaid claims, ending	<u>\$ 100,000</u>	<u>\$ 53,000</u>

The City of Kings Mountain ABC Board is exposed to various risks of loss related to torts; theft of; damage to, and the destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There 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, 2021, the City was defendant to various lawsuits; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 48,855
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	301,651
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	52,138
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	222,605
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	97,058
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	135,069
Community First National Bank \$253,133 note payable in September 2020 for equipment, due in annual payments of \$39,556, including interest at 2.76% through September 2026	215,968
Home Trust Bank \$390,081 note payable in October 2021 for servers, due in annual payments of \$86,320, including interest at 2.99% through October 2025	390,081
Home Trust Bank \$510,075 note payable in April 2019 for software, due in annual payments of \$31,118, including interest at 2.99% through April 2024	387,715
Home Trust Bank \$127,530 note payable in October 2021 for IT connectivity, due in annual payments of \$28,875, including interest at 2.99% through October 2025	127,530
Home Trust Bank \$325,183 note payable in October 2021 for Garbage Truck, due in annual payments of \$67,200, including interest at 2.99% through October 2025	325,183
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	232,434
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	<u>30,398</u>
Total governmental activities	<u>\$ 2,566,685</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 3,327,153
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	8,468,401
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	9,927,120
BB&T \$599,980 note payable in November 2014 for spillway project, due in annual payments, including interest at 2.59% through November 2023	<u>179,994</u>
Total Water and Sewer Fund	<u>21,902,668</u>

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	63,137
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	77,041
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	<u>175,773</u>
Total Electric Fund	<u>315,951</u>

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	61,167
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	15,335
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	<u>762,130</u>
Total Gas Fund	<u>838,632</u>
Total business-type activities	<u>\$ 23,057,251</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Governmental-Type Activities:

The Town's outstanding note from direct placements related to governmental activities of \$48,855, 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 \$301,651, 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 \$52,138, 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 \$222,605, 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 \$97,058, 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 \$135,069, 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 \$387,715, 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.

The Town's outstanding note from direct placements related to governmental activities of \$390,081, from Home Trust Bank, is secured with the property acquired as collateral, servers. There is no acceleration clause in the agreement. In the event of default, all rights to the property/collateral transfer to Home Trust Bank.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Governmental-Type Activities (continued):

The Town's outstanding note from direct placements related to governmental activities of \$127,530, from Home Trust Bank, is secured with the property acquired as collateral, connectivity. 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 \$325,183, from Home Trust Bank, is secured with the property acquired as collateral, garbage truck. 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 \$215,968, from Community FNB, 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.

The Town's outstanding note from direct placements related to governmental activities of \$232,434, 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 \$30,398, 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 \$3,327,153, 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 \$8,468,401, 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Business-Type Activities (continued):

The Town's outstanding note from direct borrowings related to business-type activities of \$9,927,120, 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 \$179,994, 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 \$63,137, 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 \$77,041, 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.

The Town's outstanding lease purchase from direct placements related to business-type activities of \$175,773, 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 \$61,167, 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 \$15,335, 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 \$762,130, 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The future minimum payments of the notes payable related to direct placements and direct borrowings as of June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 787,114	\$ 53,154	\$ 1,919,957	\$ 27,940
2023	634,752	31,976	1,846,824	19,490
2024	476,431	23,561	1,812,628	12,487
2025	347,473	13,265	1,757,421	6,140
2026	229,727	5,950	1,610,891	1,249
2027-2031	91,188	2,076	7,613,143	-
2032-2036	-	-	6,496,387	-
2037-2041	-	-	-	-
Total	<u>\$ 2,566,685</u>	<u>\$ 129,982</u>	<u>\$ 23,057,251</u>	<u>\$ 67,306</u>

At June 30, 2021, the City had a legal debt margin of \$120,969,720.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Governmental Activities:					
Installment purchases - direct placements	\$ 1,854,010	\$ 1,346,052	\$ (633,377)	\$ 2,566,685	\$ 787,114
Compensated absences	437,600	264,022	(225,546)	476,076	238,038
Net pension liability - LGERS	2,284,382	1,209,809	-	3,494,191	-
OPEB obligation	7,706,012	2,541,861	(186,851)	10,061,022	-
Total pension obligation - LEO	<u>1,023,349</u>	<u>748,929</u>	<u>(34,923)</u>	<u>1,737,355</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 13,305,353</u>	<u>\$ 6,110,673</u>	<u>\$ (1,080,697)</u>	<u>\$ 18,335,329</u>	<u>\$ 1,025,152</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchases - direct placements & direct borrowings	\$ 23,485,295	\$ -	\$ (1,582,627)	\$ 21,902,668	\$ 1,582,627
Net pension liability - LGERS	463,502	149,116	-	612,618	-
OPEB obligation	1,553,150	445,651	(234,856)	1,763,945	-
Compensated absences	<u>67,488</u>	<u>49,440</u>	<u>(52,214)</u>	<u>64,714</u>	<u>32,357</u>
Total Water and Sewer Fund	<u>\$ 25,569,435</u>	<u>\$ 644,207</u>	<u>\$ (1,869,697)</u>	<u>\$ 24,343,945</u>	<u>\$ 1,614,984</u>
Electric Fund:					
Installment purchases - direct placements	\$ 457,087	\$ -	\$ (141,136)	\$ 315,951	\$ 143,931
Net pension liability - LGERS	297,961	42,382	-	340,343	-
OPEB obligation	1,015,521	247,584	(283,135)	979,970	-
Compensated absences	<u>64,291</u>	<u>62,684</u>	<u>(60,276)</u>	<u>66,699</u>	<u>33,350</u>
Total Electric Fund	<u>\$ 1,834,860</u>	<u>\$ 352,650</u>	<u>\$ (484,547)</u>	<u>\$ 1,702,963</u>	<u>\$ 177,281</u>
Gas Fund:					
Installment purchases - direct placements	\$ 1,028,066	\$ -	\$ (189,434)	\$ 838,632	\$ 193,399
Net pension liability - LGERS	165,535	61,361	-	226,896	-
OPEB obligation	597,365	165,056	(109,108)	653,313	-
Compensated absences	<u>22,718</u>	<u>22,532</u>	<u>(22,242)</u>	<u>23,008</u>	<u>11,504</u>
Total Gas Fund	<u>\$ 1,813,684</u>	<u>\$ 248,949</u>	<u>\$ (320,784)</u>	<u>\$ 1,741,849</u>	<u>\$ 204,903</u>
Stormwater Fund:					
Net pension liability - LGERS	\$ 99,318	\$ -	\$ (8,560)	\$ 90,758	\$ -
OPEB obligation	358,419	66,022	(163,116)	261,325	-
Compensated absences	<u>14,668</u>	<u>6,563</u>	<u>(11,448)</u>	<u>9,783</u>	<u>4,892</u>
Total Stormwater Fund	<u>\$ 472,405</u>	<u>\$ 72,585</u>	<u>\$ (183,124)</u>	<u>\$ 361,866</u>	<u>\$ 4,892</u>
Total Business-Type Activities:					
Installment purchases - direct placements & direct borrowings	\$ 24,970,448	\$ -	\$ (1,913,197)	\$ 23,057,251	\$ 1,919,957
Net pension liability - LGERS	1,026,316	252,859	(8,560)	1,270,615	-
OPEB obligation	3,524,455	924,313	(790,215)	3,658,553	-
Compensated absences	<u>169,165</u>	<u>141,219</u>	<u>(146,180)</u>	<u>164,204</u>	<u>82,103</u>
Total business-type activities long-term liabilities	<u>\$ 29,690,384</u>	<u>\$ 1,318,391</u>	<u>\$ (2,858,152)</u>	<u>\$ 28,150,623</u>	<u>\$ 2,002,060</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 consist of the following:

From the Electric Fund to the General Fund for operating and capital expenditures	\$ 3,030,000
From the Electric Fund to Capital Reserve Fund for capital expenditures	500,000
From the General Fund to the General Capital Project Fund for capital expenditures	1,500,000
From the General Fund to the Emergency Telephone System Fund to cover prior year disallowed costs by E911 Board	4,827
From the General Fund to the Governmental Capital Reserve Fund for capital expenditures	1,000,000
From the Governmental Capital Reserve Fund to the General Fund for capital expenditures	500,000
From the Library Fund to the General Fund for capital planning	100,000
From the General Fund to the Workers Compensation Fund for operating expenditures	500,000
From the Health Insurance Internal Service Fund to the Workers' Compensation Insurance Internal Service Fund for operating expenditures	250,000
Total	<u>\$ 7,384,827</u>

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 \$9,275 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, 2021. 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.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5. Related Party Transactions

The City and the TDA engaged in the following transactions during the year ended June 30, 2021. Accounts Receivable due to the TDA from the City in the amount of \$14,733, Occupancy Tax Revenue of \$128,963 from the City to the TDA. The City and the ABC Board engaged in the following transactions during the year ended June 30, 2021. Profit distribution to the City of Kings mountain in the amount of \$267,967.

6. Summary Disclosure of Significant Commitments and Contingencies

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

7. Subsequent Events

As part of pandemic relief provided by the federal government, the City of Kings Mountain was awarded \$3,499,935 from the American Rescue Plan (ARP.) The City received the first installment of \$1,749,968 subsequent to year end, with the remaining \$1,749,967 expected to be received within the next 12 months.

A financial contract to United Financial Division of Home Trust in amount of \$465,306 with an interest rate at 1.41% was entered into for the purchase of a 2022 Jet Vac Truck.

8. Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

As part of implementing the statement, the City performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, net position was restated as of the beginning of the fiscal year for the single fiduciary fund within the City by \$247,323.

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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 FIVE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Beginning balance	\$ 1,023,349	\$ 948,517	\$ 893,642	\$ 837,142	\$ 798,699
Service cost	51,406	38,233	41,154	36,246	36,018
Interest on the total pension liability	32,792	33,890	27,687	31,862	28,401
Difference between expected and actual experience	159,829	8,128	57,751	(43,051)	-
Changes in assumptions or other inputs	504,902	29,504	(36,794)	54,859	(19,644)
Benefit payments	(34,923)	(34,923)	(34,923)	(23,416)	(6,332)
Ending balance of the total pension liability	<u>\$ 1,737,355</u>	<u>\$ 1,023,349</u>	<u>\$ 948,517</u>	<u>\$ 893,642</u>	<u>\$ 837,142</u>

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 FIVE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	\$ 1,737,355	\$ 1,023,349	\$ 948,517	\$ 893,642	\$ 837,142
Covered payroll	1,865,535	1,493,529	1,467,968	1,446,631	1,382,847
Total pension liability as a percentage of covered payroll	93.13%	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 FOUR FISCAL YEARS

	Other Post-Employment Benefits			
	2021	2020	2019	2018
Service cost	\$ 510,940	\$ 455,663	\$ 475,070	\$ 543,451
Interest	407,064	378,099	357,432	315,041
Differences between expected and actual experience	(753,145)	100,157	(184,050)	39,402
Changes in assumptions	2,548,170	725,903	(702,174)	(1,107,040)
Benefit payments	(223,921)	(295,437)	(238,777)	(196,028)
Net change in total OPEB liability	2,489,108	1,364,385	(292,499)	(405,174)
Total OPEB liability - beginning	11,230,467	9,866,082	10,158,581	10,563,755
Total OPEB liability - ending	\$ 13,719,575	\$ 11,230,467	\$ 9,866,082	\$ 10,158,581
Covered payroll	\$ 8,837,115	\$ 7,417,747	\$ 7,417,747	\$ 6,325,862
Total OPEB liability as a percentage of covered payroll	155.25%	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
2021	2.21%
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 EIGHT FISCAL YEARS***

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM				
	2021	2020	2019	2018
Proportion of the net pension liability (asset) (%)	0.13334%	0.12123%	0.12386%	0.11773%
Proportion of the net pension liability (asset) (\$)	\$ 4,764,806	\$ 3,310,698	\$ 2,938,382	\$ 1,798,588
Covered payroll	\$ 9,200,402	\$ 8,368,291	\$ 8,090,102	\$ 7,383,647
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.79%	39.56%	36.32%	24.36%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM				
	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.12219%	0.11936%	0.11345%	0.10970%
Proportion of the net pension liability (asset) (\$)	\$ 2,593,281	\$ 535,681	\$ (669,066)	\$ 1,322,306
Covered payroll	\$ 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	36.27%	7.73%	-10.07%	20.75%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM				
	2021	2020	2019	2018
Contractually required contribution	\$ 952,213	\$ 839,297	\$ 660,622	\$ 617,811
Contributions in relation to the contractually required contribution	<u>952,213</u>	<u>839,297</u>	<u>660,622</u>	<u>617,811</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,234,171	\$ 9,200,402	\$ 8,368,291	\$ 8,090,102
Contributions as a percentage of covered payroll	10.31%	9.12%	7.89%	7.64%

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 CAROLIN

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 545,783	\$ 483,200	\$ 493,511	\$ 471,343
Contributions in relation to the contractually required contribution	<u>545,783</u>	<u>483,200</u>	<u>493,511</u>	<u>471,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,383,647	\$ 7,150,178	\$ 6,929,373	\$ 6,641,526
Contributions as a percentage of covered payroll	7.39%	6.76%	7.12%	7.10%

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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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current levy	\$ 6,680,000	\$ 6,871,261	\$ 191,261	\$ 6,760,269
Penalties and interest	10,000	16,107	6,107	12,458
Total ad valorem taxes	6,690,000	6,887,368	197,368	6,772,727
Other Taxes:				
Local option sales tax	2,300,000	2,703,930	403,930	2,327,814
Hold-harmless sales tax	650,000	763,344	113,344	685,463
Utilities franchise tax	1,050,000	1,025,445	(24,555)	1,060,013
Payments in lieu of taxes	592,000	632,803	40,803	403,476
Miscellaneous	185,000	209,519	24,519	193,111
Total other taxes	4,777,000	5,335,041	558,041	4,669,877
Restricted Intergovernmental:				
Powell Bill allocation	310,000	294,176	(15,824)	308,712
Federal government grants	401,500	359,839	(41,661)	57,650
State government grants	65,000	57,948	(7,052)	34,470
Local government grants	439,000	433,425	(5,575)	377,214
Total restricted intergovernmental	1,215,500	1,145,388	(70,112)	778,046
Permits and Fees:				
Privilege licenses	-	435	435	570
General permits	125,000	337,524	212,524	187,055
Total permits and fees	125,000	337,959	212,959	187,625
Sales and Services:				
Lake authority income	367,500	383,796	16,296	374,975
Disposal fee revenue	1,338,750	1,430,869	92,119	1,155,104
Recycling fees	-	-	-	131,156
Cemetery income	100,000	136,865	36,865	111,865
Recreation	15,000	9,500	(5,500)	18,749
Total sales and services	1,821,250	1,961,030	139,780	1,791,849
Investment Earnings:				
Interest income (loss)	75,000	20,477	(54,523)	225,631
Interest income (loss) - Powell Bill	-	333	333	1,631
Total investment earnings	75,000	20,810	(54,190)	227,262

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Library	13,750	10,866	(2,884)	28,839
Sale of capital assets	25,000	16,944	(8,056)	41,033
Court costs and jail fees	3,000	3,053	53	4,262
Other revenues	136,427	174,018	37,591	159,810
Total miscellaneous	178,177	204,881	26,704	233,944
Total revenues	14,881,927	15,892,477	1,010,550	14,661,330
Expenditures:				
General Government:				
General Administration:				
Salaries and employee benefits	685,118	657,810	27,308	436,212
Operating expenses	186,500	159,503	26,997	579,924
Charges to other funds	(135,000)	(130,387)	(4,613)	(137,654)
Total	736,618	686,926	49,692	878,482
Administration and Finance:				
Salaries and employee benefits	1,124,300	1,041,130	83,170	980,080
Operating expenses	789,850	598,443	191,407	471,264
Charges to other funds	(1,334,851)	(1,289,719)	(45,132)	(1,134,811)
Capital outlay	300,000	267,083	32,917	171,189
Total	879,299	616,937	262,362	487,722
Human Resources:				
Salaries and employee benefits	319,230	273,772	45,458	265,900
Operating expenses	98,375	63,551	34,824	57,000
Charges to other funds	(102,369)	(98,871)	(3,498)	(110,202)
Total	315,236	238,452	76,784	212,698
Elections Board:				
Operating expenses	5,000	-	5,000	3,002
Garage:				
Salaries and employee benefits	331,170	316,348	14,822	315,106
Operating expenses	49,300	45,086	4,214	36,918
Total	380,470	361,434	19,036	352,024

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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Public Works:				
Salaries and employee benefits	220,280	204,912	15,368	203,907
Operating expenses	71,823	48,400	23,423	45,890
Capital outlay	150,000	148,159	1,841	-
Total	442,103	401,471	40,632	249,797
Information Technology:				
Salaries and employee benefits	245,060	222,192	22,868	224,003
Operating expenses	229,800	126,021	103,779	163,804
Charges to other departments	(197,780)	(191,023)	(6,757)	(169,333)
Capital outlay	624,430	624,126	304	39,143
Total	901,510	781,316	120,194	257,617
Total general government	3,660,236	3,086,536	573,700	2,441,342
Public Safety:				
Police:				
Salaries and employee benefits	4,076,990	3,449,097	627,893	3,391,521
Operating expenses	708,776	639,937	68,839	524,182
Capital outlay	152,500	110,040	42,460	142,440
Total	4,938,266	4,199,074	739,192	4,058,143
Fire:				
Salaries and employee benefits	1,746,350	1,479,801	266,549	1,374,839
Operating expenses	281,898	243,395	38,503	203,682
Capital outlay	282,000	281,233	767	-
Total	2,310,248	2,004,429	305,819	1,578,521
Codes and Inspections:				
Salaries and employee benefits	303,555	302,412	1,143	232,848
Operating expenses	130,475	63,281	67,194	26,880
Total	434,030	365,693	68,337	259,728
Total public safety	7,682,544	6,569,196	1,113,348	5,896,392

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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries and employee benefits	1,129,950	817,996	311,954	949,622
Operating expenses	239,950	195,330	44,620	380,929
Capital outlay	25,000	-	25,000	-
Total	1,394,900	1,013,326	381,574	1,330,551
Streets - Powell Bill:				
Operating expenses	310,000	266,757	43,243	307,388
Total transportation	1,704,900	1,280,083	424,817	1,637,939
Economic and Physical Development:				
Main Street:				
Salaries and employee benefits	94,940	80,600	14,340	81,418
Operating expenses	102,400	53,616	48,784	72,252
Total	197,340	134,216	63,124	153,670
Planning:				
Salaries and employee benefits	356,950	325,550	31,400	292,518
Operating expenses	444,129	371,099	73,030	212,221
Capital outlay	120,000	119,430	570	129,054
Total	921,079	816,079	105,000	633,793
Total economic and physical development:	1,118,419	950,295	168,124	787,463
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	624,190	580,019	44,171	526,957
Operating expenses	624,837	614,540	10,297	589,833
Capital outlay	325,183	325,183	-	-
Total	1,574,210	1,519,742	54,468	1,116,790
Cemetery:				
Salaries and employee benefits	143,760	136,173	7,587	133,870
Operating expenses	27,600	22,137	5,463	25,250
Total	171,360	158,310	13,050	159,120

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Recycling:				
Salaries and employee benefits	-	-	-	82,951
Operating expenses	-	-	-	54,553
Total	-	-	-	137,504
Total environmental protection	1,745,570	1,678,052	67,518	1,413,414
Culture and Recreation:				
Library:				
Salaries and employee benefits	470,310	427,952	42,358	447,953
Operating expenses	284,520	251,756	32,764	240,831
Capital outlay	207,503	205,700	1,803	48,510
Total	962,333	885,408	76,925	737,294
Parks and Recreation:				
Operating expenses	527,170	521,750	5,420	-
Capital outlay	125,000	79,579	45,421	-
Total	652,170	601,329	50,841	-
Senior Services:				
Salaries and employee benefits	404,000	396,923	7,077	391,138
Operating expenses	308,978	234,595	74,383	154,579
Total	712,978	631,518	81,460	545,717
Special Events:				
Salaries and employee benefits	159,790	152,544	7,246	143,017
Operating expenses	253,725	202,587	51,138	195,329
Capital outlay	26,500	6,562	19,938	-
Total	440,015	361,693	78,322	338,346
Lake Authority:				
Salaries and employee benefits	238,070	240,685	(2,615)	239,047
Operating expenses	129,310	92,156	37,154	60,792
Capital outlay	-	-	-	114,454
Total	367,380	332,841	34,539	414,293
Tourism and Development:				
Operating expenses	126,000	125,095	905	107,600
Total culture and recreation	3,260,876	2,937,884	322,992	2,143,250

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, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	633,377	633,377	-	626,978
Interest and fees	115,828	53,363	62,465	52,514
Total debt service	749,205	686,740	62,465	679,492
 Total expenditures	 19,921,750	 17,188,786	 2,732,964	 14,999,292
 Revenues over (under) expenditures	 (5,039,823)	 (1,296,309)	 3,743,514	 (337,962)
 Other Financing Sources (Uses):				
Transfers from other funds:				
Electric Fund	3,030,000	3,030,000	-	1,930,000
Capital Project Funds	612,000	600,000	(12,000)	-
Transfers to other funds:				
Governmental Capital Reserve Fund	(1,000,000)	(1,000,000)	-	(500,000)
Emergency Telephone Special Revenue Fund	(5,000)	(4,827)	173	(932)
Economic Incentive Special Revenue Fund	-	-	-	(800,000)
Cemetery Fund	(505,000)	(500,000)	5,000	-
Capital Project Fund	(1,500,000)	(1,500,000)	-	-
Appropriated fund balance	2,945,210	-	(2,945,210)	-
Issuance of debt	1,462,613	1,346,052	(116,561)	91,134
Total other financing sources (uses)	5,039,823	1,971,225	(3,068,598)	720,202
 Net change in fund balance	 \$ -	 674,916	 \$ 674,916	 382,240
 Fund Balance:				
Beginning of year - July 1		9,258,255		8,876,015
End of year - June 30		\$ 9,933,171		\$ 9,258,255

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CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Special Revenue Funds		Capital Project Funds	
	Emergency Telephone System Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund
Assets:				
Cash and cash equivalents	\$ 157,896	\$ 2,216,357	\$ 82,639	\$ 79,257
Cash and cash equivalents, restricted	-	-	-	-
Due from other governments	4,685	-	-	-
Total assets	<u>\$ 162,581</u>	<u>\$ 2,216,357</u>	<u>\$ 82,639</u>	<u>\$ 79,257</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 513	\$ -	\$ -	\$ -
Fund Balances:				
Non-spendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by state statute	4,685	-	-	-
Public safety	157,383	-	-	-
Senior Center project	-	-	-	79,257
Economic Development	-	2,216,357	-	-
Library project	-	-	82,639	-
Committed:				
General government	-	-	-	-
Total fund balances	<u>162,068</u>	<u>2,216,357</u>	<u>82,639</u>	<u>79,257</u>
Total liabilities and fund balances	<u>\$ 162,581</u>	<u>\$ 2,216,357</u>	<u>\$ 82,639</u>	<u>\$ 79,257</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	<u>Capital Project Funds</u>		<u>Permanent Fund</u>	
	<u>Governmental Capital Reserve Fund</u>	<u>General Capital Projects Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 2,002,884	\$ 1,500,485	\$ -	\$ 6,039,518
Cash and cash equivalents, restricted	-	-	26,755	26,755
Due from other governments	-	-	-	4,685
Total assets	<u>\$ 2,002,884</u>	<u>\$ 1,500,485</u>	<u>\$ 26,755</u>	<u>\$ 6,070,958</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 513
Fund Balances:				
Non-spendable:				
Perpetual maintenance	-	-	26,755	26,755
Restricted:				
Stabilization by state statute	-	-	-	4,685
Public safety	-	-	-	157,383
Senior Center project	-	-	-	79,257
Economic Development	-	-	-	2,216,357
Library project	-	-	-	82,639
Committed:				
General government	<u>2,002,884</u>	<u>1,500,485</u>	<u>-</u>	<u>3,503,369</u>
Total fund balances	<u>2,002,884</u>	<u>1,500,485</u>	<u>26,755</u>	<u>6,070,445</u>
Total liabilities and fund balances	<u>\$ 2,002,884</u>	<u>\$ 1,500,485</u>	<u>\$ 26,755</u>	<u>\$ 6,070,958</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds		Capital Project Funds	
	Emergency Telephone System Fund	Economic Incentive Fund	Library Fund	Senior Center Capital Project Fund
Revenues:				
Ad valorem taxes	\$ -	\$ 1,025,140	\$ -	\$ -
Donations	-	-	12,000	15
Restricted intergovernmental	56,220	-	-	-
Investment earnings	310	3,265	249	152
Total revenues	<u>56,530</u>	<u>1,028,405</u>	<u>12,249</u>	<u>167</u>
Expenditures:				
Current:				
Economic and physical development	-	340,685	-	-
Public safety	69,777	-	-	-
Total expenditures	<u>69,777</u>	<u>340,685</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(13,247)</u>	<u>687,720</u>	<u>12,249</u>	<u>167</u>
Other Financing Sources (Uses):				
Transfers in	4,827	-	-	-
Transfers out	-	-	(100,000)	-
Total other financing sources (uses)	<u>4,827</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balances	<u>(8,420)</u>	<u>687,720</u>	<u>(87,751)</u>	<u>167</u>
Fund Balances:				
Beginning of year - July 1	<u>170,488</u>	<u>1,528,637</u>	<u>170,390</u>	<u>79,090</u>
End of year - June 30	<u>\$ 162,068</u>	<u>\$ 2,216,357</u>	<u>\$ 82,639</u>	<u>\$ 79,257</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Capital Project Funds		Permanent Fund	
	Governmental Capital Reserve Fund	General Capital Projects Fund	Cemetery Care Fund	Total Nonmajor Governmental Funds
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 1,025,140
Donations	-	-	-	12,015
Restricted intergovernmental	-	-	-	56,220
Investment earnings	2,135	485	37	6,633
Total revenues	2,135	485	37	1,100,008
Expenditures:				
Current:				
Economic and physical development	-	-	4,206	344,891
Public safety	-	-	-	69,777
Total expenditures	-	-	4,206	414,668
Revenues over (under) expenditures	2,135	485	(4,169)	685,340
Other Financing Sources (Uses):				
Transfers in	1,500,000	1,500,000	-	3,004,827
Transfers out	(500,000)	-	-	(600,000)
Total other financing sources (uses)	1,000,000	1,500,000	-	2,404,827
Net change in fund balances	1,002,135	1,500,485	(4,169)	3,090,167
Fund Balances:				
Beginning of year - July 1	1,000,749	-	30,924	2,980,278
End of year - June 30	\$ 2,002,884	\$ 1,500,485	\$ 26,755	\$ 6,070,445

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, 2021

	2021		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 80,000	\$ 56,220	\$ (23,780)
Investment earnings	-	310	310
Total revenues	<u>80,000</u>	<u>56,530</u>	<u>(23,470)</u>
Expenditures:			
Telephone & furniture	45,000	21,152	23,848
Hardware maintenance	93,000	40,634	52,366
Training	<u>10,000</u>	<u>7,991</u>	<u>2,009</u>
Total expenditures	<u>148,000</u>	<u>69,777</u>	<u>78,223</u>
Revenues over (under) expenditures	(68,000)	(13,247)	54,753
Other Financing Sources (Uses):			
Transfers in (out)	-	4,827	4,827
Total other financing sources (uses)	<u>-</u>	<u>4,827</u>	<u>4,827</u>
Appropriated fund balance	<u>68,000</u>	<u>-</u>	<u>(68,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,420)</u>	<u>\$ (8,420)</u>
Fund Balance:			
Beginning of year - July 1		<u>170,488</u>	
End of year - June 30		<u>\$ 162,068</u>	

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, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes	\$ 1,200,000	\$ 1,025,140	\$ (174,860)
Investment earnings	-	3,265	3,265
Total revenues	<u>1,200,000</u>	<u>1,028,405</u>	<u>(171,595)</u>
Expenditures:			
Economic development	<u>1,200,000</u>	<u>340,685</u>	<u>859,315</u>
Net change in fund balance	<u>\$ -</u>	<u>687,720</u>	<u>\$ 687,720</u>
Fund Balance:			
Beginning of year - July 1		<u>1,528,637</u>	
End of year - June 30		<u>\$ 2,216,357</u>	

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, 2021**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Donations	\$ 180,000	\$ 211,090	\$ 12,000	\$ 223,090
Investment earnings	-	3,300	249	3,549
Total revenues	<u>180,000</u>	<u>214,390</u>	<u>12,249</u>	<u>226,639</u>
Other Financing Sources (Uses):				
Transfers out	<u>(180,000)</u>	<u>(44,000)</u>	<u>(100,000)</u>	<u>(144,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 170,390</u>	(87,751)	<u>\$ 82,639</u>
Fund Balance:				
Beginning of year - July 1			<u>170,390</u>	
End of year - June 30			<u>\$ 82,639</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SENIOR CENTER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Year	Current Year	Total to Date
Revenues:				
Donations	\$ 215,782	\$ 223,482	\$ 15	\$ 223,497
Investment earnings	-	608	152	760
Total revenues	<u>215,782</u>	<u>224,090</u>	<u>167</u>	<u>224,257</u>
Expenditures:				
General capital outlay	<u>70,782</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	145,000	224,090	167	224,257
Other Financing Sources (Uses):				
Transfers out	<u>(145,000)</u>	<u>(145,000)</u>	<u>-</u>	<u>(145,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 79,090</u>	167	<u>\$ 79,257</u>
Fund Balance:				
Beginning of year - July 1			<u>79,090</u>	
End of year - June 30			<u>\$ 79,257</u>	

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, 2021

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 749	\$ 2,135	\$ 2,884
Other Financing Sources (Uses):				
Transfers out	(3,000,000)	-	(500,000)	(500,000)
Transfers in	<u>3,000,000</u>	<u>1,000,000</u>	<u>1,500,000</u>	<u>2,500,000</u>
Total other financing sources (uses)	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,000,749</u>	1,002,135	<u>\$ 2,002,884</u>
Fund Balance:				
Beginning of year - July 1			<u>1,000,749</u>	
End of year - June 30			<u>\$ 2,002,884</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

GENERAL CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 485	\$ 485
Expenditures:				
Streetscape Phase II	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(1,500,000)	-	485	485
Other Financing Sources (Uses):				
Transfers in	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,500,485	<u>\$ 1,500,485</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 1,500,485</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

CEMETERY CARE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

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

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Investment earnings	\$ -	\$ 37	\$ 37	\$ 150
Expenditures:				
Current:				
Operating expenses	5,000	4,206	794	-
Revenues over (under) expenditures	(5,000)	(4,169)	831	150
Other Financing Sources (Uses):				
Transfers in (out)	5,000	-	(5,000)	-
Net change in fund balance	<u>\$ -</u>	(4,169)	<u>\$ (4,169)</u>	150
Fund Balance:				
Beginning of year - July 1		<u>30,924</u>		<u>30,774</u>
End of year - June 30		<u>\$ 26,755</u>		<u>\$ 30,924</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

**ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 7,020,000	\$ 6,949,452	\$ (70,548)	\$ 7,053,087
Miscellaneous revenues	34,000	33,162	(838)	476,715
Total operating revenues	7,054,000	6,982,614	(71,386)	7,529,802
Non-operating revenues:				
Interest income (loss)	30,000	15,370	(14,630)	127,269
Total revenues	7,084,000	6,997,984	(86,016)	7,657,071
Expenditures:				
Administration:				
Salaries and employee benefits	257,080	268,772	(11,692)	261,566
Other operating expenditures	1,248,888	1,069,592	179,296	1,015,451
Capital outlay	130,000	4,703	125,297	-
Total administration	1,635,968	1,343,067	292,901	1,277,017
Plant:				
Salaries and employee benefits	304,590	307,468	(2,878)	338,415
Other operating expenditures	307,800	137,206	170,594	94,157
Capital outlay	185,000	-	185,000	56,610
Cost of merchandise sold	415,000	374,245	40,755	389,974
Total plant	1,212,390	818,919	393,471	879,156
System maintenance and extension:				
Salaries and employee benefits	430,040	390,805	39,235	397,782
Other operating expenditures	385,415	363,492	21,923	382,962
Capital outlay	1,750,000	1,081,966	668,034	423,381
Total system maintenance and extension	2,565,455	1,836,263	729,192	1,204,125
Waste water treatment:				
Salaries and employee benefits	405,320	390,376	14,944	380,252
Other operating expenditures	338,420	294,761	43,659	463,879
Capital outlay	24,880	24,477	403	18,384
Cost of merchandise sold	346,000	305,898	40,102	371,205
Total waste water treatment	1,114,620	1,015,512	99,108	1,233,720
Pump station maintenance:				
Salaries and employee benefits	403,480	384,544	18,936	378,428
Other operating expenditures	280,200	291,017	(10,817)	258,957
Capital outlay	110,000	-	110,000	385,514
Cost of merchandise sold	62,000	59,756	2,244	39,219
Total pump station maintenance	855,680	735,317	120,363	1,062,118

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Debt Service:				
Principal retirement	1,582,627	1,582,627	-	1,571,489
LPA interest	11,216	6,216	5,000	8,128
Total debt service	<u>1,593,843</u>	<u>1,588,843</u>	<u>5,000</u>	<u>1,579,617</u>
 Total expenditures	<u>8,977,956</u>	<u>7,337,921</u>	<u>1,640,035</u>	<u>7,235,753</u>
 Revenues over (under) expenditures	(1,893,956)	(339,937)	1,554,019	421,318
 Other Financing Sources (Uses):				
Sale of capital assets previously disposed	<u>3,000</u>	<u>323,109</u>	<u>320,109</u>	<u>9,454</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	(1,890,956)	(16,828)	1,874,128	430,772
 Appropriated net position	<u>1,890,956</u>	<u>-</u>	<u>(1,890,956)</u>	<u>-</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(16,828)	<u>\$ (16,828)</u>	430,772
 Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		7,314		(16,616)
Capital outlay		1,111,146		883,889
Change in deferred outflows - OPEB		273,103		90,031
Change in deferred inflows - OPEB		(42,715)		31,507
Change in net pension liability		(149,116)		(52,124)
Change in deferred outflows - pensions		66,641		(40,689)
Change in deferred inflows - pensions		1,207		1,516
OPEB liability		(210,796)		(188,692)
Compensated absences		2,774		(881)
Capital contributions		8,300		-
Accrued interest		700		1,300
Principal retirement		1,582,627		1,571,489
Non-cash transfer of assets		-		25,702
Depreciation expense		<u>(2,859,240)</u>		<u>(2,826,556)</u>
 Change in net position		<u>\$ (224,883)</u>		<u>\$ (89,352)</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND CAPITAL PROJECT - WATER GRANT PROJECTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Developer Contribution	\$ 1,200,000	\$ -	\$ 8,300	\$ 8,300
Investment earnings	<u>-</u>	<u>-</u>	<u>124</u>	<u>124</u>
Total revenues	<u>1,200,000</u>	<u>-</u>	<u>8,424</u>	<u>8,424</u>
Expenditures:				
Orchard Trace Lift Station	<u>1,200,000</u>	<u>-</u>	<u>8,300</u>	<u>8,300</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>124</u>	<u>\$ 124</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 124</u>	

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 13,291,383	\$ 12,781,443	\$ (509,940)	\$ 12,487,945
Miscellaneous revenues	294,503	985,392	690,889	456,468
Total operating revenues	13,585,886	13,766,835	180,949	12,944,413
Non-operating revenues:				
Interest income	75,000	12,280	(62,720)	87,406
Total revenues	13,660,886	13,779,115	118,229	13,031,819
Expenditures:				
Meter reading:				
Salaries and employee benefits	167,390	134,660	32,730	158,511
Operating expenditures	72,837	70,668	2,169	7,226
Total meter reading	240,227	205,328	34,899	165,737
System:				
Salaries and employee benefits	1,219,554	1,326,885	(107,331)	1,343,887
Other operating expenditures	1,987,403	1,728,463	258,940	1,786,756
Capital outlay	1,224,000	662,334	561,666	626,438
Cost of merchandise sold	6,253,000	6,253,785	(785)	5,370,145
Debt service - principal	141,136	141,136	-	193,642
Debt service - interest	122,292	9,068	113,224	4,490
Total system	10,947,385	10,121,671	825,714	9,325,358
Total expenditures	11,187,612	10,326,999	860,613	9,491,095
Revenues over (under) expenditures	2,473,274	3,452,116	978,842	3,540,724

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, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Other Financing Sources (Uses):				
Appropriated net position	1,006,726	-	(1,006,726)	-
Sale of capital assets	-	-	-	200,000
Transfer to other fund:				
General Fund	(3,030,000)	(3,030,000)	-	(1,930,000)
Capital Project Funds	50,000	-	(50,000)	(500,000)
Capital Reserve Fund	(500,000)	(500,000)	-	-
Proceeds from issuance of debt	-	-	-	417,812
Total other financing sources (uses)	<u>(2,473,274)</u>	<u>(3,530,000)</u>	<u>(1,056,726)</u>	<u>(1,812,188)</u>

Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	(77,884)	\$ <u>(77,884)</u>	1,728,536
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**Reconciliation From Budgetary Basis
(Modified Accrual) To Full Accrual:**

Change in inventories	(20,126)	11,787
Capital outlay	662,334	626,438
Change in deferred outflows - OPEB	139,191	58,866
Change in deferred inflows - OPEB	(4,571)	20,601
Change in net pension liability	(42,382)	(33,508)
Change in deferred outflows - pensions	11,880	(26,157)
Change in deferred inflows - pensions	912	975
Proceeds from issuance of debt	-	(417,812)
Accrued interest	2,000	(1,500)
OPEB liability	35,551	(123,375)
Compensated absences	(2,408)	(6,002)
Loss on transfer of asset	-	(11,045)
Principal retirement	141,136	193,642
Depreciation expense	<u>(778,789)</u>	<u>(776,524)</u>
Change in net position	\$ <u>66,844</u>	\$ <u>1,244,922</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ENTERPRISE FUND - GAS FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 4,537,600	\$ 3,964,223	\$ (573,377)	\$ 3,845,279
Miscellaneous revenues	500,196	372,220	(127,976)	552,830
Total operating revenues	5,037,796	4,336,443	(701,353)	4,398,109
Non-operating revenues:				
Interest income	24,000	4,209	(19,791)	33,450
Total revenues	5,061,796	4,340,652	(721,144)	4,431,559
Expenditures:				
Salaries and employee benefits	1,055,307	884,371	170,936	945,012
Other operating expenditures	866,976	768,520	98,456	833,288
Capital outlay	655,948	165,507	490,441	170,638
Cost of merchandise sold	2,850,000	2,239,460	610,540	2,197,562
Debt service - principal	189,434	189,434	-	194,600
Total expenditures	5,638,564	4,267,940	1,370,624	4,363,956
Revenues over (under) expenditures	(576,768)	72,712	649,480	67,603
Other Financing Sources (Uses):				
Appropriated net position	574,268	-	(574,268)	-
Proceeds from issuance of debt	-	-	-	91,781
Sales of capital assets	2,500	13,940	11,440	-
Total other financing sources (uses)	576,768	13,940	(562,828)	91,781

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, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	86,652	\$ 86,652	159,384
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Change in inventories		(9,295)		(4,806)
Proceeds from issuance of debt		-		(91,781)
Capital outlay		165,507		170,638
Change in deferred outflows - OPEB		99,333		34,627
Change in deferred inflows - OPEB		(13,044)		12,118
Change in net pension liability		(61,361)		(18,616)
Change in deferred outflows - pensions		28,493		(14,532)
Change in deferred inflows - pensions		410		542
Gain on transfer of asset		-		541
Accrued interest		2,000		(500)
OPEB liability		(55,948)		(72,574)
Compensated absences		(290)		4,574
Principal retirement		189,434		194,600
Depreciation expense		(295,583)		(301,618)
Change in net position		\$ 136,308		\$ 72,597

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, 2021

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Total
Revenues:				
Operating revenues:				
Charges for services	\$ 446,000	\$ 448,323	\$ 2,323	\$ 427,209
Non-operating revenues:				
Interest income	-	370	370	2,827
Total revenues	446,000	448,693	2,693	430,036
Expenditures:				
Salaries and employee benefits	301,640	253,200	48,440	295,957
Other operating expenditures	133,650	130,682	2,968	101,853
Capital outlay	13,500	-	13,500	15,211
Debt service - principal	-	-	-	18,462
Debt service - interest	-	-	-	318
Charges to other funds	-	-	-	(15,000)
Total expenditures	448,790	383,882	64,908	416,801
Revenues over (under) expenditures	(2,790)	64,811	67,601	13,235
Other Financing Sources (Uses):				
Appropriated net position	2,790	-	(2,790)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	64,811	\$ 64,811	13,235
Reconciliation From Budgetary Basis (Modified Accrual) To Full Accrual:				
Capital outlay		-		15,211
Change in deferred outflows - OPEB		29,925		20,776
Change in deferred inflows - OPEB		9,777		7,271
Change in net pension liability		8,560		(11,169)
Change in deferred outflows - pensions		(9,175)		(8,719)
Change in deferred inflows - pensions		362		325
Accrued interest		-		300
OPEB liability		97,094		(43,544)
Compensated absences		4,885		3,455
Principal retirement		-		18,462
Loss on transfer of asset		-		(541)
Depreciation expense		(21,841)		(29,005)
Change in net position		\$ 184,398		\$ (13,943)

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2021

	Workers' Compensation Insurance	Health Insurance	Total
Assets:			
Cash and cash equivalents	\$ 1,063,698	\$ 2,838,745	\$ 3,902,443
Liabilities:			
Accounts payable	100,000	301,020	401,020
Net Position:			
Unrestricted	\$ 963,698	\$ 2,537,725	\$ 3,501,423

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, 2021

	Workers' Compensation Insurance	Health Insurance	Total
Operating Revenues:			
Charges for services	\$ 179,671	\$ 3,809,498	\$ 3,989,169
Operating Expenses:			
Excess policy fees	123,145	257,138	380,283
Administrative fees	23,750	195,963	219,713
Claims	243,084	2,890,823	3,133,907
Total operating expenses	389,979	3,343,924	3,733,903
Operating income (loss)	(210,308)	465,574	255,266
Non-Operating Revenues:			
Investment income	932	4,340	5,272
Income before transfers	(209,376)	469,914	260,538
Transfers from other funds	750,000	-	750,000
Transfers to other funds	-	(250,000)	(250,000)
Total transfers	750,000	(250,000)	500,000
Change in net position	540,624	219,914	760,538
Net Position:			
Beginning of year - July 1	423,074	2,317,811	2,740,885
End of year - June 30	\$ 963,698	\$ 2,537,725	\$ 3,501,423

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Workers' Compensation Insurance	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 179,671	\$ 3,809,498	\$ 3,989,169
Cash paid for goods and services	<u>(342,979)</u>	<u>(3,293,837)</u>	<u>(3,636,816)</u>
Net cash provided (used) by operating activities	<u>(163,308)</u>	<u>515,661</u>	<u>352,353</u>
Cash Flows from Non-Capital Financing Activities:			
Operating transfers	<u>750,000</u>	<u>(250,000)</u>	<u>500,000</u>
Cash Flows from Investing Activities:			
Interest income	<u>932</u>	<u>4,340</u>	<u>5,272</u>
Net increase (decrease) in cash and cash equivalents	587,624	270,001	857,625
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>476,074</u>	<u>2,568,744</u>	<u>3,044,818</u>
End of year - June 30	<u><u>\$ 1,063,698</u></u>	<u><u>\$ 2,838,745</u></u>	<u><u>\$ 3,902,443</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Net operating income (loss)	\$ (210,308)	\$ 465,574	\$ 255,266
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Operating activities:			
Increase (decrease) in operating accounts payable and accrued liabilities	<u>47,000</u>	<u>50,087</u>	<u>97,087</u>
Net cash provided (used) by operating activities	<u><u>\$ (163,308)</u></u>	<u><u>\$ 515,661</u></u>	<u><u>\$ 352,353</u></u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUND
WORKERS' COMPENSATION INSURANCE
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	Financial Plan	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services	\$ 179,750	\$ 179,671	\$ (79)
Non-operating revenues:			
Interest income	250	932	682
Total revenues	<u>180,000</u>	<u>180,603</u>	<u>603</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	135,000	123,145	11,855
Administrative fees	25,000	23,750	1,250
Claims	805,000	243,084	561,916
Total expenditures	<u>965,000</u>	<u>389,979</u>	<u>575,021</u>
Operating income (loss)	<u>(785,000)</u>	<u>(209,376)</u>	<u>575,624</u>
Other Financing Sources (Uses):			
Appropriated net position	35,000	-	(35,000)
Transfers from other funds	750,000	750,000	-
Total other financing sources (uses)	<u>785,000</u>	<u>750,000</u>	<u>(35,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 540,624</u>	<u>\$ 540,624</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

INTERNAL SERVICE FUND

HEALTH INSURANCE

SCHEDULE OF REVENUES AND EXPENDITURES -

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 3,825,000	\$ 3,809,498	\$ (15,502)
Non-operating revenues:			
Interest income	-	4,340	4,340
Total revenues	<u>3,825,000</u>	<u>3,813,838</u>	<u>(11,162)</u>
Expenditures:			
Operating expenditures:			
Excess policy fees	355,000	257,138	97,862
Administrative fees	245,000	195,963	49,037
Claims	<u>3,475,000</u>	<u>2,890,823</u>	<u>584,177</u>
Total expenditures	<u>4,075,000</u>	<u>3,343,924</u>	<u>731,076</u>
Operating income (loss)	<u>(250,000)</u>	<u>469,914</u>	<u>719,914</u>
Other Financing Sources (Uses):			
Transfers to other funds	(250,000)	(250,000)	-
Appropriated fund balance	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 219,914</u>	<u>\$ 219,914</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD

STATEMENT OF NET POSITION

JUNE 30, 2021

	Tourism Development Authority
Assets:	
Cash and cash equivalents	\$ 305,067
Due primary government	<u>14,733</u>
Total assets	<u>319,800</u>
Liabilities:	
Accounts payable	<u>500</u>
Net Position:	
Restricted:	
Stabilization by state statute	14,733
Tourism promotion	<u>304,567</u>
Total net position	<u><u>\$ 319,300</u></u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

TOURISM DEVELOPMENT AUTHORITY BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Occupancy taxes	\$ 100,000	\$ 128,963	\$ 28,963
Non-operating revenues:			
Miscellaneous	1,000	1,769	769
Investment earnings	250	391	141
Total revenues	<u>101,250</u>	<u>131,123</u>	<u>29,873</u>
Expenditures:			
Current:			
Operating expenses	41,250	14,923	26,327
Grants and contributions	60,000	46,591	13,409
Total expenditures	<u>101,250</u>	<u>61,514</u>	<u>39,736</u>
Net change in fund balance	<u>\$ -</u>	69,609	<u>\$ 69,609</u>
Fund Balance:			
Beginning of year - July 1		<u>249,691</u>	
End of year - June 30		<u>\$ 319,300</u>	

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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, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 7,879,409	\$ 7,836,678	\$ 42,731
2019-2020	51,506	-	32,213	19,293
2018-2019	21,953	-	11,784	10,169
2017-2018	12,532	-	4,841	7,691
2016-2017	9,800	-	3,361	6,439
2015-2016	7,016	-	2,031	4,985
2014-2015	11,313	-	1,424	9,889
2013-2014	6,998	-	879	6,119
2012-2013	6,433	-	696	5,737
2011-2012	5,383	-	5,383	-
Total	<u>\$ 132,934</u>	<u>\$ 7,879,409</u>	<u>\$ 7,899,290</u>	113,053
Less: Allowance for uncollectible accounts				<u>63,368</u>
Ad valorem taxes receivable, net				<u>\$ 49,685</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 6,871,261
Economic Incentive Fund				<u>1,025,140</u>
Total ad valorem tax revenues				7,896,401
Reconciling items:				
Taxes written off				(5,383)
Interest				14,232
Miscellaneous adjustments				<u>(5,960)</u>
Total collections and credits				<u>\$ 7,899,290</u>

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$ 1,832,420,698	\$ 0.43	\$ 7,879,409	\$ 7,478,177	\$ 401,232
Total property valuation	<u>\$ 1,832,420,698</u>				
Net Levy			7,879,409	7,478,177	401,232
Uncollected taxes at June 30, 2021			<u>42,731</u>	<u>42,731</u>	-
Current Year's Taxes Collected			<u>\$ 7,836,678</u>	<u>\$ 7,435,446</u>	<u>\$ 401,232</u>
Current Levy Collection Percentage			<u>99.46%</u>	<u>99.43%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed valuation:					
Assessment ratio					100%
Real property				\$ 814,884,354	
Personal property				904,753,001	
Public service companies				<u>112,783,343</u>	
Total assessed valuation				\$ 1,832,420,698	
Tax rate per \$100				<u>0.43</u>	
Levy (includes discoveries, releases, and abatements)				<u>\$ 7,879,409</u>	

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, 2021, 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 22, 2021. 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 of 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 an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 22, 2021

CITY OF KINGS MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

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, 2021**

None reported.