

City of King, North Carolina



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

City of King
North Carolina

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019

Prepared by the City of King Finance Department:

Susan O'Brien, *Director of Finance and Personnel*

Debra Burnette, *Collections Supervisor*

Shannon Cain, *Accounting Technician*

Nicole Branshaw, *Payroll Technician*

Traci Ayers, *Collections Clerk*

Cindy Martin, *Collections Clerk*

THE CITY OF KING, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

INTRODUCTORY SECTION

Director of Finance’s Letter of Transmittal	1
Organizational Chart	5
Certificate of Achievement for Excellence in Financial Reporting	6
List of Principal Officials	7

FINANCIAL SECTION

Independent Auditor’s Report	8
Management’s Discussion and Analysis	11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet-Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-General Fund	24
Statement of Net Position-Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Fund	26
Statement of Cash Flows-Proprietary Fund	27
Notes to Financial Statements	28
Required Supplemental Financial Data	
Schedule of Proportionate Share of Net Position Liability (Asset) for Local Government Employees’ Retirement System	62
Schedule of Contributions to Local Government Employees’ Retirement System	63

Schedule of the Proportionate Share of the Net Pension Liability – Firefighters’ and Rescue Squad Workers’ Pension	64
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance	65
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers’ Special Separation Allowance	66
Schedule of Changes in Total OPEB Liability and Related Ratios	67
Combining, Individual Fund Financial Statements and Schedules	
The General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	68
Non Major Governmental Funds	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	73
Schedule of Revenues, Expenditures and Changes in Fund Balance-Federal Drug Forfeiture Fund	74
Schedule of Revenues, Expenditures and Changes in Fund Balance-State Law Enforcement	75
Schedule of Revenues, Expenditures and Changes in Fund Balance-Public Safety Capital Reserve Fund	76
Enterprise Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	77
Water and Sewer Capital Projects Funds	
Schedule of Revenues and Expenditures – Budget and Actual – Water/Sewer Capital Reserve	80
Supplemental Financial Data	
Schedule of Ad Valorem Taxes Receivable	81
Analysis of Current Tax Levy	82

STATISTICAL SECTION

Financial Trends Information	
Net Position by Component	83
Changes in Net Position	84
Fund Balances, Governmental Funds	86
Changes in Fund Balances, Governmental Funds	87
Revenue Capacity Information	
Assessed Value of Taxable Property	89
Property Tax Rates – Direct and Overlapping Government	90
Principal Property Taxpayers	92
Property Tax Levies and Collections	93
Debt Capacity Information	
Ratios of Outstanding Debt by Type	94
Computation of Legal Debt Margin	95
Direct and Overlapping Debt	96
Demographic and Economic Information	
Demographic Statistics	97
Principal Employers	98
Operating Information	
Employee Position Authorization by Function	99
Operating Indicators by Function/Program	100
Capital Assets by Function/Program	101
Utility Rates/Customer Concentration	102
Historical Rate/Fee Increases	103

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	105
Schedule of Expenditures of Federal and State Awards	107
Notes to Schedule of Expenditures of Federal and State Awards	108

INTRODUCTORY SECTION

P.O. Drawer 1132
King, NC 27021-1132

229 S. Main Street
Telephone (336) 983-8265
Fax (336) 983-3241

October 25, 2019

Honorable Mayor, Members of the City Council, and Citizens of the City of King, North Carolina:

State law requires that all local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of King, North Carolina (City) for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the City of King. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of King's financial statements have been audited by Cannon & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

COUNCILMEN

Mayor Pro Tempore Rick McCraw – Charles Allen – Brian Carico – Wesley Carter

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of independent auditors.

Profile of the City

The City of King, North Carolina, was incorporated in 1983, and is located in the northwestern piedmont section of the state. Encompassing five square miles, the City is located in Stokes and Forsyth Counties and has a 2010 population of 6,904. The City provides a full range of services including police and fire protection, streets, planning and zoning, parks and recreation and general administrative services. The City also operates water and sewer utility services.

The City operates under the Council-Manager form of government. The legislative body of the City is comprised of a Mayor and a four-member City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The Mayor and Council are elected at-large by the citizens, with the Mayor being elected separately. The Mayor serves a four-year term and is the presiding officer of the Council. Members of the City Council serve four-year terms as well. City Council elections are held every two years in order that the terms of office are staggered. The City Manager is responsible for the administration of the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments.

The annual budget serves as the foundation for the City's financial planning and control. Each year all City departments are required to submit requests for appropriations to the City Manager, who then compiles a proposed budget and presents it to City Council for review. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by July 1 of the fiscal year or the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. Legal budgetary control for operating budgets is exercised at the fund and department level. Transfers of appropriations between departments and funds require the approval of City Council. Budget to actual comparisons are provided in this report for each individual governmental fund and the proprietary fund for which an appropriated annual budget has been adopted.

Economic Conditions

The largest employers in the City provide a mixture of manufacturing, elder care, and retail. The seasonally unadjusted unemployment rate in Stokes County was 4.1% at June 30, 2019, equal to the State average of 4.1%. Analysis of the unemployment rate indicates that the labor force for Stokes County in June 2019 was 21,701 with 900 persons unemployed.

Overall, the City's economy is expected to remain stable. It is anticipated that the City will benefit from a North Carolina Department of Transportation project that includes construction of a new bridge over Highway 52 and Main Street widening from Big Oaks Drive to Kirby Road. Construction was completed in late 2011 and is anticipated to provide an economic benefit to the

City as business traffic will be able to navigate the southern area of town more safely and efficiently, making King a more desirable location for businesses.

The City enthusiastically awaits the I-74 corridor designation for what is currently known as Highway 52. When the designation is given and I-74 becomes a reality, growth in the business sector is expected.

Long Term Financial Planning

The City has ongoing capital projects to meet the needs of the citizens. During the Fiscal Year 2018-2019, the City achieved some improvements in municipal operations and services. Some of the more significant accomplishments for the year and major program initiatives for the future are discussed below.

In the Fiscal Year 2018-2019, three police vehicles and a new building were purchased. Two vehicles were to replace aging units and one was to replace a total loss. The cost of the vehicles including related graphics and equipment was \$121,945. An existing building, costing \$900,000, in the city was purchased to house the growing police department. The Fire Department purchased a brush truck and reconfigured the rescue truck at a cost of \$199,357. A new tractor and truck were purchased for the Streets department at a cost of \$61,692 and \$48,699, respectively.

Preliminary engineering work started on a wastewater treatment plant with cost of \$1,482,333 through June 30, 2019. Additional asset purchases include trucks for the Water Plant and Water Distribution departments at a cost of \$31,387 and \$25,197, respectively, and a new mower for the Water Plant at a cost of \$16,000.

Financial Policies

Tax Rate – The City Council strives to limit the growth of the annual operating budget to an amount which can be accommodated by growth in the tax base as well as other local, state and federal revenues, without a tax rate increase, whenever possible. The City of King's tax rate at \$0.422 is a minimum of 22% less than other full-service cities around the greater Triad region.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of King for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the eighth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's

requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the sixth consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged to be proficient as a policy document, a financial plan, and operations guide, and a communications device.

Finally, the City received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fourth consecutive fiscal year. In order to qualify for this award, the City's Popular Annual Financial Report (PAFR) had to meet requirements for information presented, reader appeal, understandability, distribution and other elements such as creativity and usefulness.

Acknowledgements

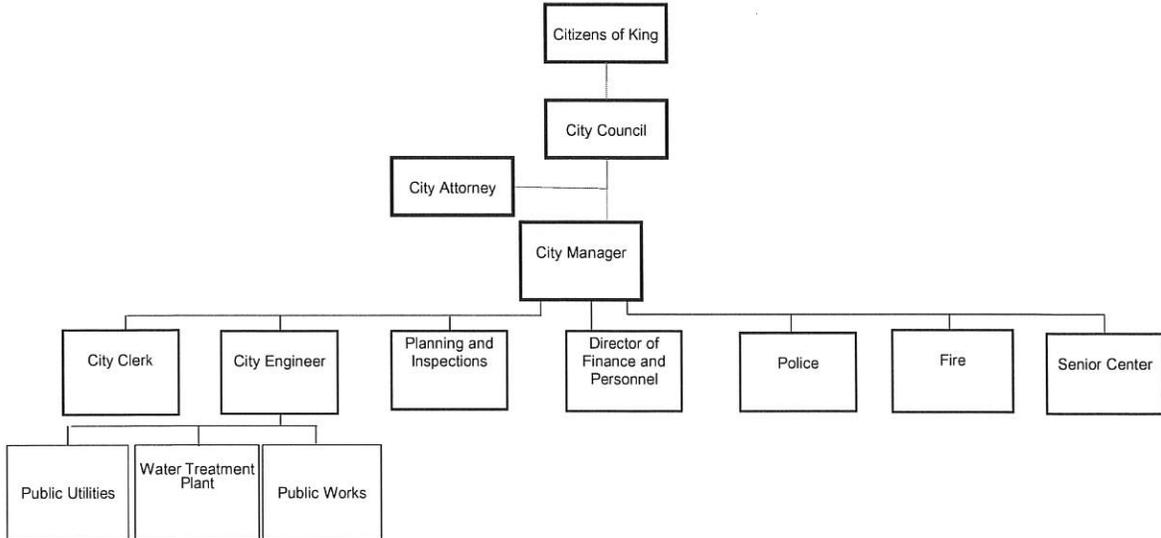
The preparation of this report would not have been possible without the dedicated efforts of the Finance Department as well as the cooperation of the other departments of the City of King. We would like to thank Cannon & Company, LLP, the City's independent auditors, for their assistance and dedication in preparing this report. In addition, we wish to express our appreciation to the Mayor and the City Council for their continued support, leadership and professionalism in conducting the financial affairs of the City.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Susan O'Brien".

Susan O'Brien
Director of Finance and Personnel

CITY OF KING
ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of King
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF KING
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2019

CITY COUNCIL

Jack Warren	Mayor
Rick McCraw	Mayor Pro Tempore
Charles Allen	Council Member
Brian Carico	Council Member
Wesley Carter	Council Member

CITY OFFICIALS

Homer Dearmin	City Manager
Tamara Hatley	City Clerk
Edwin M. Woltz	City Attorney
Susan O'Brien	Director of Finance and Personnel
Scott Barrow	City Engineer
Jordan Boyette	Police Chief
Steven Roberson	Fire Chief
Todd Cox	Director of Planning and Inspections
Suzan Garner	Senior Center Director
Ricky Lewis	Superintendent of Public Works
Robert Pettitt	Superintendent of Public Utilities
Ben Marion	Water Plant Superintendent

FINANCIAL SECTION



cannon&company
Certified Public Accountants LLP

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of King's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King, North Carolina as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 11 through 17, and the Other Post Employment Benefit Schedule of Changes in the Total OPEB Liability and Related Ratios and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 67 and 65-66, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 62 and 63, respectively, and the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of the Net Pension Liability on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of King, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards 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, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State awards are the responsibility of management and were derived from and relates 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 additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of the City of King's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of King's internal control over financial reporting and compliance.

Cannon & Company, S.P.A.

Winston-Salem, NC
October 25, 2019

Management's Discussion and Analysis

As management of the City of King, we offer readers of the City of King's financial statements this narrative overview and analysis of the financial activities of the City of King for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City of King's financial statements, which follow this narrative.

Financial Highlights

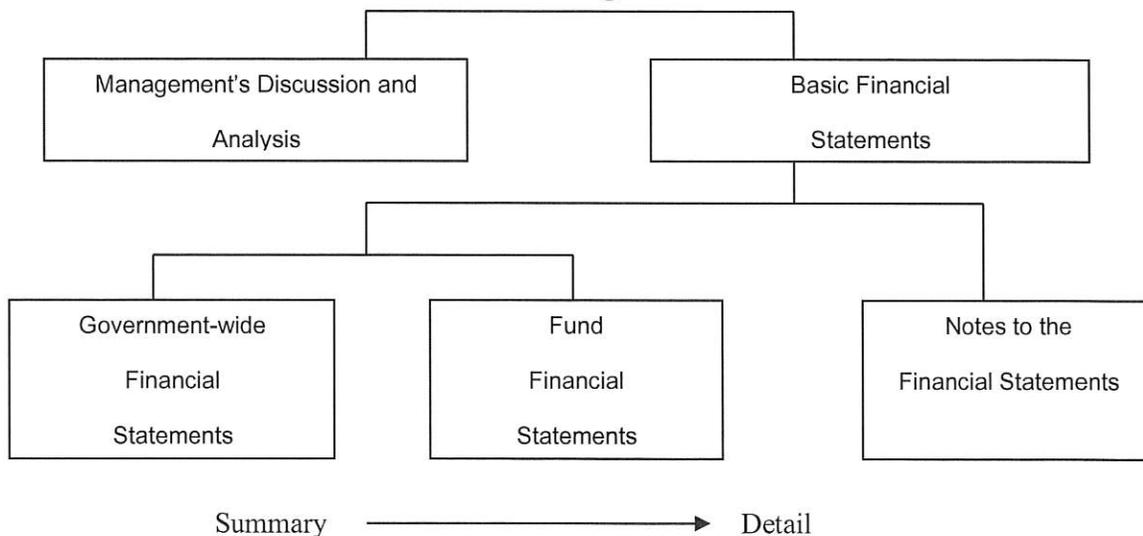
- The assets and deferred outflows of resources of the City of King exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by 34,768,164 (*net position*).
- The government's total net position increased by \$228,206 primarily due to increases in the business type activities net position.
- As of the close of the current fiscal year, the City of King's governmental funds reported combined ending fund balances of \$3,244,929 with a net change of (\$326,360) in fund balance. Fund balance of \$455,803, is non-spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance available for the General Fund was \$2,646,252 or 32.72 percent of total general fund expenditures for the fiscal year.
- Property taxes supported 33 percent of governmental services to citizens and the community in 2019. The City's tax rate for the fiscal year 2019 was \$0.422.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of King's basic financial statements, which 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 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 King.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar 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 it has 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 two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes 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 offered by the City of King.

The government-wide financial statements are on Exhibits 1 and 2 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 King, 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 City of King can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 King adopts an annual budget for its General Fund, as required by the North Carolina 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 Board 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 Board; 2) the final budget as amended by the board; 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 Fund - The City of King has one proprietary fund. An *Enterprise Fund* reports the same business-type activities that are included in the government-wide financial statements. The Enterprise Fund is used to account for water and sewer utilities. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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.

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

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 dependence, 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.

Government-Wide Financial Analysis

The City of King’s Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,392,831	\$ 3,675,467	\$ 8,105,252	\$ 8,138,383	\$ 11,498,083	\$ 11,813,850
Capital assets	11,183,836	10,197,597	28,070,308	28,246,060	39,254,144	38,443,657
Total assets	14,576,667	13,873,064	36,175,560	36,384,443	50,752,227	50,257,507
Deferred outflows of resources	879,173	573,897	366,936	235,589	1,246,109	809,486
Long-term liabilities	3,767,517	2,305,077	11,487,632	12,122,272	15,255,149	14,427,349
Other liabilities	483,033	610,133	1,414,147	1,407,448	1,897,180	2,017,581
Total liabilities	4,250,550	2,915,210	12,901,779	13,529,720	17,152,329	16,444,930
Deferred inflows of resources	55,525	57,477	22,318	24,628	77,843	82,105
Net position:						
Net investment in capital assets	9,139,595	9,021,411	16,365,093	15,741,520	25,504,688	24,762,931
Restricted	451,803	482,617	-	-	451,803	482,617
Unrestricted	1,558,367	1,970,274	7,253,306	7,324,164	8,811,673	9,294,410
Total net position	\$11,149,765	\$11,474,274	\$ 23,618,399	\$ 23,065,684	\$ 34,768,164	\$ 34,539,958

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 King exceeded liabilities and deferred inflows by \$34,768,164 as of June 30, 2019. The City's net position increased by \$228,206 for the fiscal year ended June 30, 2019. However, the largest portion (73%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of King uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of King's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of King's net position, \$451,803, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,811,673 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence by the counties for collection of property taxes by maintaining a tax collection percentage of 98.54%. The statewide average in fiscal year 2017 was 98.78%.
- Increased sales tax revenues of approximately \$101,057 due to economic growth in the City.

Figure 3

City of King's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 228,676	\$ 191,135	\$ 6,226,182	\$ 5,886,481	\$ 6,454,858	\$ 6,077,616
Operating grants and contributions	1,298,883	1,334,237	-	-	1,298,883	1,334,237
Capital grants and contributions	12,863	1,750	-	-	12,863	1,750
General revenues:						
Property taxes	2,676,332	2,614,507	-	-	2,676,332	2,614,507
Local option sales tax	1,210,372	1,109,315	-	-	1,210,372	1,109,315
Unrestricted investment earnings	61,515	43,047	89,106	27,831	150,621	70,878
Unrestricted intergovernmental	703,308	694,324	-	-	703,308	694,324
Other	271,859	195,108	3,352	-	275,211	195,108
Total revenues	<u>6,463,808</u>	<u>6,183,423</u>	<u>6,318,640</u>	<u>5,914,312</u>	<u>12,782,448</u>	<u>12,097,735</u>
Expenses:						
General government	626,536	621,349	-	-	626,536	621,349
Public Safety	4,498,484	4,063,683	-	-	4,498,484	4,063,683
Transportation	494,181	424,852	-	-	494,181	424,852
Environmental protection	686,387	631,724	-	-	686,387	631,724
Culture and recreation	444,939	477,809	-	-	444,939	477,809
Non-Departmental	764	559	-	-	764	559
Interest on long-term debt	37,026	27,108	-	-	37,026	27,108
Water and sewer	-	-	5,765,925	5,364,555	5,765,925	5,364,555
Total expenses	<u>6,788,317</u>	<u>6,247,084</u>	<u>5,765,925</u>	<u>5,364,555</u>	<u>12,554,242</u>	<u>11,611,639</u>
Increase in net position before transfers	(324,509)	(63,661)	552,715	549,757	228,206	486,096
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(324,509)	(63,661)	552,715	549,757	228,206	486,096
Beginning net position	11,474,274	11,544,430	23,065,684	22,462,427	34,540,089	34,006,857
Net position, beginning, restated	-	11,537,935	-	22,515,927	-	34,053,862
Net position, ending	<u>\$ 11,149,765</u>	<u>\$ 11,474,274</u>	<u>\$ 23,618,399</u>	<u>\$ 23,065,684</u>	<u>\$ 34,768,295</u>	<u>\$ 34,539,958</u>

Governmental activities. Governmental activities decreased the City's net position by (\$324,509), thereby accounting for -142.29% of the total growth of net position of the City of King. In comparison with Fiscal 2018, Governmental Activities saw an overall increase of 4.54% in revenues and an 8.67% increase in expenditures in Fiscal 2019.

Business-type activities. Business-type activities increased the City's net position by \$552,715, accounting for 242.29% of the net growth in the City's net assets. Rate structures of enterprise operations are set, insofar as practicable, to recover full operating costs plus depreciation and interest expense and to provide a reasonable working capital and reserve. The City did not increase water rates but did increase sewer rates by 6% in fiscal year 2019. In comparison with Fiscal 2018, the Water and Sewer Fund saw an overall increase of 5.77% in revenues and a 7.49% increase in expenses in Fiscal 2019.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of King. At the end of the current fiscal year, available fund balance of the General Fund was \$2,646,252 while total fund balance reached \$3,227,937. The Governing Body of the City of King has determined that the City should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 32.72 percent of the fiscal year 2019 budgeted expenditures, while total fund balance represents 40 percent of the same amount.

At June 30, 2019, the governmental funds of City of King reported a combined fund balance of \$3,244,929 with a net decrease in fund balance of \$326,360. This change in fund balance is a decrease in fund balance in the General Fund.

General Fund Budgetary Highlights. During the fiscal 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.

Differences between the original budget and the final amended budget resulted in an increase of \$1,389,888. Budget amendments included purchase of a building for the police department, park repairs, and additional sidewalk construction.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unassigned net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$7,253,306. The change in net position of the Water and Sewer Fund was an increase of \$552,715 which resulted from increases in sewer rates offset by small increases in spending.

Capital Asset and Debt Administration

Capital assets. The City of King's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$39,254,144 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery, equipment, and vehicles.

Major capital asset transactions during the year include annual streets paving, downtown sidewalks, and purchase of three police vehicles and a building and a new brush truck with refurbish of the rescue truck. Preliminary engineering work on a new wastewater treatment plant began in Fiscal 2018.

Additional information on the City's capital assets can be found in the Notes to the Financial Statements, Article II - **Detail Notes on All Funds**, Section 4. Capital Assets.

**City of King's Capital Assets
Figure 4**

(Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,363,266	\$ 5,363,266	\$ 628,152	\$ 628,152	\$ 5,991,418	\$ 5,991,418
Buildings	2,034,588	1,175,598	183,699	192,219	2,218,287	1,367,817
Construction in progress	115,735	64,583	1,482,333	732,333	1,598,068	796,916
Infrastructure	1,250,720	1,293,768	-	-	1,250,720	1,293,768
Improvements other than buildings	736,019	745,455	25,268,333	26,220,372	26,004,352	26,965,827
Equipment, furniture & fixtures	454,924	445,722	319,107	308,247	774,031	753,969
Software	12,438	16,961	-	-	12,438	16,961
Police K-9s	8,312	-	-	-	8,312	-
Vehicles	1,207,834	1,092,244	188,684	164,737	1,396,518	1,256,981
Total	\$ 11,183,838	\$ 10,197,597	\$ 28,070,308	\$ 28,246,060	\$ 39,254,144	\$ 38,443,657

Long-term debt

As of June 30, 2019 the City of King had installment and loan debt due in more than one year of 12,524,106. Of that, \$1,626,090 is General Fund debt which is backed by property tax and other revenues. The remaining \$10,898,016 is Enterprise Fund debt and will be repaid from utilities revenues. Additional information may be found in the Notes to the Financial Statements, Article II – **Detail Notes on All Funds**, Section 6. **Long-Term Obligations, b. Installment Purchase.**

City of King's Outstanding Debt

The City of King's Governmental Activities installment and loan debt increased by \$868,053 during the past fiscal year. New financing agreements were issued for the purchase of a building and vehicles for the police department and streets paving. Additional information may be found in the Notes to the Financial Statements, Article II – **Detail Notes on All Funds**, Section 6. **Long-Term Obligations, c. Changes in Long-Term Liabilities.**

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 City of King is \$49,071,854. The City had no bonds authorized but un-issued at June 30, 2019.

Economic Factors and Next Year's Budget and Rates

Factors considered in the preparation of the fiscal year 2020 City of King budget included:

- Expectation that state-collected revenues will remain stable compared to Fiscal 2019.

- A pay study was completed and implemented in FY 2018-2019; therefore, no COLA (Cost of Living Adjustment) was included.
- Renovations to the building purchased for the police department
- City-wide needs for additional streets paving and police vehicles
- Continuation of the design and bidding process for a new wastewater treatment plant
- Refurbishment of a sewer pump station

Governmental Activities: Actual revenues were below budgeted amounts for FY 18-19 by approximately 1.67%; budgeted revenues for FY 19-20 were increased by 7.44% over FY 18-19. The largest increases in expenditures are anticipated to be purchasing two police vehicles (\$90,000), renovations to the new police department (budgeted at \$125,500 but likely to increase), purchase of a new administrative truck for the fire department (\$70,000), and streets paving (\$296,206).

Business-type Activities: Rate increases of 3% for water and 3.5% for sewer were approved by the Board. Increased expenses for the Enterprise Fund include completion of the design phase for the proposed wastewater plant (\$514,845), the ongoing water line replacement program, refurbishment of a sewer pump station (\$350,000), and the ongoing sewer line replacement program.

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 Susan O'Brien, Director of Finance and Personnel, PO Box 1132, King, NC 27021 or visit our website www.ci.king.nc.us.

BASIC FINANCIAL STATEMENTS

CITY OF KING, NORTH CAROLINA

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and equivalents	\$ 2,692,150	\$ 6,391,338	\$ 9,083,488
Taxes receivable, net	82,356	-	82,356
Due from other funds	-	3,910	3,910
Accounts receivable, net	442,773	1,221,579	1,664,352
Prepaid expenses	157,950	66,150	224,100
Cash and investments - restricted	17,602	422,275	439,877
Total current assets	<u>3,392,831</u>	<u>8,105,252</u>	<u>11,498,083</u>
Capital Assets			
Land, improvements and construction in progress	5,363,266	628,152	5,991,418
Buildings, net of depreciation	2,034,588	-	2,034,588
Equipment and Furniture, net of depreciation	463,236		463,236
Infrastructure, net of depreciation	1,366,455		1,366,455
Other capital assets, net of depreciation	1,956,291	27,442,156	29,398,447
Total capital assets	<u>11,183,836</u>	<u>28,070,308</u>	<u>39,254,144</u>
Total assets	<u>\$ 14,576,667</u>	<u>\$ 36,175,560</u>	<u>\$ 50,752,227</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	870,732	363,321	1,234,053
OPEB deferrals	8,441	3,615	12,056
Total deferred outflows of resources	<u>879,173</u>	<u>366,936</u>	<u>1,246,109</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 60,974	\$ 117,352	\$ 178,326
Customer deposits	-	422,275	422,275
Due to (from) other funds	3,910		3,910
Current portion of long-term liabilities	418,149	874,520	1,292,669
Total current liabilities	<u>483,033</u>	<u>1,414,147</u>	<u>1,897,180</u>
Long-term liabilities:			
Net pension liability	1,075,762	461,041	1,536,803
Total OPEB liability	143,146	61,236	204,382
Net pension obligation LEO	424,321	-	424,321
Due in more than one year	2,124,288	10,965,355	13,089,643
Total noncurrent liabilities	<u>3,767,517</u>	<u>11,487,632</u>	<u>15,255,149</u>
Total liabilities	<u>4,250,550</u>	<u>12,901,779</u>	<u>17,152,329</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	45,638	18,086	63,724
OPEB deferrals	9,887	4,232	14,119
Total deferred inflows of resources	<u>55,525</u>	<u>22,318</u>	<u>77,843</u>
NET POSITION			
Net investment in capital assets	9,139,595	16,365,093	25,504,688
Restricted for:			
Stabilization by state statute	434,201	-	434,201
Streets	610	-	610
Federal and state drug forfeitures	16,992	-	16,992
Unrestricted:	1,558,367	7,253,306	8,811,673
Total net position	<u>\$ 11,149,765</u>	<u>\$ 23,618,399</u>	<u>\$ 34,768,164</u>

The notes to the financial statements are an integral part of this statement.

CITY OF KING, NORTH CAROLINA
 Statement of Activities
 For the Year Ended June 30, 2019

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities							
General government	\$ 626,536	\$ 57,331	\$ -	\$ -	\$ (569,205)	\$ -	\$ (569,205)
Public safety	4,498,484	71,817	1,057,946	12,863	(3,355,858)	-	(3,355,858)
Transportation	494,181	8,000	197,958	-	(288,223)	-	(288,223)
Environmental protection	686,387	74,010	5,148	-	(607,229)	-	(607,229)
Culture and recreation	444,939	17,518	37,831	-	(389,590)	-	(389,590)
Non-Departmental	764	-	-	-	(764)	-	(764)
Interest on long-term debt	37,026	-	-	-	(37,026)	-	(37,026)
Total governmental activities	6,788,317	228,676	1,298,883	12,863	(5,247,895)	-	(5,247,895)
Business-type activities							
Water & sewer fund	5,765,925	6,226,182	-	-	-	460,257	460,257
Total business-type activities	5,765,925	6,226,182	-	-	-	460,257	460,257
Total primary government	\$ 12,554,242	\$ 6,454,858	\$ 1,298,883	\$ 12,863	\$ (5,247,895)	\$ 460,257	\$ (4,787,638)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,676,332	-	2,676,332
Local option sales tax					1,210,372	-	1,210,372
Unrestricted intergovernmental					703,308	-	703,308
Unrestricted investment earnings					61,515	89,106	150,621
Grants and contributions not restricted to specific programs					500	-	500
Miscellaneous					212,067	-	212,067
Insurance proceeds					41,160	1,302	42,462
Gain (loss) on sale of assets					18,132	2,050	20,182
Total general revenues					4,923,386	92,458	5,015,844
Change in net position					(324,509)	552,715	228,206
Net position, previously reported					11,474,274	23,065,684	34,539,958
Net position, ending					\$ 11,149,765	\$ 23,618,399	\$ 34,768,164

CITY OF KING, NORTH CAROLINA

Balance Sheet
 Governmental Funds
 June 30, 2019

	General Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,692,150	\$ -	\$ 2,692,150
Cash and investments-restricted	610	16,992	17,602
Taxes receivable, net	82,356	-	82,356
Due from other funds	5,851	-	5,851
Prepaid items	157,950	-	157,950
Accounts receivable	442,776	-	442,776
Total assets	<u>\$ 3,381,693</u>	<u>\$ 16,992</u>	<u>\$ 3,398,685</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 60,974	\$ -	\$ 60,974
Due to other funds	9,760	-	9,760
Total liabilities	<u>70,734</u>	<u>-</u>	<u>70,734</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	83,022	-	83,022
Total deferred inflows of resources	<u>83,022</u>	<u>-</u>	<u>83,022</u>
FUND BALANCES			
Restricted:			
Stabilization by state statute	438,201	-	438,201
Streets	610	-	610
Federal and state drug forfeitures	-	16,992	16,992
Committed:			
Public safety	142,874	-	142,874
Unassigned	2,646,252	-	2,646,252
Total fund balances	<u>3,227,937</u>	<u>16,992</u>	<u>3,244,929</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,381,693</u>	<u>\$ 16,992</u>	<u>\$ 3,398,685</u>

CITY OF KING, NORTH CAROLINA

Balance Sheet

June 30, 2019

 Amounts reported for governmental activities in the Statement of Net Position (Exh 1) are different because:

Total fund balance, governmental funds	\$	3,244,929
--	----	-----------

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund.

Gross capital assets at historical cost	\$	16,252,204	
Accumulated depreciation		<u>(5,068,368)</u>	11,183,836

Deferred outflows of resources related to pensions are not reported in the funds	870,732
--	---------

Deferred outflows of resources related to OPEB are not reported in the funds	8,441
--	-------

Liabilities for earned revenues considered deferred inflows of resources in fund statements	83,022
---	--------

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Gross long-term debt	(2,044,241)
Net pension liability	(1,075,762)
Total pension liability	(424,321)
OPEB liability	(143,146)

Deferred inflows of resources related to pensions are not reported in the funds	(45,638)
---	----------

Deferred inflows of resources related to OPEB are not reported in the funds	(9,887)
---	---------

Other long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds	(498,200)
--	-----------

Net Position of Governmental Activities	<u>\$</u>	<u>11,149,765</u>
---	-----------	-------------------

CITY OF KING, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2019

	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,676,714	\$ -	\$ 2,676,714
Unrestricted intergovernmental	1,937,486	-	1,937,486
Restricted intergovernmental	1,324,043	866	1,324,909
Permits and fees	166,191	-	166,191
Sales and services	39,038	-	39,038
Investment earnings	61,286	229	61,515
Other revenues	199,048	-	199,048
Total revenues	<u>6,403,806</u>	<u>1,095</u>	<u>6,404,901</u>
EXPENDITURES			
Current:			
General government	590,155	-	590,155
Public safety	5,332,484	-	5,332,484
Transportation	653,539	-	653,539
Environmental protection	637,252	-	637,252
Culture and recreation	407,388	-	407,388
Debt service:			
Principal	428,488	-	428,488
Interest	37,024	-	37,024
Non-Departmental	764	-	764
Total expenditures	<u>8,087,094</u>	<u>-</u>	<u>8,087,094</u>
Excess (deficiency) of revenues over expenditures	<u>(1,683,288)</u>	<u>1,095</u>	<u>(1,682,193)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of installment purchase	1,296,541	-	1,296,541
Insurance proceeds	41,160	-	41,160
Sale of capital assets	18,132	-	18,132
Total other financing sources and uses	<u>1,355,833</u>	<u>-</u>	<u>1,355,833</u>
Net changes in fund balances	<u>(327,455)</u>	<u>1,095</u>	<u>(326,360)</u>
Fund balances-beginning	<u>3,555,392</u>	<u>15,897</u>	<u>3,571,289</u>
Fund balances-ending	<u>\$ 3,227,937</u>	<u>\$ 16,992</u>	<u>\$ 3,244,929</u>

CITY OF KING, NORTH CAROLINA
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities
 are different because

Net change in fund balances-total governmental funds	\$ (326,360)
--	--------------

Governmental funds report capital outlays as expenditures. However,
 in the Statement of Activities the cost of those assets is allocated
 over their useful lives and reported as depreciation expense. This is the
 amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	1,402,081	
Depreciation expense for governmental assets	(415,844)	
Asset impairment loss	<u>2,505</u>	988,742

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		230,383
---	--	---------

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		-
---	--	---

Revenues in the statement of activities that do not provide current financial
 resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues	<u>(384)</u>	(384)
---	--------------	-------

The issuance of long-term debt provides current financial resources to
 governmental funds, while the repayment of the principal of long-term
 debt consumes the current financial resources of governmental funds.
 Neither transaction has any effect on net assets. Also, governmental
 funds report the effect of issuance costs, premiums, discounts, and similar
 items when debt is first issued, whereas these amounts are deferred and
 amortized in the statement of activities. This amount is the net effect of
 these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,296,541)	
Principal payments on long-term debt	<u>428,488</u>	(868,053)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and these are not reported as
 expenditures in governmental funds.

Compensated absences	(8,926)	
Pension expense	(337,740)	
OPEB plan expense	<u>(2,171)</u>	(348,837)

Change in net assets of governmental activities	<u>\$ (324,509)</u>
---	---------------------

CITY OF KING, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 2,863,000	\$ 2,863,000	\$ 2,676,714	\$ (186,286)
Unrestricted intergovernmental	1,863,000	1,894,350	1,937,486	43,136
Restricted intergovernmental	1,228,323	1,353,466	1,324,043	(29,423)
Permits and fees	135,500	149,449	166,191	16,742
Sales and services	39,000	39,000	39,038	38
Investment earnings	20,200	20,200	61,286	41,086
Other revenues	150,500	190,902	199,048	8,146
Total revenues	<u>6,299,523</u>	<u>6,510,367</u>	<u>6,403,806</u>	<u>(106,561)</u>
EXPENDITURES				
Current:				
General Government	617,729	637,497	590,155	47,342
Public Safety	4,479,712	5,597,500	5,332,484	265,016
Transportation	603,794	716,526	653,539	62,987
Environmental protection	592,799	668,783	637,252	31,531
Culture and recreation	421,351	476,308	407,388	68,920
Debt service				
Principal retirement	342,963	439,671	428,488	11,183
Interest	45,546	37,024	37,024	-
Non-Departmental	10,612	10,612	764	9,848
Total expenditures	<u>7,114,506</u>	<u>8,583,921</u>	<u>8,087,094</u>	<u>496,827</u>
Revenues over (under) expenditures	<u>(814,983)</u>	<u>(2,073,554)</u>	<u>(1,683,288)</u>	<u>390,266</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from installment purchase	409,858	1,309,858	1,296,541	(13,317)
Insurance proceeds	-	32,764	41,160	8,396
Sale of capital assets	12,000	12,000	18,132	6,132
Total other financing sources and uses	<u>421,858</u>	<u>1,354,622</u>	<u>1,355,833</u>	<u>1,211</u>
Fund balance appropriated	393,125	718,932	-	718,932
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (327,455)</u>	<u>\$ (327,455)</u>
Fund balance, beginning			<u>3,555,390</u>	
Fund balance, ending			<u>\$ 3,227,935</u>	
A legally budgeted Public Safety Capital Reserve Fund is consolidated into the General Fund for reporting purposes.				
Interest Income			-	
Transfers to other funds			-	
Fund Balance, Beginning			<u>2</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 3,227,937</u>	

CITY OF KING, NORTH CAROLINA

Statement of Fund Net Position

Proprietary Funds

June 30, 2019

	Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,391,338	\$ 6,391,338
Accounts receivable, net	1,221,579	1,221,579
Due from other funds	3,910	3,910
Prepaid expenses	66,150	66,150
Cash and investments-restricted	422,275	422,275
Total current assets	<u>8,105,252</u>	<u>8,105,252</u>
Non-current assets:		
Capital assets, net	28,070,308	28,070,308
Total non-current assets	<u>28,070,308</u>	<u>28,070,308</u>
Total assets	<u>\$ 36,175,560</u>	<u>\$ 36,175,560</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	\$ 363,321	\$ 363,321
OPEB deferrals	3,615	3,615
Total deferred outflows of resources	<u>\$ 366,936</u>	<u>\$ 366,936</u>
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	807,190	807,190
Accounts payable and accrued liabilities	117,352	117,352
Compensated absences - current	67,330	67,330
Liabilities Payable from Restricted Assets:		
Customer deposits	422,275	422,275
Total current liabilities	<u>1,414,147</u>	<u>1,414,147</u>
Non-current liabilities:		
Total OPEB liability	61,236	61,236
Non-current portion of long-term debt	10,898,025	10,898,025
Net pension liability	461,041	461,041
Accrued vacation pay	67,330	67,330
Total non-current liabilities	<u>11,487,632</u>	<u>11,487,632</u>
Total liabilities	<u>12,901,779</u>	<u>12,901,780</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	18,086	18,086
OPEB deferrals	4,232	4,232
NET POSITION		
Net investment in capital assets	16,365,093	16,365,093
Unrestricted	7,253,306	7,253,306
Total net position	<u>\$ 23,618,399</u>	<u>\$ 23,618,399</u>

The notes to the financial statements are an integral part of this statement.

CITY OF KING, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the year ended June 30, 2019

	Enterprise Funds	
	Water and Sewer	
	Fund	Total
REVENUES		
Charges for services	\$ 6,170,977	\$ 6,170,977
Water and sewer taps	51,170	51,170
Other	4,035	4,035
Total operating revenues	<u>6,226,182</u>	<u>6,226,182</u>
OPERATING EXPENSES		
Governing Body	53,338	53,338
Administration	189,580	189,580
Finance	340,401	340,401
Water treatment and distribution	2,075,054	2,075,054
Waste collection and treatment	1,876,302	1,876,302
Engineering	141,533	141,533
Depreciation and amortization	1,029,190	1,029,190
Total operating expenses	<u>5,705,398</u>	<u>5,705,398</u>
Operating income	<u>520,784</u>	<u>520,784</u>
NON-OPERATING REVENUES (EXPENSES)		
Earnings on investments	89,106	89,106
Proceeds from fixed asset sales	2,050	2,050
Insurance proceeds	1,302	1,302
Interest on long-term debt	(60,527)	(60,527)
Total non-operating revenue (expenses), net	<u>31,931</u>	<u>31,931</u>
Income before contributions and transfers	552,715	552,715
Change in net position	552,715	552,715
Total net position, previously reported	<u>23,065,684</u>	<u>23,065,684</u>
Total net position, ending	<u>\$ 23,618,399</u>	<u>\$ 23,618,399</u>

CITY OF KING, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2019

	Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,307,155	\$ 6,307,155
Cash paid for goods and services	(3,191,986)	(3,191,986)
Cash paid to or on behalf of employees for services	(1,692,363)	(1,692,363)
Customer deposits received	9,388	9,388
Net cash provided by operating activities	<u>1,432,194</u>	<u>1,432,194</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(853,442)	(853,442)
Insurance proceeds	1,302	1,302
Fixed asset sales	2,050	2,050
Principal paid on bond maturities and notes	(800,126)	(800,126)
Interest paid on bond maturities and notes	(60,527)	(60,527)
Net cash used by capital and related financing activities	<u>(1,710,743)</u>	<u>(1,710,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	89,106	89,106
Net cash provided by investing activities	<u>89,106</u>	<u>89,106</u>
Net decrease in cash and cash equivalents	(189,443)	(189,443)
Balances, beginning	7,003,056	7,003,056
Balances, ending	<u>\$ 6,813,613</u>	<u>\$ 6,813,613</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 520,784	\$ 520,784
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,029,190	1,029,190
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(22,922)	(22,922)
Increase (decrease) in accounts payable and accrued liabilities	(18,725)	(18,725)
Increase (decrease) in allowance for doubtful accounts	(127,535)	(127,535)
(Increase) decrease in prepaid items	(5,050)	(5,050)
Increase (decrease) in customer deposits	9,388	9,388
(Increase) decrease in deferred outflows of resources - pensions	(128,751)	(128,751)
Increase (decrease) in net pension liability	157,727	157,727
Increase (decrease) in deferred inflows of resources - pensions	(3,690)	(3,690)
Increase (decrease) in OPEB liability	2,147	2,147
Increase in deferred outflows of resources-OPEB	(2,596)	(2,596)
Increase in deferred inflows of resources-OPEB	1,380	1,380
Increase in accrued OPEB liability	-	-
Increase in accrued vacation	20,847	20,847
Total adjustments	<u>911,410</u>	<u>911,410</u>
Net cash provided by operating activities	<u>\$ 1,432,194</u>	<u>\$ 1,432,194</u>

**NOTES TO THE
FINANCIAL
STATEMENTS**

I. – Summary of Significant Accounting Policies

The accounting policies of the City of King 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 of King is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - 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 non-major 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 operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, public works including sanitation and roads, cultural and recreation, and general government services. Additionally, the City has legally adopted a Public Safety Capital

I. – Summary of Significant Accounting Policies (Continued)

Reserve Fund. Under GASB 54 guidance the Public Safety Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Public Safety Capital Reserve Fund has been included in the supplemental information.

The City reports the following non-major governmental funds:

Federal Forfeiture Fund - Accounts for federal drug forfeiture funds that are legally restricted to expenditures for specified purposes.

State Forfeiture Fund - Accounts for state drug forfeiture funds that are legally restricted to expenditures for specified purposes.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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

I. – Summary of Significant Accounting Policies (Continued)

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 taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the 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 in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of King because the tax is levied by Stokes County and Forsyth County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services 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 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 and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Fund, the Capital Projects Fund, and Water and Sewer

I. – Summary of Significant Accounting Policies (Continued)

Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. The City Manager is authorized to transfer appropriations within a department without limit; he may transfer appropriations up to \$10,000 between departments of the same fund for each of the first three quarters of the fiscal year and up to \$50,000 between departments of the same fund for the fourth quarter of the fiscal year with an official report on such transfers provided at the next regular meeting of the City Council. The City Manager may not transfer any amounts between funds. Any other budgetary revisions must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 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 NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. 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.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Money in the Public Safety Capital Reserve Fund is classified as restricted assets because its use is restricted to the Public Safety Capital Reserve Fund per NC G.S. Chapter 159, Article 3,

I. – Summary of Significant Accounting Policies (Continued)

Part 2. Federal and State Forfeiture Funds are classified as restricted because their use is restricted to specified law enforcement purposes as defined by the US Department of Justice’s Equitable Sharing Program and the State of North Carolina’s Unauthorized Substance Tax Division. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

<u>City of King Restricted Cash</u>		
Governmental Activities		
General Fund		
	Streets	610
	Federal and State drug forfeitures	16,992
Business-type Activities		
Water and Sewer Fund		
	Customer Deposits	<u>\$ 422,275</u>
Total Restricted Cash		<u>\$ 439,877</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], Stokes and Forsyth Counties levy ad valorem taxes on behalf of the City 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, 2017. 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.

5. 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.

6. 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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation.

I. – Summary of Significant Accounting Policies (Continued)

Donated capital assets received after June 15, 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, water and sewer system assets, and other infrastructure assets and 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 using the straight-line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	50
Improvements	20
Vehicles	8
Furniture and equipment	10
Computer Equipment	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 meets this criterion, pension and OPEB deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial 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.

9. Long-Term Obligations

In the government-wide financial statements, and 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 discount. 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.

I. – Summary of Significant Accounting Policies (Continued)

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.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to 240 hours vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. 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 benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as invested in 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:

Nonspendable 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.

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

I. – Summary of Significant Accounting Policies (Continued)

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute, (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. 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 - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Federal and State drug forfeitures - portion of fund balance that is restricted for law enforcement purposes by Federal and State statutes.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of King's City Council (highest level of decision-making authority). The governing body 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 Public Safety – portion of fund balance that can only be used for public safety purposes imposed by majority vote of City of King's City Council.

Assigned fund balance – portion of fund balance, assigned by the Board under direction of GASB 54, that the City of King intends to use for specific purposes.

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 governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only governmental fund to have a positive unassigned fund balance.

The City of King has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Director of Finance will use resources in the following hierarchy: bond proceeds, Federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and unassigned fund balance. The Director of Finance, with approval of the City Manager, has the authority to deviate from this policy if it is in the best interest of the City.

I. – Summary of Significant Accounting Policies (Continued)

The City of King 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 25% of expenditures. The city's fund balance policy was amended in May 2017; if available fund balance exceeds 40%, council may appropriate or designate the excess for one-time capital expenditures. The minimum fund balance policy for the enterprise fund is that available fund balance is at least equal to or greater than 50% of expenditures.

12. 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 Government 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 of King's employer contributions are recognized when due and the City of King 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net pension have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. – Detail Notes on All Funds

A. Assets

1. Deposits

All deposits of the City 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's agent in the City's name. 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, these deposits are considered to be held by the City's agent in the City's name. 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City

II. – Detail Notes on All Funds(Continued)

has no formal policy regarding custodial credit risk for deposits, but relies 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 deposits are properly secured.

At June 30, 2019, the City’s deposits had a carrying amount of \$5,086,496 and a bank balance of \$5,236,831. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the City’s petty cash fund totaled \$700.

2. Investments

At June 30, 2019, the City’s investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value-Level 1	\$ 3,916,094	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	520,074	0.11 years	Unrated

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rate fluctuations, the City’s investment policy states that maturing investments should meet anticipated cash requirements, avoiding the need to sell securities before the maturity date.

Credit Risk. In accordance with the City’s investment policy, the City’s investments are further limited than the provisions of G.S. 159-30. The City’s investment policy restricts investments to those institutions utilizing a pooling method of collateralization as permitted by state law and by placement of funds in individual institutions with the invested funds being insured by the Federal Deposit Insurance Corporation (FDIC). The City’s investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2018. The City’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

II. – Detail Notes on All Funds(Continued)

Concentration of Credit Risk. Per the City’s investment policy, at no time should all securities be invested at a single institution and, at the time of purchase, no more than 25% of the portfolio balance may be invested in securities with terms of 180 days or greater.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General fund-taxes receivable	\$	8,300
Enterprise fund-accounts receivable		<u>144,397</u>
Total	\$	<u>152,697</u>

CITY OF KING, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

II. – Detail Notes on All Funds(Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,363,266	\$ -	\$ -	\$ 5,363,266
Construction in Progress	64,583	51,152	-	115,735
Total capital assets not being depreciated	<u>5,427,849</u>	<u>51,152</u>	<u>-</u>	<u>5,479,001</u>
Capital assets being depreciated:				
Buildings and improvements	2,512,430	914,772	-	3,427,202
Infrastructure	1,721,900	-	-	1,721,900
Other improvements	1,145,867	24,714	-	1,170,581
Equipment, furniture & fixtures	1,115,683	80,221	-	1,195,904
Software	98,844	-	-	98,844
Police dogs	13,850	9,500	-	23,350
Vehicles	2,871,540	321,724	57,842	3,135,422
Total capital assets being depreciated	<u>9,480,114</u>	<u>1,350,930</u>	<u>57,842</u>	<u>10,773,202</u>
Less accumulated depreciation for:				
Buildings	1,336,832	55,782	-	1,392,614
Infrastructure	428,132	43,048	-	471,180
Other improvements	400,412	34,150	-	434,562
Equipment, furniture & fixtures	669,961	71,019	-	740,980
Software	81,883	4,523	-	86,406
Police dogs	13,850	1,188	-	15,038
Vehicles	1,779,296	206,134	57,842	1,927,588
Total accumulated depreciation	<u>4,710,366</u>	<u>415,844</u>	<u>57,842</u>	<u>5,068,368</u>
Total capital assets being depreciated, net	<u>4,769,748</u>			<u>5,704,835</u>
Governmental activity capital assets, net	<u>\$ 10,197,597</u>			<u>\$ 11,183,836</u>

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

Administration	\$ 45,675
Police	82,811
Fire	168,263
Public buildings	4,248
Public works	57,460
Parks & recreation	57,386
Total depreciation expense	<u>\$ 415,844</u>

CITY OF KING, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 628,152	\$ -	\$ -	\$ 628,152
Construction in progress	732,333	750,000	-	1,482,333
Total capital assets not being depreciated	<u>1,360,485</u>	<u>750,000</u>	<u>-</u>	<u>2,110,485</u>
Capital assets being depreciated:				
Public buildings improvements	494,360	-	-	494,360
Sewer pump stations and lines	12,084,130	-	-	12,084,130
Water plant and distribution system	27,355,303	-	-	27,355,303
Furniture and fixtures	237,969	-	-	237,969
Other improvements	11,448	-	-	11,448
Fuel facility	52,816	-	-	52,816
Equipment	1,070,538	46,459	-	1,116,997
Vehicles	471,292	56,979	-	528,271
Total capital assets being depreciated	<u>41,777,856</u>	<u>103,438</u>	<u>-</u>	<u>41,881,294</u>
Less accumulated depreciation for:				
Public buildings improvements	302,141	8,520	-	310,661
Sewer pump stations and lines	6,483,204	265,874	-	6,749,078
Water plant and distribution system	6,774,413	660,960	-	7,435,373
Furniture and fixtures	213,042	8,238	-	221,280
Other improvements	525	572	-	1,097
Fuel facility	25,183	-	-	25,183
Equipment	787,218	51,994	-	839,212
Vehicles	306,555	33,032	-	339,587
Total accumulated depreciation	<u>14,892,281</u>	<u>1,029,190</u>	<u>-</u>	<u>15,921,471</u>
Total capital assets being depreciated, net	<u>26,885,575</u>			<u>25,959,823</u>
Business-type activity capital assets, net	<u>\$ 28,246,060</u>			<u>\$ 28,070,308</u>

4. Capital Assets (Continued)

Construction commitments

The government has no active construction projects as of June 30, 2019 as the design for downtown improvements has been placed on hold.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The City of King is a participating employer in the statewide Local Government 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 government 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 Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 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.

Liabilities (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of King 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 King's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.81% 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 King were \$329,118 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$1,536,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the City's proportion was .06478%, which was a decrease of .00140% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$413,399. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 237,092	\$ 7,956
Changes of assumptions	407,808	-
Net difference between projected and actual earnings on pension plan adjustments	210,957	-
Changes in proportion and differences between City contributions and proportionate share of contribution	26,095	52,330
City contributions subsequent to the measurement date	329,118	-
Total	<u>\$ 1,211,070</u>	<u>\$ 60,286</u>

\$329,118 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 ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	396,769
2021		258,601
2022		50,619
2023		115,677
2024		-
Thereafter		-
	<u>\$</u>	<u>821,666</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

Liabilities (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the US 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</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 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

Sensitivity of the City’s proportionate share of the net pension asset to changes in the discount rate. The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, 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 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City’s proportionate share of the net pension liability (asset)	\$3,691,534	1,536,803	(263,724)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description: The City of King 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 .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
	<u>21</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting – The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions – The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions – The City is required by Article 12D of GS 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.

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

At June 30, 2019, the City reported a total pension liability of \$424,321. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$45,853.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,983	\$ -
Changes of assumptions	-	3,438
Total	\$ 22,983	\$ 3,438

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 3,805
2021	3,805
2022	3,805
2023	3,805
2024	4,436
Thereafter	(111)

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.64 percent) or 1 percentage-point higher (4.64 percent) than the current rate:

	1% Decrease <u>(2.64%)</u>	Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Total pension liability	\$ 466,656	\$ 424,321	\$ 386,233

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

	2019
Beginning balance	\$ 383,110
Service Cost	29,942
Interest on the total pension liability	12,106
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	18,932
Changes of assumptions or other inputs	(19,769)
Benefit payments	-
Other changes	-
Net changes	<u>\$ 41,211</u>
Ending balance of the total pension liability	<u>\$ 424,321</u>

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 US population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of a actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 413,399	\$ 45,853	\$ 459,252
Pension Liability	1,536,803	424,321	1,961,124
Proportionate share of the net pension liability	0.06478%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	237,092	22,983	260,075
Changes of assumptions	407,808	-	407,808
Net difference between projected and actual earnings on plan investments	210,957	-	210,957
Changes in proportion and differences between contributions and proportionate share of contributions	26,095	-	26,095
Benefit payments and administrative costs paid subsequent to the measurement date	329,118	-	329,118
Deferred of Inflows of Resources			
Differences between expected and actual experience	7,956	-	7,956
Changes of assumptions	-	3,438	3,438
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	52,330	-	52,330

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Liabilities (Continued)

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent 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 \$49,819 for the reporting year. No amounts were forfeited.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of King, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,952,000 to the plan. The City of King's proportionate share of the State's contribution is \$7,271.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

Liabilities (Continued)

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

At June 30, 2019 the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$25,569. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the City recognized pension expense of \$7,271 and revenue of \$7,271 for support provided by the State. At June 30, 2019, the City reported no deferred outflows and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. 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 plans' 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.

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

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

e. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description – Under the terms of a City resolution, the City administers a single-employer defined benefit healthcare plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided - The plan provides postemployment healthcare benefits to retirees of the City, provided they participated in the North Carolina Local Government Employees’ Retirement System and have at least 20 years of service with the City or are age sixty-two (62) at retirement. The retiree pays the full cost of coverage for these benefits through a private insurer. Also, the City’s retirees can purchase coverage for their dependents at the City’s group rates. Retiree eligibility ends when the retiree reaches age 65 or Medicare eligibility, whichever comes first. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees’ Years of Creditable Service and Age	
Less than 20 years and under age 62	Not eligible for coverage
Age 62	Full coverage paid by the retiree
20 + years	Full coverage paid by the retiree

Membership of the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

	General Employees	Law Enforcement Officers
Retirees receiving benefits	1	1
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	60	20
Total	<u>61</u>	<u>21</u>

Total OPEB Liability

The City’s total OPEB liability of \$204,382 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

Inflation	2.50 percent
Salary increases	3.50 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare – 7.50 percent

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

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 197,226
Changes for the year:	
Service Cost at the end of the year	11,844
Interest on TOL and Cash Flows	6,915
Change in benefit terms	-
Difference between expected and actual experience	777
Changes of assumptions or other inputs	(6,380)
Benefit payments and implicit subsidy credit	(6,000)
Other	-
Net changes	<u>\$ 7,156</u>
Total OPEB Liability as of June 30, 2019	<u>\$ 204,382</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent).

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 224,449	\$ 204,382	\$ 186,424

Sensitivity of the total OPEB liability to changes 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

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 185,486	\$ 204,382	\$ 227,358

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$17,061. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 696	\$ 51
Benefits after measurement date	11,360	
Changes of assumptions	-	14,068
Total	\$ 12,056	\$ 14,119

Amounts reported as deferred inflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:	
2020	\$ (1,698)
2021	(1,698)
2022	(1,698)
2023	(1,698)
2024	(1,698)
Thereafter	(4,933)

2. Other Employment Benefits

Death Benefit Plan – The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all **Liabilities (Continued)**

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. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

In addition, the City provides two group-term life insurance policies for employees. One is a \$25,000 death benefit through the dental insurance carrier, Lincoln Financial as of July 1, 2018 and the other is a \$5,000 death benefit through Municipal Insurance Trust. Per IRS regulations, the cost of group-term life insurance provided to an employee for coverage that exceeds \$50,000 is taxable to the employee as a fringe benefit.

3. – Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 329,118
Benefit payments for OPEB made subsequent to the measurement date	12,056
Difference between expected and actual experience	260,075
Changes of assumptions	407,808
Net difference between projected and actual	210,957
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>26,095</u>
	<u>\$ 1,246,109</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, General Fund	\$ -	\$ 83,022
Changes of assumptions	17,506	-
Differences in expected versus actual	8,007	-
Changes in proportion and differences between employer share of contributions	<u>52,330</u>	<u>-</u>
Total	<u>\$ 77,843</u>	<u>\$ 83,022</u>

Liabilities (Continued)

4. – 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 participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability, public officials' liability, employment practices liability and police professionals' liability of \$1 million per occurrence, property coverage up to the total insured values of the property policy and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

Employee's health insurance coverage through Blue Cross Blue Shield of North Carolina began on July 1, 2017.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City carries flood insurance through the National Flood Insurance Plan (NFIP). Because the City's water plant is in an area of the State that has been mapped and designated an "X" area (part of land in flood plain but structure not affected) by the Federal Emergency Management Agency, flood insurance is not required but highly recommended. The City purchases coverage of \$500,000 per structure and \$500,000 for contents through the NFIP.

In accordance with G.S. 159-29, the City's employees that, at any given time, have access to \$100 or more of the City's funds are performance bonded through a commercial surety bond. The Finance Officer and City Manager are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$5,000.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2019, the City was the defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Liabilities (Continued)

6. Long-Term Obligations

a. Lease Obligations

The police department leases equipment to access government information to aid in law enforcement on a month-to-month basis. Rental expense was \$2,760, \$2,760, and \$1,896 for 2019, 2018 and 2017, respectively.

The City entered into lease agreements on July 18, 2018 for a 2018 Toyota 4Runner and a 2018 Toyota Tundra; the leases require 35 monthly payments of \$450 each. Mileage in excess of 18,000 per year will be billed at a rate of \$ 0.18 per mile. Purchase option at the end of the lease will be \$35,200 for the Tundra and \$26,500 for the 4Runner.

b. Installment Purchase

General Fund installment obligations consisted of the following at June 30, 2019:

Direct placement contract for the construction of Recreation Acres soccer fields. Issued in August 2005; payable in 15 annual installments of \$63,807 plus interest at 4.33% through Fiscal 2020.	\$ 63,802
Direct placement contract for the purchase of a fire truck. Issued in August 2011; payable in 10 annual installments of \$50,761 including interest at 2.91% through Fiscal 2022.	143,833
Direct placement contract for the paving of City streets and the purchase of two police vehicles and a brush truck; issued in October 2015; payable in 5 annual installments of \$70,010 including interest at 1.65% through Fiscal 2020	68,265
Direct placement contract for the purchase of a fire truck. Issued in August 2017; payable in 10 annual installments of \$58,008 including interest at 2.290% through Fiscal 2027.	419,826
Direct placement contract for the paving of City Streets. Issued in September 2016; payable in 5 annual installments of \$52,647 including interest at 1.830% through Fiscal 2021.	102,298
Direct placement contract for the paving of City Streets and the purchase of a truck and a tractor. Issued in October 2018; payable in 5 annual installments of \$71,202 including interest at 3.080% through Fiscal 2024.	312,915

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

Direct placement contract for a building for the Police Department. Issued in April 2019; payable in 15 annual installments of \$60,000 including interest at 3.500% through Fiscal 2034.	900,000
Direct placement contract for the purchase of two police vehicles. Issued in December 2016; payable in 6 annual installments of \$13,074 including interest at 2.970% through Fiscal 2022.	<u>33,300</u>
	<u>\$ 2,044,239</u>
Due within one year	\$ 418,149
Due in more than one year	<u>1,626,090</u>
	<u>\$ 2,044,239</u>
Enterprise Fund Revenue Bonds, State Revolving Loans and direct placement agreements consist of the following at June 30, 2019.	
\$258,859 State Revolving Loan. Issued in June 2000; principal due annually in April and semiannual interest due in October and April. Installments of \$12,943 plus interest of varying amounts at 2.47% through fiscal 2020.	\$ 12,943
\$604,010 State Revolving Loan. Issued in March 2001; principal due annually in April and semiannual interest due in October and April. Installments of \$31,790 plus interest of varying amounts at 2.87% through fiscal 2023.	127,160
\$12,964,312 State Revolving Loan. Issued in November 2014; Loan Reduced in 2018 to \$12,963,726; principal due annually in May; installments of \$648,098 in 2019 and \$648,186 thereafter with no interest through fiscal 2035	10,370,981
Direct placement contract for the construction of the Goff Road Pump Station. Issued in March 2016; due in 10 annual installments of \$28,227 including interest at 2.39% through fiscal 2025.	155,839
Direct placement contract for the purchase and construction of a Belt Filter Press. Issued in April 2019; due in 10 annual installments of \$122,837 including interest at 3.180% through Fiscal Year 2029.	<u>1,038,292</u>
	<u>\$ 11,705,215</u>
Due within one year	\$ 807,199
Due in more than one year	<u>10,898,016</u>
	<u>\$ 11,705,215</u>

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

At June 30, 2019, the City of King had no bonds authorized but unissued and had a legal debt margin of \$49,071,854.

c. Changes in Long-Term Liabilities

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 418,149	\$ 62,373	\$ 807,199	\$ 40,763
2021	284,390	50,722	797,687	36,091
2022	238,052	42,787	801,249	31,616
2023	175,655	35,699	804,912	27,041
2024	160,328	30,335	776,896	22,355
2025-2029	467,078	91,849	3,828,137	55,177
2030-2035	300,587	31,500	3,889,135	-
	<u>\$ 2,044,039</u>	<u>\$ 342,265</u>	<u>\$ 11,705,215</u>	<u>\$ 213,043</u>

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2019.

Governmental activities:	Beginning Balances, as restated	Increases	Decreases	Ending Balances	Current Portion
Direct placement installment purchase	\$ 1,176,186	\$ 1,296,541	\$ 428,488	\$ 2,044,239	\$ 418,149
Compensated absences	489,272	91,747	82,821	498,198	249,099
Total OPEB Liability	138,137	5,009	-	143,146	-
Net pension liability (LGERS)	707,733	368,029	-	1,075,762	-
Total pension liability (LEO)	383,110	41,211	-	424,321	-
Governmental activity long-term liabilities	<u>\$ 2,894,438</u>	<u>\$ 1,802,537</u>	<u>\$ 511,309</u>	<u>\$ 4,185,666</u>	<u>\$ 667,248</u>

Current portion	\$ 667,248
Noncurrent portion	<u>3,518,418</u>
	<u>\$ 4,185,666</u>

Business-type activities:

State Revolving Loans	\$ 11,204,500	\$ -	\$ 693,416	\$ 10,511,084	\$ 692,929
Direct placement installment purchase	1,300,041	-	105,910	1,194,131	114,270
Net pension liability (LGERS)	303,314	157,727	-	461,041	-
Total OPEB Liability	59,089	2,147	-	61,236	-
Compensated absences	113,813	30,543	9,696	134,660	67,330
Business-type activity long-term liabilities	<u>\$ 12,980,757</u>	<u>\$ 190,417</u>	<u>\$ 809,022</u>	<u>\$ 12,362,152</u>	<u>\$ 874,520</u>

Current portion	\$ 874,520
Noncurrent portion	<u>11,487,632</u>
	<u>\$ 12,362,152</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

B. Interfund Balances and Activity

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

Due to Enterprise Fund from Flex Spending Fund

\$3,910

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities (Continued)

C. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 11,183,836	\$ 28,070,308
Less: long-term debt	<u>2,044,241</u>	<u>11,705,215</u>
Net investment in capital asset	<u>\$ 9,139,595</u>	<u>\$ 16,365,093</u>

D. Fund Balance

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

Total fund balance – General Fund	\$ 3,227,937
Less:	
Stabilization by state statute	438,201
Streets-Powell Bill	610
Committed-Public Safety	142,874
Fund Balance per Policy	2,021,775
Unassigned	624,477

The City of King 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 25% of expenditures. The city’s fund balance policy was amended in May 2017; if available fund balance exceeds 40%, council may appropriate or designate the excess for one-time capital expenditures. The minimum fund balance policy for the enterprise fund is that available fund balance is at least equal to or greater than 50% of expenditures.

No outstanding encumbrances existed at June 30, 2019 for the General Fund.

III – 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 agreements. Such audits could result in the refund of grant moneys 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 moneys.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Position Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in Total OPEB Liability and Related Ratios

CITY OF KING, NORTH CAROLINA
City of King's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
King's proportion of the net pension liability (asset) (%)	0.06478%	0.06618%	0.05706%	0.06398%	0.06186%	0.06030%
King's proportion of the net pension liability (asset) (\$)	1,536,803	1,011,047	1,211,005	287,138	(364,817)	726,847
King's covered payroll	3,968,432	3,786,760	3,404,417	3,283,105	3,074,049	3,119,097
King's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.73%	26.70%	35.57%	8.75%	-11.87%	23.30%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF KING, NORTH CAROLINA
City of King's Contributions
Required Supplementary Information
Last Six Fiscal Years
Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 329,118	\$ 298,982	\$ 274,805	\$ 226,204	\$ 227,316	\$ 207,169
Contributions in relation to the contractually required contribution	329,118	298,982	274,805	226,204	227,316	207,169
Contribution deficiency (excess)	<u>\$ -</u>					
King's covered payroll	4,268,720	3,968,432	3,786,760	3,404,417	3,283,105	3,074,049
Contributions as a percentage of covered-employee payroll	7.71%	7.53%	7.26%	6.64%	6.92%	6.74%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF KING, NORTH CAROLINA

City of King's Proportionate Share of Net Pension Liability

Required Supplementary Information

Last Five Fiscal Years

Firefighters' and Rescue Squad Workers' Pension

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
King's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
King's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of King	26,569	20,573	16,133	15,173	11,682
Total	<u>\$ 26,569</u>	<u>\$ 20,573</u>	<u>\$ 16,133</u>	<u>\$ 15,173</u>	<u>\$ 11,682</u>
King's covered payroll	1,170,986	1,060,324	952,164	841,680	748,212
King's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.27%	1.94%	1.69%	1.80%	1.56%
Plan fiduciary net pension as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

CITY OF KING, NORTH CAROLINA
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance
 June 30, 2019

	2019	2018	2017
Beginning balance	\$ 383,110	\$ 310,961	\$ 287,451
Service cost	29,942	24,237	22,307
Interest on the total pension liability	12,106	12,003	10,262
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	18,932	9,539	-
Changes of assumptions or other inputs	(19,769)	26,370	(9,059)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 424,321</u>	<u>\$ 383,110</u>	<u>\$ 310,961</u>

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

CITY OF KING, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Total pension liability	\$ 424,321	\$ 383,110	\$ 310,961
Covered payroll	1,172,486	1,102,346	1,049,868
Total pension liability as a percentage of covered payroll	36.19%	34.75%	29.62%

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

CITY OF KING, NORTH CAROLINA

Schedule of Changes in Total OPEB Liability and Related Ratios

June 30, 2019

Total OPEB Liability	2019	2018
Service cost	\$ 11,844	\$ 12,747
Interest	6,915	5,772
Changes of benefit terms	-	-
Differences between expected and actual experience	777	(65)
Changes of assumptions	(6,380)	(10,565)
Benefit payments	(6,000)	(4,807)
Net Change in total OPEB liability	7,156	3,082
Total OPEB liability - beginning	197,226	194,144
Total OPEB liability - ending	\$ 204,382	\$ 197,226
Covered payroll	3,968,432	3,786,760
Total OPEB liability as a percentage of covered payroll	5.15%	5.21%

Notes to Schedule

Changes of 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:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

**INDIVIDUAL FUND
STATEMENTS AND
SCHEDULES**

CITY OF KING, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Current year		\$ 2,606,829	
Prior year		60,032	
Penalties and interest		9,853	
Total	<u>\$ 2,863,000</u>	<u>2,676,714</u>	<u>\$ (186,286)</u>
Unrestricted intergovernmental			
Local option sales tax		1,210,372	
Video programming tax		36,010	
Payments in lieu of taxes		203,805	
Beer and wine tax		29,851	
Utility franchise tax		405,829	
Motor vehicle fee		27,813	
Senior Center revenue		23,806	
Total	<u>1,894,350</u>	<u>1,937,486</u>	<u>43,136</u>
Restricted intergovernmental			
Police standby		5,323	
Powell bill allocation		197,958	
Solid waste disposal tax		5,149	
Fire district revenue		1,049,809	
Fire standby		5,845	
On-behalf payments		7,271	
Fire hydrant maintenance		25,000	
FEMA deployment reimbursement		11,863	
Yard carts		800	
Body armor grant		1,000	
ARC COG grant		14,025	
Total	<u>1,353,466</u>	<u>1,324,043</u>	<u>(29,423)</u>
Permits and fees			
Fire permits/inspections		17,283	
Yard waste fee		7,557	
Landfill tipping fee		65,653	
Court-awarded funds		15,488	
Inspection/Zoning fees		57,331	
Police permits/fingerprinting		2,879	
Total	<u>149,449</u>	<u>166,191</u>	<u>16,742</u>

CITY OF KING, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Sales and services			
DOT mowing		8,000	
Veteran's Memorial pavers		500	
Rental income		13,020	
Facility/shelter rentals		13,052	
Parks and recreation programs		2,105	
Athletic fees		2,361	
Total	<u>39,000</u>	<u>39,038</u>	<u>38</u>
Investment earnings	<u>20,200</u>	<u>61,286</u>	<u>41,086</u>
Other revenues			
Recycling revenues		3,261	
Vehicle fuel-outside agencies		120,946	
Cell tower payments		65,248	
Contributions and donations		5,725	
Miscellaneous		3,868	
	<u>190,902</u>	<u>199,048</u>	<u>8,146</u>
Total revenues	<u>6,510,367</u>	<u>6,403,803</u>	<u>(106,564)</u>
EXPENDITURES			
General government			
Governing body			
Salaries and employee benefits		14,001	
Operating expenses		15,626	
Professional services		27,858	
		<u>57,485</u>	
Administration			
Salaries and employee benefits		110,504	
Operating expenses		24,644	
		<u>135,148</u>	
Finance			
Salaries and employee benefits		113,314	
Operating expenses		56,900	
		<u>170,214</u>	
Planning and inspections			
Salaries and employee benefits		189,907	
Operating expenses		20,012	
		<u>209,919</u>	
Public buildings			
Operating expenses		17,389	
		<u>17,389</u>	
Total General Government	<u>637,497</u>	<u>590,155</u>	<u>47,342</u>

CITY OF KING, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Police			
Salaries and employee benefits		1,695,225	
Operating expenses		322,315	
Capital outlay		<u>1,046,217</u>	
		<u>3,063,757</u>	
Fire			
Salaries and employee benefits		1,742,209	
Operating expenses		318,176	
Capital outlay		<u>208,342</u>	
		<u>2,268,727</u>	
Total Public Safety	<u>5,597,500</u>	<u>5,332,484</u>	<u>265,016</u>
Transportation			
Streets			
Salaries and employee benefits		57,156	
Street lights		78,102	
Operating expenses		97,873	
Capital outlay		<u>420,408</u>	
Total Transportation	<u>716,526</u>	<u>653,539</u>	<u>62,987</u>
Environmental protection			
Solid waste			
Salaries and employee benefits		53,463	
Operating expenses		<u>313,527</u>	
		<u>366,990</u>	
Public works			
Salaries and employee benefits		152,761	
Operating expenses		<u>117,501</u>	
		<u>270,262</u>	
Total Environmental Protection	<u>668,783</u>	<u>637,252</u>	<u>31,531</u>
Culture and Recreation			
Recreation			
Salaries and employee benefits-recreation acres		93,738	
Salaries and employee benefits-central park		54,512	
Operating expenses-recreation acres		65,106	
Operating expenses-central park		24,180	
Capital outlay-recreation acres		31,102	
Capital outlay-central park		<u>12,624</u>	
		<u>281,262</u>	
Community development			
Operating expenses		<u>19,560</u>	
Library			
Operating expenses		<u>17,006</u>	

CITY OF KING, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Senior center			
Salaries and employee benefits		70,570	
Operating expenses		18,990	
		<u>89,560</u>	
Total Culture and Recreation	<u>476,308</u>	<u>407,388</u>	<u>68,920</u>
Debt service			
Principal retirement		428,488	
Interest		37,024	
Total	<u>476,695</u>	<u>465,512</u>	<u>11,183</u>
Non-Departmental	<u>10,612</u>	<u>764</u>	<u>9,848</u>
TOTAL EXPENDITURES	<u>8,583,921</u>	<u>8,087,094</u>	<u>496,827</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,073,554)</u>	<u>(1,683,293)</u>	<u>390,261</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from installment purchase	1,309,858	1,296,541	(13,317)
Insurance proceeds	32,764	41,160	8,396
Sale of capital assets	12,000	18,132	6,132
Total other financing sources and uses	<u>1,354,622</u>	<u>1,355,833</u>	<u>1,211</u>
Fund balance appropriated	718,932	-	718,932
Net change in fund balance	<u>\$ -</u>	<u>(327,455)</u>	<u>\$ (327,455)</u>
Fund balance, beginning		<u>3,555,390</u>	
Fund balance, ending		<u>\$ 3,227,935</u>	

CITY OF KING, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	Federal Forfeiture <u>Fund</u>	State Forfeiture <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash	3,453	13,539	16,992
Total assets	<u>3,453</u>	<u>13,539</u>	<u>16,992</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds-GF	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Public Safety	3,453	13,539	16,992
Total fund balances	<u>3,453</u>	<u>13,539</u>	<u>16,992</u>
Total liabilities and fund balances	<u>\$ 3,453</u>	<u>\$ 13,539</u>	<u>\$ 16,992</u>

CITY OF KING, NORTH CAROLINA**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****NONMAJOR GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2019

	Federal Forfeiture <u>Fund</u>	State Forfeiture <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Court Awarded Funds	\$ -	\$ -	\$ -
Controlled substance tax	-	866	866
Investment earnings	47	182	229
Total Revenues	<u>47</u>	<u>1,048</u>	<u>1,095</u>
EXPENDITURES			
Expenditures	-	-	-
Debt Service	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>47</u>	<u>1,048</u>	<u>1,095</u>
OTHER FINANCING SOURCES (USES)			
General fund transfers in (out)	-	-	-
Enterprise fund transfers in (out)	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	47	1,048	1,095
Fund balances, beginning	<u>3,406</u>	<u>12,491</u>	<u>15,897</u>
Fund balances, ending	<u>\$ 3,453</u>	<u>\$ 13,539</u>	<u>\$ 16,992</u>

CITY OF KING, NORTH CAROLINA
SPECIAL REVENUE FUND-FEDERAL DRUG FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Forfeiture Funds	\$ 3,437	\$ 7,612	\$ -	\$ 7,612	4,175
Investment earnings	-	39	47	86	86
	<u>3,437</u>	<u>7,651</u>	<u>47</u>	<u>7,698</u>	<u>4,261</u>
EXPENDITURES					
Equipment	-	-	-	-	-
Supplies/materials	3,437	4,245	-	4,245	(808)
Contracted services	-	-	-	-	-
	<u>3,437</u>	<u>4,245</u>	<u>-</u>	<u>4,245</u>	<u>(808)</u>
Revenues over (under) expenditures	<u>-</u>	<u>3,406</u>	<u>47</u>	<u>3,453</u>	<u>3,453</u>
Other financing sources (uses):					
Operating transfer in (out):	-	-	-	-	-
Fund balance appropriated	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,406</u>	47	<u>\$ 3,453</u>	<u>\$ 3,453</u>
Fund balance, beginning			<u>3,406</u>		
Fund balance, ending			<u>\$ 3,453</u>		

CITY OF KING, NORTH CAROLINA
SPECIAL REVENUE FUND-STATE DRUG FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Court Awarded Funds	\$ 6,048	\$ 21,320	\$ -	\$ 21,320	\$ 15,272
Controlled substance tax	3,000	26,762	866	27,628	24,628
Investment earnings	-	472	182	654	654
	<u>9,048</u>	<u>48,554</u>	<u>1,048</u>	<u>49,602</u>	<u>40,554</u>
EXPENDITURES					
Equipment	26,598	31,950	-	31,950	(5,352)
Supplies/materials	4,194	6,025	-	6,025	(1,831)
Court-Ordered Police K9	1,346	1,346	-	1,346	-
Court-Ordered Special Training/Equipment	3,772	4,396	-	4,396	(624)
Court-Ordered Other	2,988	2,988	-	2,988	-
Contracted services	2,500	-	-	-	2,500
	<u>41,398</u>	<u>46,705</u>	<u>-</u>	<u>46,705</u>	<u>(5,307)</u>
Revenues over (under) expenditures	<u>(32,350)</u>	<u>1,849</u>	<u>1,048</u>	<u>2,897</u>	<u>35,247</u>
Other financing sources (uses):					
Operating transfer in (out):	8,106	10,642	-	10,642	2,536
Fund balance appropriated	24,244	-	-	-	(24,244)
Total other financing sources	<u>32,350</u>	<u>10,642</u>	<u>-</u>	<u>10,642</u>	<u>(21,708)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,491</u>	<u>1,048</u>	<u>\$ 13,539</u>	<u>\$ 13,539</u>
Fund balance, beginning			<u>12,491</u>		
Fund balance, ending			<u>\$ 13,539</u>		

CITY OF KING, NORTH CAROLINA
SPECIAL REVENUE FUND-PUBLIC SAFETY CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 60	\$ 528	\$ -	\$ 528	\$ 468
	<u>60</u>	<u>528</u>	<u>-</u>	<u>528</u>	<u>468</u>
Other financing sources (uses):					
Operating transfers in (out)					
General Fund	107,330	107,330	-	107,330	-
General Fund	<u>(107,390)</u>	<u>(107,856)</u>	<u>-</u>	<u>(107,856)</u>	<u>(466)</u>
Total other financing sources (uses)	<u>(60)</u>	<u>(526)</u>	<u>-</u>	<u>(526)</u>	<u>(466)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2</u>	<u>-</u>	<u>\$ 2</u>	<u>\$ 2</u>
Fund balance, beginning			<u>2</u>		
Fund balance, ending			<u>\$ 2</u>		

CITY OF KING, NORTH CAROLINA

Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP)

Water and Sewer Fund

For the year ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenue			
Charges for services			
Water sales		\$ 2,830,426	
Sewer charges		3,302,011	
Water and sewer taps		51,170	
Water and sewer capacity		18,000	
Water and sewer line availability		20,540	
Other		4,035	
	<u>\$ 6,024,750</u>	<u>6,226,182</u>	<u>\$ 201,432</u>
Nonoperating revenues			
Interest on investments	<u>20,000</u>	<u>89,106</u>	<u>69,106</u>
Total revenues	<u>6,044,750</u>	<u>6,315,288</u>	<u>270,538</u>
EXPENSES			
Water and sewer governing body			
Salaries and employee benefits		14,024	
Supplies		1,357	
Contracted services		17,799	
Other operating expenses		20,157	
Total water and sewer governing body	<u>56,638</u>	<u>53,337</u>	<u>3,301</u>
Water and sewer administration			
Salaries and employee benefits		173,919	
Supplies		2,955	
Other operating expenses		20,252	
Total water and sewer administration	<u>218,320</u>	<u>197,126</u>	<u>21,194</u>
Water and sewer finance			
Salaries and employee benefits		280,884	
Supplies		1,396	
Contracted services		12,560	
Other operating expenses		55,932	
Total water and sewer finance	<u>358,486</u>	<u>350,772</u>	<u>7,714</u>
Water operations			
Salaries and employee benefits		342,895	
Chemicals		113,506	
Utilities		126,388	
Repairs and maintenance		59,475	
Other departmental expenses		369,190	
Total water operations	<u>1,235,777</u>	<u>1,011,454</u>	<u>224,323</u>

Water distribution			
Salaries and employee benefits		627,362	
Supplies and meter replacements		50,338	
Utilities		48,610	
Repairs and maintenance		35,670	
Other departmental expenses		225,115	
Total water distribution	<u>1,149,442</u>	<u>987,095</u>	<u>162,347</u>
Wastewater operations			
Sewer operations			
Utilities		61,206	
Supplies		759	
Contracted services		1,596,106	
Other departmental expenses		4,998	
Total	<u>1,681,803</u>	<u>1,663,069</u>	<u>18,734</u>
Sewer maintenance			
Salaries and employee benefits		114,512	
Supplies		4,052	
Repairs and maintenance		7,129	
Other departmental expenses		92,768	
Total	<u>1,021,906</u>	<u>218,461</u>	<u>803,445</u>
Total waste collection and treatment	<u>2,703,709</u>	<u>1,881,531</u>	<u>822,178</u>
Engineering			
Salaries and employee benefits		138,767	
Other departmental expenses		9,064	
Total engineering	<u>151,830</u>	<u>147,831</u>	<u>3,999</u>
Debt service			
Interest and other charges		60,527	
Principal retirement		800,126	
Total debt service	<u>860,773</u>	<u>860,653</u>	<u>120</u>
Capital Outlay			
Water operations - equipment		61,658	
Water distribution - equipment		25,592	
Wastewater - equipment		16,192	
Total capital outlay	<u>-</u>	<u>103,442</u>	<u>(103,442)</u>
Total expenditures	<u>6,734,975</u>	<u>5,593,240</u>	<u>1,141,735</u>
Revenues over expenditures	<u>(690,225)</u>	<u>722,048</u>	<u>1,412,273</u>

OTHER FINANCING SOURCES (USES)

Fund balance appropriated	201,867	-	(201,867)
Proceeds of fixed asset sales	500	2,050	1,550
Insurance proceeds	-	1,302	1,302
Proceeds from CWSRF	487,858	-	(487,858)
Total other financing sources and uses	<u>690,225</u>	<u>3,352</u>	<u>(686,873)</u>

Revenues and other financing
sources (uses) over (under)

expenses	\$ -	725,400	\$ 725,400
----------	------	---------	------------

Reconciling items

Capital Outlay	103,442
Payment of debt principal	800,126
Depreciation on Exhibit 8	(1,029,190)
Increase in deferred outflows of resources - pension	128,751
Increase in net pension liability	(157,727)
Decrease in deferred inflows of resources - pensions	3,690
Increase in deferred outflows of resources-OPEB	2,596
Increase in deferred inflows of resources-OPEB	(1,380)
Increase in OPEB liability	(2,147)
Increase in accrued vacation pay	<u>(20,846)</u>

Change in net position	<u>\$ 552,715</u>
------------------------	-------------------

CITY OF KING, NORTH CAROLINA
SPECIAL REVENUE FUND-WATER SEWER CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 25	\$ 669	\$ 261	\$ 930	\$ 905
	<u>25</u>	<u>669</u>	<u>261</u>	<u>930</u>	<u>905</u>
EXPENDITURES					
Capital Projects	25,298	11,364	-	11,364	13,934
	<u>25,298</u>	<u>11,364</u>	<u>-</u>	<u>11,364</u>	<u>13,934</u>
Revenues in excess of (less than) expenditures	<u>(25,273)</u>	<u>(10,695)</u>	<u>261</u>	<u>(10,434)</u>	<u>14,839</u>
Other financing sources (uses):					
Other financing source-EF	25,273	25,273	-	25,273	-
Total other financing sources	<u>25,273</u>	<u>25,273</u>	<u>-</u>	<u>25,273</u>	<u>-</u>
Revenues and other sources over (under) expenses	<u>\$ -</u>	<u>\$ 14,578</u>	<u>\$ 261</u>	<u>\$ 14,839</u>	<u>\$ 14,839</u>

CITY OF KING, NORTH CAROLINA
GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2019

	City-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 640,109,005	0.422	\$ 2,647,660	\$ 2,389,035	\$ 258,625
Public Utilities			51,232	51,232	
Penalties			2,368	2,368	
Discoveries					
Current year taxes	5,935,782	0.422	25,049	25,049	-
Abatements	<u>(7,093,602)</u>	-	<u>(29,935)</u>	<u>(29,935)</u>	<u>-</u>
Total property valuation	<u>\$ 638,951,185</u>				
Net levy			2,696,375	2,437,750	258,625
Unpaid (by taxpayer) taxes at June 30, 2019			<u>(39,485)</u>	<u>(38,567)</u>	<u>(918)</u>
Current year's taxes collected			<u>\$ 2,656,890</u>	<u>\$ 2,399,183</u>	<u>\$ 257,707</u>
Current levy collection percentage			<u>98.54%</u>	<u>98.42%</u>	<u>99.65%</u>

STATISTICAL SECTION

This part of the City of King's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	83
Revenue Capacity <i>These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.</i>	89
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	94
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	97
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.</i>	99

CITY OF KING, NORTH CAROLINA
Net Position By Component
Last Ten Fiscal Years

	2010	2011	2012	2013	2014
Governmental Activities					
Net investment in capital assets	\$ 8,441,115	\$ 8,462,149	\$ 8,635,180	\$ 7,791,411	\$ 8,298,584
Restricted	257,253	615,312	408,815	427,489	528,890
Unrestricted	2,230,358	-	-	-	-
Committed	-	35,398	-	-	-
Assigned	-	3,746	-	-	-
Unassigned	-	1,813,226	1,979,253	2,564,697	2,088,182
Subtotal governmental activities net position	10,928,726	10,929,831	11,023,248	10,783,597	10,915,656
Business-type activities					
Net investment in capital assets	14,858,038	14,705,365	14,851,205	15,358,905	17,855,568
Restricted	-	-	-	-	-
Unrestricted	3,027,047	-	-	-	-
Unassigned	-	4,069,667	4,587,603	5,729,174	3,014,196
Subtotal business-type activities net position	17,885,085	18,775,032	19,438,808	21,088,079	20,869,764
Primary Government					
Net investment in capital assets	23,299,153	23,167,514	23,486,385	23,150,316	26,154,152
Restricted	257,253	615,312	408,815	427,489	528,890
Unrestricted	5,257,405	-	-	-	-
Committed	-	35,398	-	-	-
Assigned	-	3,746	-	-	-
Unassigned	-	5,882,893	6,566,856	8,293,871	5,102,378
Subtotal primary government activities net position	28,813,811	29,704,863	30,462,056	31,871,676	31,785,420
2015 - 2019					
	2015	2016	2017	2018	2019
Governmental Activities					
Net investment in capital assets	\$ 8,198,415	\$ 8,459,013	\$ 8,721,378	\$ 9,021,411	\$ 9,139,595
Restricted	722,364	506,685	407,641	482,617	451,803
Unrestricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	2,119,473	2,467,085	2,415,411	1,970,246	1,558,367
Subtotal governmental activities net position	11,040,252	11,432,783	11,544,430	11,474,274	11,149,765
Business-type activities					
Net investment in capital assets	15,163,286	14,202,661	14,892,244	15,741,520	16,365,093
Restricted	117,544	-	-	-	-
Unrestricted	-	-	-	-	-
Unassigned	6,305,700	7,873,753	7,570,183	7,324,164	7,253,306
Subtotal business-type activities net position	21,586,530	22,076,414	22,462,427	23,065,684	23,618,399
Primary Government					
Net investment in capital assets	23,361,701	22,661,674	23,613,622	24,762,931	25,504,688
Restricted	839,908	506,685	407,641	482,617	451,803
Unrestricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	8,425,173	10,340,838	9,985,594	9,294,410	8,811,673
Subtotal primary government activities net position	32,626,782	33,509,197	34,006,857	34,539,958	34,768,164

CITY OF KING, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General Government	\$ 498,819	\$ 651,814	\$ 679,716	\$ 708,445	\$ 630,431	\$ 722,925	\$ 579,167	\$ 589,179	\$ 621,349	\$ 626,536
Public Safety	2,627,096	2,867,686	3,119,798	3,177,698	3,077,020	2,987,157	3,168,782	3,658,390	4,063,683	4,498,484
Transportation	-	-	328,753	348,682	346,343	337,735	366,016	471,564	424,852	494,181
Environmental protection	-	-	595,734	582,640	544,708	557,182	542,989	551,778	631,724	686,387
Cultural and Recreation	250,290	316,001	340,154	350,485	355,978	347,524	335,859	358,527	477,809	444,939
Public Works	841,824	844,534	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	44,239	46,598	42,436	36,873	36,093	31,915	27,108	37,026
Non-departmental	166,155	57,227	-	-	10,611	-	230	4,754	559	764
Total Governmental Activities Expense	4,384,184	4,737,262	5,108,394	5,214,549	5,007,527	4,989,396	5,029,136	5,666,107	6,247,084	6,788,317
Total Business-type Activity - Water and Sewer	3,446,824	3,542,121	4,122,498	4,301,622	4,242,869	4,504,612	4,937,972	5,388,954	5,364,555	5,765,925
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 7,831,008	\$ 8,279,383	\$ 9,230,892	\$ 9,516,171	\$ 9,250,396	\$ 9,494,008	\$ 9,987,108	\$ 10,955,061	\$ 11,611,639	\$ 12,554,242
Program revenues										
Governmental activities										
Charges for services	\$ 30,197	\$ 30,190	\$ 29,049	\$ 21,853	\$ 31,507	\$ 43,658	\$ 69,377	\$ 63,072	\$ 35,299	\$ 57,331
General Government	5,131	23,169	17,459	26,239	23,129	26,156	68,386	56,736	58,878	71,817
Public Safety	-	-	-	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Transportation	-	29,935	-	-	-	-	-	-	-	-
Public Works	-	-	-	24,014	65,418	74,723	76,478	74,227	73,019	74,010
Environmental protection	-	-	-	23,191	25,033	22,408	18,082	13,147	15,939	17,518
Cultural and Recreation	27,905	27,767	28,266	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
General Government	1,250	2,750	1,000	-	-	-	-	-	-	-
Public Safety	801,041	682,161	699,837	638,822	646,778	697,623	742,612	943,309	985,934	1,057,946
Transportation	-	-	198,321	204,465	204,978	204,777	203,688	202,984	227,954	197,958
Environmental protection	-	-	4,724	4,420	4,420	4,448	4,686	4,686	5,148	5,148
Cultural and Recreation	-	24,927	-	51,341	26,335	26,529	27,711	122,207	115,701	37,831
Public Works	192,376	193,064	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Cultural and Recreation	-	-	-	-	-	176,542	2,260	2,216	1,750	12,863
Public Safety	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,057,900	1,013,963	978,656	997,925	1,031,178	1,284,836	1,221,042	1,490,584	1,527,122	1,540,422
Business-type Activity - Water and Sewer	4,065,486	4,417,934	4,760,490	4,967,739	5,056,718	5,386,704	5,452,172	5,651,857	5,886,481	6,226,182
Charges for Services	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	403,427	-	38,000	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business Activity Program Revenues	4,468,913	4,417,934	4,798,490	4,967,739	5,056,718	5,386,704	5,452,172	5,651,857	5,886,481	6,226,182
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 5,526,813	\$ 5,431,897	\$ 5,777,146	\$ 5,965,664	\$ 6,087,896	\$ 6,671,540	\$ 6,673,214	\$ 7,142,441	\$ 7,413,603	\$ 7,766,604
Net Revenue (Expense)										
Governmental activities	(3,326,284)	(3,723,299)	(4,129,738)	(4,216,624)	(3,976,349)	(3,704,560)	(4,171,962)	(4,719,962)	(5,247,897)	(5,247,897)
Business-type activity	1,022,089	875,833	675,992	666,117	813,849	882,092	882,092	362,903	521,926	460,126
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (2,304,195)	\$ (2,847,466)	\$ (3,453,746)	\$ (3,550,507)	\$ (3,162,500)	\$ (2,822,468)	\$ (2,822,468)	\$ (4,139,260)	\$ (4,198,036)	\$ (4,787,771)

CITY OF KING, NORTH CAROLINA
 Changes in Net Position
 Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and Other Changes in Net Position										
Governmental activities										
Ad Valorem Taxes	2,216,984	2,199,696	2,330,886	2,342,871	2,473,276	2,410,104	2,404,229	2,461,811	2,614,507	2,676,332
Local option sales tax	726,053	760,163	762,019	809,966	788,916	871,585	926,860	984,041	1,109,315	1,210,372
Unrestricted intergovernmental	639,078	527,336	669,070	636,885	590,654	672,414	706,280	682,935	694,324	703,308
Restricted intergovernmental	-	-	-	636,885	38,505	-	-	-	-	-
Unrestricted investment earnings	6,616	20,234	12,817	7,005	3,730	4,135	7,504	15,256	43,047	61,515
Grants and contributions not restricted to specific programs	-	-	216,337	14,550	2,550	1,800	2,250	600	7,750	500
Sales & service	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	151,232	180,968	189,279	129,913	141,274	129,647	125,750	147,434	157,176	212,067
Insurance proceeds	-	-	-	-	42,213	6,489	3,137	9,086	23,266	41,160
Gain (loss) on sale of asset	-	21,555	8,319	6,201	(17,473)	21,792	4,614	12,524	6,916	18,132
Transfers	25,252	14,432	34,428	29,581	44,763	63,365	20,000	-	-	-
Total Governmental Activities	3,765,215	3,724,404	4,223,155	3,976,973	4,108,408	4,181,331	4,200,624	4,313,687	4,656,301	4,923,386
Business-type Activity										
Miscellaneous	(199)	233	-	-	-	-	-	-	-	-
Unrestricted investment earnings	11,795	28,332	22,213	12,736	9,411	7,242	11,885	19,810	27,831	89,106
Insurance proceeds	-	-	-	-	-	51,151	3,799	3,300	-	1,302
Gain (loss) on sale of asset	-	-	-	-	3,187	7,056	-	-	-	2,050
Transfers	(24,295)	(14,452)	(34,428)	(29,581)	(44,763)	(63,365)	(20,000)	-	-	-
Total Business-Type Activity	(12,699)	14,113	(12,215)	(16,845)	(32,165)	2,084	(4,316)	23,110	27,831	92,458
TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET POSITION	\$ 3,752,516	\$ 3,738,517	\$ 4,210,940	\$ 3,960,128	\$ 4,076,243	\$ 4,183,415	\$ 4,196,308	\$ 4,336,797	\$ 4,684,132	\$ 5,015,844
Change in Net Position										
Governmental Activities	465,656	1,105	93,417	(239,651)	132,059	476,771	392,531	138,165	(63,660)	(324,509)
Business-type Activity	982,665	889,946	663,777	649,272	781,684	884,176	489,884	386,013	549,757	552,715
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 1,448,321	\$ 891,051	\$ 757,194	\$ 409,621	\$ 913,743	\$ 1,360,947	\$ 882,415	\$ 524,178	\$ 486,097	\$ 228,206

CITY OF KING, NORTH CAROLINA
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2010	2011	2012	2013	2014
General Fund					
Reserved	\$ 576,942	\$ -	\$ -	\$ -	\$ -
Unreserved	2,260,315	-	-	-	-
Restricted ⁽¹⁾	-	590,700	389,073	406,146	516,501
Committed	-	35,398	63,546	89,083	104,864
Assigned	-	-	-	155,166	50,364
Unassigned	-	2,256,161	2,463,265	2,307,500	2,553,478
Total General Fund	\$2,837,257	\$ 2,882,259	\$ 2,915,884	\$ 2,957,895	\$ 3,225,207
All Other Governmental Funds					
Reserved	\$ 20,757	\$ -	\$ -	\$ -	\$ -
Unreserved	32,222	-	-	-	-
Restricted	-	24,612	19,742	21,343	12,389
Committed	-	-	-	-	-
Assigned	-	3,746	18,217	12,948	33,660
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	\$ 52,979	\$ 28,358	\$ 37,959	\$ 34,291	\$ 46,049
	2015	2016	2017	2018	2019
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Restricted	463,700	471,815	393,218	466,791	438,811
Committed	104,877	123,445	187,727	260,083	142,874
Assigned	-	-	-	-	-
Unassigned	2,868,013	3,218,453	3,203,652	2,828,518	2,646,252
Total General Fund	\$3,436,590	\$ 3,813,713	\$ 3,784,597	\$ 3,555,392	\$ 3,227,937
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Restricted	11,487	12,964	14,423	15,897	16,992
Committed	-	-	-	-	-
Assigned	33,666	15,325	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	\$ 45,153	\$ 28,289	\$ 14,423	\$ 15,897	\$ 16,992

⁽¹⁾ GASB 54 was implemented in FY 2010-2011, changing the way fund balance was presented.

CITY OF KING, NORTH CAROLINA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2010	2011	2012	2013	2014
REVENUES					
Ad valorem taxes	\$ 2,216,934	\$ 2,170,898	\$ 2,314,532	\$ 2,325,767	\$ 2,464,924
Other taxes and licenses	726,053	760,163	-	-	-
Unrestricted intergovernmental	628,116	556,758	1,355,197	1,448,679	1,405,905
Restricted intergovernmental	1,011,239	920,850	958,850	899,907	896,871
Permits and fees	35,328	58,965	75,471	65,002	113,444
Contributions and donations	16,923	-	-	12,000	-
Sales and services	27,905	41,372	38,404	33,741	35,583
Investment earnings	7,247	20,583	12,921	7,005	3,730
Other revenues	128,072	142,365	171,003	129,910	144,559
TOTAL REVENUES	4,797,817	4,671,954	4,926,378	4,922,011	5,065,016
EXPENDITURES					
Current:					
General government	608,684	577,850	615,811	644,542	573,381
Public Safety	2,660,690	2,726,610	3,338,629	3,028,859	2,957,715
Transportation	194,989	289,477	324,026	345,908	342,348
Environmental protection	481,779	500,662	547,083	543,033	509,696
Cultural and recreation	182,940	266,549	266,835	312,217	284,046
Debt service ⁽¹⁾					
Principal retirement	376,217	359,960	323,141	312,322	272,350
Interest and other charges	69,523	55,572	43,557	46,598	42,436
Non-departmental and special appropriations	87,806	-	-	-	10,611
TOTAL EXPENDITURES	4,662,629	4,776,680	5,459,082	5,233,479	4,992,583
REVENUES OVER (UNDER) EXPENDITURES	\$ 135,188	\$ (104,726)	\$ (532,704)	\$ (311,468)	\$ 72,433
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	53,791	25,067	67,993	51,415	56,959
Transfers to capital project	(10,740)	(10,615)	(33,565)	(21,834)	(12,196)
Transfer to capital reserve fund	(16,326)	-	-	-	-
Proceeds from installment purchase	73,260	89,100	535,500	308,903	112,632
Insurance proceeds	4,458	-	-	-	42,213
Sale of capital assets	4,728	21,555	6,001	11,327	7,025
TOTAL OTHER FINANCING SOURCES (USES)	109,171	125,107	575,929	349,811	206,633
NET CHANGE IN FUND BALANCE	244,359	20,381	43,225	38,343	279,066
FUND BALANCE - Beginning of Year	2,645,877	2,890,236	2,910,617	2,953,843	2,992,186
FUND BALANCE - End of Year	\$ 2,890,236	\$ 2,910,617	\$ 2,953,843	\$ 2,992,186	\$ 3,271,252
Debt service as a percentage of noncapital expenditures	9.40%	8.25%	7.41%	6.97%	6.44%

CITY OF KING, NORTH CAROLINA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2015	2016	2017	2018	2019
REVENUES					
Ad valorem taxes	\$ 2,401,709	\$ 2,435,843	\$ 2,445,484	\$ 2,647,569	\$ 2,676,714
Other taxes and licenses	-	-	-	-	-
Unrestricted intergovernmental	1,570,528	1,628,764	1,664,882	1,829,341	1,937,486
Restricted intergovernmental	1,094,353	990,263	1,305,200	1,341,854	1,324,909
Permits and fees	133,546	207,599	166,331	135,627	166,191
Contributions and donations	-	-	-	5,000	5,725
Sales and services	32,208	28,332	21,747	26,689	39,038
Investment earnings	4,135	7,442	15,256	43,048	61,515
Other revenues	128,411	126,207	147,432	157,176	193,323
TOTAL REVENUES	5,364,890	5,424,450	5,766,332	6,186,304	6,404,901
EXPENDITURES					
Current:					
General government	688,110	545,120	724,737	616,933	590,155
Public Safety	3,396,594	3,085,152	3,491,130	4,390,045	5,332,484
Transportation	342,809	448,375	503,500	479,794	653,539
Environmental protection	527,596	633,038	510,405	590,123	637,252
Cultural and recreation	313,023	286,003	445,978	487,135	407,388
Debt service ⁽¹⁾					
Principal retirement	296,783	398,159	444,936	377,521	428,488
Interest and other charges	36,873	36,093	31,915	27,108	37,024
Non-departmental and special appropriations	-	230	4,754	559	764
TOTAL EXPENDITURES	5,601,788	5,432,170	6,157,355	6,969,218	8,087,094
REVENUES OVER (UNDER) EXPENDITURES	\$ (236,898)	\$ (7,720)	\$ (391,023)	\$ (782,914)	\$ (1,682,193)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	63,365	38,400	15,332	-	-
Transfers to capital project	-	-	(15,329)	-	-
Transfer to capital reserve fund	-	-	-	-	-
Proceeds from installment purchase	355,739	338,692	326,428	525,000	1,296,541
Insurance proceeds	6,489	3,137	9,086	23,266	41,160
Sale of capital assets	21,792	4,614	12,524	6,916	18,132
TOTAL OTHER FINANCING SOURCES (USES)	447,385	384,843	348,041	555,182	1,355,833
NET CHANGE IN FUND BALANCE	210,487	377,123	(42,982)	(227,732)	(326,360)
FUND BALANCE - Beginning of Year	3,271,256	3,436,590	2,584,002	3,799,021	3,571,289
FUND BALANCE - End of Year	\$ 3,481,743	\$ 3,813,713	\$ 2,541,020	\$ 3,571,289	\$ 3,244,929
Debt service as a percentage of noncapital expenditures	6.56%	8.84%	8.38%	6.57%	6.96%

CITY OF KING, NORTH CAROLINA
Assessed Value of Taxable Property
 Last Ten Fiscal Years

Assessed Value ⁽¹⁾						
Fiscal Year	Real Property	Personal Property	Public Service Companies	Total	Ratio of Assessed Value to Estimated Actual Value ⁽²⁾	Property Tax Rate ⁽³⁾
2010	536,242,238	32,109,063	13,035,299	581,386,600	100%	0.3799
2011	546,333,630	31,040,358	7,666,286	585,040,274	100%	0.3799
2012	580,258,129	28,745,906	9,198,655	618,202,690	100%	0.3999
2013	552,884,612	26,422,972	11,741,253	591,048,837	100%	0.3999
2014	551,973,489	28,994,857	9,128,336	590,096,682	100%	0.4220
2015	535,328,055	30,360,793	9,065,654	574,754,502	100%	0.4220
2016	542,601,835	27,410,769	9,854,458	579,867,062	100%	0.4220
2017	552,657,803	24,487,532	10,684,523	587,829,858	100%	0.4220
2018	577,441,353	32,895,768	11,078,756	621,415,877	100%	0.4220
2019	588,435,539	38,375,564	12,140,082	638,951,185	100%	0.4220

⁽¹⁾ From TR-2-02 Municipal Certification and Stokes and Forsyth Counties

⁽²⁾ Assessed value is established at estimated market value.

⁽³⁾ All tax rates are expressed in dollars of tax per \$100 of assessed valuation

CITY OF KING, NORTH CAROLINA
Property Tax Rates - Direct and Overlapping Government
 Last Ten Fiscal Years

Stokes County					
Fiscal Year	City of King	Stokes County	Stokes County Educational Fund	Stokes County Fire Tax District	Total Combined Direct Rate - Stokes County
2010	0.3799	0.6000		0.0650	1.0449
2011	0.3799	0.6000	0.04	0.0650	1.0849
2012	0.3999	0.6000	0.04	0.0650	1.1049
2013	0.3999	0.6000	0.04	0.0650	1.1049
2014	0.4220	0.6000	0.04	0.0650	1.1270
2015	0.4220	0.6200	0.04	0.0700	1.1520
2016	0.4220	0.6200	0.04	0.0700	1.1520
2017	0.4220	0.6200	0.04	0.0750	1.1570
2018	0.4220	0.6200	0.04	0.0800	1.1620
2019	0.4220	0.6200	0.04	0.0800	1.1620

Note: All tax rates are expressed in dollars of tax per \$100 of assessed valuation

CITY OF KING, NORTH CAROLINA
Property Tax Rates - Direct and Overlapping Government
 Last Ten Fiscal Years

Forsyth County				
Fiscal Year	City of King	Forsyth County	Forsyth County Fire Tax District	Total Combined Direct Rate - Forsyth County
2010	0.3799	0.6740	0.0550	1.1089
2011	0.3799	0.6740	0.0550	1.1089
2012	0.3999	0.6740	0.0650	1.1389
2013	0.3999	0.6740	0.0650	1.1389
2014	0.0422	0.7168	0.0650	1.2038
2015	0.0422	0.7310	0.0650	1.2180
2016	0.0422	0.7310	0.0650	1.2180
2017	0.0422	0.7235	0.0750	1.2205
2018	0.0422	0.7235	0.0786	1.2241
2019	0.0422	0.7535	0.0823	1.2578

Note: All tax rates are expressed in dollars of tax per \$100 of assessed valuation

CITY OF KING, NORTH CAROLINA

Principal Taxpayers

Current Year and Ten Years Ago

City of King		2019		
Taxpayer	Type of Business	2019 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Wal-Mart Real Estate Business Trust	Retail	\$13,184,602	1	2.06%
Duke Energy Corp	Utility	7,830,780	2	1.23%
Cres Tobacco Company Inc	Tobacco	6,328,285	3	0.99%
RJ Reynolds Inc	Tobacco	6,207,408	4	0.97%
PCI Development Company LLC	Real Estate Development	4,407,200	5	0.69%
Grandview Inc	Real Estate Development	3,821,280	6	0.60%
Priddy Manor	Retirement Home	3,231,043	7	0.51%
Christian Village	Real Estate	3,095,000	8	0.48%
Universal Properties	Real Estate Development	2,592,913	9	0.41%
Spectrum	Telecommunications	2,240,375	10	0.35%

		2010		
Taxpayer	Type of Business	2010 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Windstream North Carolina Inc	Telecommunications	\$ 8,257,400	1	1.42%
RJ Reynolds Inc	Tobacco	8,140,300	2	1.40%
Cres Tobacco Company Inc	Tobacco	7,526,650	3	1.29%
PCI Development Company LLC	Real Estate Development	4,304,100	4	0.74%
Time Warner NY Cable	Utility	4,005,780	5	0.69%
Mountainview Properties	Real Estate Development	3,732,000	6	0.64%
Glenwood King Company LLC	Real Estate Development	3,540,300	7	0.61%
CSE King LP	Utility	2,686,600	8	0.46%
Duke Energy Corp	Utility	3,172,428	9	0.55%
Christian Village	Real Estate	2,686,600	10	0.46%

CITY OF KING, NORTH CAROLINA
Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date		
			Amount	Percentage of Levy	Collections- Prior Year	Amount	Percentage of Levy
2010	2009	2,208,688	2,167,020	98.11%	28,695	2,195,715	99.41%
2011	2010	2,222,568	2,162,540	97.30%	50,475	2,213,015	99.57%
2012	2011	2,348,552	2,284,213	97.26%	48,633	2,332,846	99.33%
2013	2012	2,363,604	2,301,292	97.36%	41,959	2,343,251	99.14%
2014	2013	2,490,209	2,429,840	97.58%	32,182	2,462,022	98.87%
2015	2014	2,425,465	2,364,474	97.49%	35,043	2,399,517	98.93%
2016	2015	2,447,040	2,390,969	97.71%	27,976	2,418,945	98.85%
2017	2016	2,480,643	2,424,090	97.72%	49,440	2,473,530	99.71%
2018	2017	2,622,376	2,581,986	98.46%	24,818	2,606,804	99.41%
2019	2018	2,696,375	2,656,890	98.54%	-	2,656,890	98.54%

CITY OF KING, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽³⁾
	General Obligation Bonds	Installment Financing	Capital Leases	General Obligation Bonds	Installment Financing	Capital Leases			
2009		1,691,128			849,813		2,540,941	0.19%	383.19
2010		1,388,171			753,805		2,141,976	0.16%	310.25
2011		1,108,353			2,683,878		3,792,231	0.27%	548.88
2012		1,310,624			2,189,084		3,499,708	0.24%	510.38
2013		1,307,510			1,986,975		3,294,485	0.23%	480.95
2014		1,147,793			1,803,874		2,951,667	0.20%	430.08
2015		1,206,749			12,290,441		13,497,190	0.89%	⁽²⁾
2016		1,147,282			14,104,902		15,252,184	⁽²⁾	⁽²⁾
2017		1,028,772			13,301,804		14,330,576	⁽²⁾	⁽²⁾
2018		1,173,186			12,503,594		13,676,780	⁽²⁾	⁽²⁾
2019		2,044,241			11,705,189		13,749,430	⁽²⁾	⁽²⁾

⁽¹⁾ Uses Stokes County personal income numbers as data not available for City of King. See Demographic Statistics Schedule for personal income data

⁽²⁾ Personal income and population information not yet available

⁽³⁾ See Schedule Demographic Statistics for population data.

CITY OF KING, NORTH CAROLINA
Computation of Legal Debt Margin
 Last Ten Fiscal Years

Fiscal Year	Assessed Value	Debt Limit 8% of Total Assessed Value	Less: Amount of debt applicable to debt limit	Less: General Obligation Bonds authorized, not issued	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2009	534,739,000	42,779,120	1,691,128		41,087,992	3.95%
2010	581,386,600	46,510,928	1,388,171		45,122,757	2.98%
2011	585,040,274	46,803,222	1,108,353		45,694,869	2.37%
2012	618,202,690	49,456,215	1,310,624		48,145,591	2.65%
2013	591,048,837	47,283,907	1,307,510		45,976,397	2.77%
2014	590,096,682	47,207,735	1,147,793		46,059,942	2.43%
2015	574,754,502	45,980,360	1,206,749		44,773,611	2.62%
2016	579,867,062	46,389,365	1,147,282		45,242,083	2.47%
2017	587,829,858	47,026,389	1,029,343		45,997,046	2.19%
2018	621,415,877	49,713,270	1,176,186		48,537,084	2.37%
2019	638,951,185	51,116,095	2,044,241		49,071,854	4.00%

Note: Legal debt margin differs from audited financials in Fiscal Years 2000-2009 as auditors used only Stokes County property values in calculation and this report includes Forsyth County tax values as the City of King has taxpayers in both counties.

CITY OF KING, NORTH CAROLINA

Direct and Overlapping Debt

June 30, 2019

Governmental Unit	Debt Outstanding	Percentage applicable to City of King ⁽¹⁾	Estimated Share of Direct and Overlapping Debt
Overlapping debt repaid with property taxes			
Stokes County ⁽²⁾			\$ -
Forsyth County ⁽³⁾	<u>637,158,664</u>	0.18%	<u>1,168,159</u>
Total	<u>\$ 637,158,664</u>		<u>\$ 1,168,159</u>
City direct debt			<u>2,044,241</u>
Total direct and overlapping debt			<u>\$ 3,212,400</u>

⁽¹⁾ The percentage of overlapping debt applicable is calculated using taxable assessed property values. Applicable percentages were calculated by determining the portion of each county's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

⁽²⁾ Information requested but not received from Stokes County Finance Department

⁽³⁾ Information provided by Forsyth County Finance Department

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of King. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and therefore responsible for repaying the debt - of each overlapping government.

CITY OF KING, NORTH CAROLINA
Demographic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Stokes County Personal Income (in thousands) ⁽²⁾	Stokes County Per Capita Income ⁽³⁾	Median Age ⁽⁴⁾	Stokes County Unemployment Rate ⁽⁵⁾
2008	6,514	1,343,804	28,372	40	5.9%
2009	6,631	1,327,438	27,992	41	10.5%
2010	6,904	1,369,788	28,936	43	10.8%
2011	6,909	1,418,690	30,063	43	9.7%
2012	6,857	1,451,571	31,046	44	8.9%
2013	6,850	1,412,044	30,310	44	7.9%
2014	6,863	1,473,413	31,742	44	5.5%
2015	6,982	1,520,821	32,811	44	5.9%
2016	6,992	1,537,538	33,354	45	4.8%
2017	6,930	⁽⁶⁾	35,584	45	4.0%
2018	⁽⁶⁾	⁽⁶⁾	⁽⁶⁾	⁽⁶⁾	3.9%
2019	⁽⁶⁾	⁽⁶⁾	⁽⁶⁾	⁽⁶⁾	4.1%

⁽¹⁾ NC Office of State Budget and Management (estimate/projection)

⁽²⁾ Information is not available for the City of King. County data is from the US Department of Commerce, Bureau of Economic Analysis

⁽³⁾ Information is not available for the City of King. County data is from the US Department of Commerce, Bureau of Economic Analysis

⁽⁴⁾ Information is not available for the City of King. County data is from the North Carolina Office of State Budget and Management

⁽⁵⁾ Information is not available for the City of King. County data is from the NC Division of Employment Security

⁽⁶⁾ Information not yet available

CITY OF KING, NORTH CAROLINA

Principal Employers

Current Year and Eight Years Prior

City of King Employer	2019 ⁽³⁾			2011 ⁽³⁾		
	Employees ⁽⁴⁾	Rank	Percentage of Total County Employment	Employees ⁽⁴⁾	Rank	Percentage of Total County Employment
Stokes County Board of Education	1,000	1	4.62%	1,000	1	4.87%
Wieland Copper Products	250	2	1.16%	500	2	2.44%
County of Stokes	250	3	1.16%	250	3	1.22%
Wal-Mart Associates Inc	250	4	1.16%			
Melan Construction Company	250	5	1.16%			
Lifefrite Hospital Group of Stokes ⁽⁵⁾	250	6	1.16%	250	4	1.22%
Food Lion LLC	100	7	0.46%			
YMCA of Northwest North Carolina	100	8	0.46%	100	6	0.49%
Autumn Corporation	50	9	0.23%	100	5	0.49%
Priddy Manor Assisted Living	50	10	0.23%			
Universal Health Care/King				50	8	0.24%
Butner Construction				50	10	0.24%
Walnut Cove Healthcare				100	7	0.49%
City of King				50	9	0.24%

Total Stokes County Employment ⁽¹⁾ 21,627

⁽¹⁾ Data not available for City of King

⁽²⁾ Data tracking for CAFR began in 2009.

⁽³⁾ Reporting the Top 10 Stokes County employers as data for the City of King has been determined to be unreliable and to difficult to obtain.

⁽⁴⁾ North Carolina Department of Commerce. Data is a range so the smallest number in the range was used for number of employees.

CITY OF KING, NORTH CAROLINA

Full Time Employees by Function

Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014
General Government					
Administration	6	6	6	6	6
Finance	7	6	6	6	6
Public Works	3	3	3	3	3
Engineering	1	1	1	1	1
Planning & Inspections	2	2	2	2	2
Recreation ⁽²⁾	3	3	3	3	3
Public Safety					
Police	23	22	20	20	20
Fire ⁽¹⁾	15	16	16	16	16
Water/sewer (Business activity)	16	16	17	17	17
Total	76	75	74	74	74

Function	2015	2016	2017	2018	2019
General Government					
Administration	6	6	7	7	7
Finance	6	6	6	6	6
Public Works	3	3	4	4	4
Engineering	1	1	1	1	1
Planning & Inspections	2	2	2	2	2
Recreation ⁽²⁾	3	3	3	3	4
Public Safety					
Police	20	21	21	23	24
Fire ⁽¹⁾	16	17	21	22	22
Water/sewer (Business activity)	17	18	18	18	18
Total	74	77	83	86	88

⁽¹⁾⁽²⁾ Does not include seasonal temporary and/or part-time employees

Source: City of King Finance Department

CITY OF KING, NORTH CAROLINA
Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Number of Arrests	612	400	183	410	451	675	313 ⁽⁵⁾	N/A	N/A	N/A
Number of Citations	1,003	901	317	545	520	679	345 ⁽⁵⁾	N/A	N/A	N/A
Foot Patrol							2,076	2,397	5,612	3,281
Security Check							2,341	2,239	3,813	4,339
Fire										
Number of Fire and Other Calls Answered	953	952	691	742	717	812	866	875	999	N/A
Number of EMS Calls Answered	1,307	1,301	1,376	1,470	1,374	1,536	1,577	1,318	1,414	N/A
Planning and Inspections										
Planning										
Zoning Permits issued	3	3	2	0	5	24	11	14	16	19
Inspections										
Building Permits Issued	536	595	423	451	446	655	678	575	553	693
Inspections performed	946	719	867	634	666	1,284	1,234	882	915	902
Cultural and Recreational										
Recreation and Parks										
Central Park										
Number of Acres	26	26	26	26	26	26	26	26	26	26
Number of Picnic Shelters	2	2	2	2	2	2	2	2	2	2
Recreation Acres										
Number of Acres	55	55	55	55	55	55	55	55	55	55
Number of Ballfields	11	11	11	11	11	11	11	11	11	11
Senior Center										
Number of Participants (monthly average)	248	197	191	165	235	297	293	271	271	241
Library										
Material Circulated	82,055	86,277	79,983	84,396	80,621	79,725	N/A	N/A	N/A	N/A
Internet use	22,571	22,704	25,085	24,078	23,003	28,671	N/A	N/A	N/A	N/A
Streets										
Number of streetlights	700	702	705	711	730	768	770	770	782	782
Miles of streets	38.727	38.767	39.687	39.687	39.700	39.667	39.667	39.669	39.823	40.255
Solid Waste										
Number of customers	2,425	2,446	2,472	2,482	2,496	2,505	2,525	2,546	2,515	2,515
Yard Cart permits sold				146	158	150	173	173	144	150
Water/sewer (Business activity)										
Water Plant Capacity (millions of gallons per day)	3	3	3	3	3	3	3	3	3	3
Number of water customers	7,957	8,044	8,557	8,508	7,956	8,009	8,089	8,088	8,122	8,161
Number of sewer customers	3,000	2,677	2,692	3,015	2,859	3,023	2,699	2,695	2,738	2,806
Average gallons of sewer treated per day		60,084	64,434	66,539	66,481	67,693	71,264	69,493	70,573	70,619

⁽⁵⁾ Jan-June

Source: City of King Finance Department

CITY OF KING, NORTH CAROLINA
Capital Assets by Function/Program
 Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Cultural and Recreational										
Recreation and Parks										
Central Park										
Number of Acres	26	26	26	26	26	26	26	26	26	26
Number of Picnic Shelters	2	2	2	2	2	2	2	2	2	2
Recreation Acres										
Number of Acres	55	55	55	55	55	55	55	55	55	55
Number of Ballfields	11	11	11	11	11	11	11	11	11	11
Streets										
Number of streetlights	700	702	705	711	730	768	770	770	782	782
Miles of streets	38.727	38.767	39.687	39.687	39.700	39.667	39.667	39.667	39.823	40.255
Water/sewer (Business activity)										
Number of water customers	7,957	8,044	8,557	8,508	7,956	8,009	8,089	8,088	8,122	8,161
Number of sewer customers	3,000	2,677	2,692	3,015	2,859	3,023	2,699	2,695	2,738	2,806

Source: City of King Finance Department

CITY OF KING, NORTH CAROLINA

Utility Rates

Last Eight Fiscal Years

Inside City Limits	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Base Rate	25.53	26.81	28.15	28.15	28.15	28.15	28.15	28.99	28.99
Per 1,000 gallons over 4,000 gallons	2.74	2.88	3.02	3.02	3.02	3.02	3.02	3.11	3.11
Sewer Base Rate	61.79	67.97	74.77	80.00	85.60	89.88	97.97	104.83	111.12
Per 1,000 gallons over 4,000 gallons	3.54	3.90	4.28	4.58	4.90	4.90	5.61	6.00	6.46

Outside City Limits	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Base Rate	31.91	33.51	35.19	35.19	35.19	35.19	35.19	36.25	36.25
Per 1,000 gallons over 4,000 gallons	3.45	3.63	3.78	3.78	3.78	3.78	3.78	3.89	3.89
Sewer Base Rate	77.24	87.97	93.46	100.00	107.00	112.35	122.46	131.03	138.89
Per 1,000 gallons over 4,000 gallons	4.47	4.92	5.35	5.72	6.12	6.12	7.01	7.50	7.95

Utility Customer Concentration

Last Five Fiscal Years

Account Class	2014	2015	2016	2017	2018	2019
Church	45	45	53	51	54	53
Commercial	412	417	398	372	389	373
Government	8	9	7	8	9	7
Industrial	4	4	4	4	6	6
Other	9	9	9	9	10	9
Residential	7,467	7,514	7,604	7,631	7,640	7,699
Schools	10	10	13	12	13	13
Unknown	1	1	1	1	1	1
Total	7,956	8,009	8,089	8,088	8,122	8,161

CITY OF KING, NORTH CAROLINA
Utility Rate, Ad Valorem Tax, and Other Fee Increases

Utility Rates - Water	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Base Rate Inside City Limits	25.53	26.81	28.15	28.99	29.86					
Per 1,000 gallons over 4,000 gallons	2.74	2.88	3.02	3.11	3.20					
Water Base Rate Outside City Limits	31.91	33.51	35.19	36.25	37.34					
Per 1,000 gallons over 4,000 gallons	3.45	3.63	3.78	3.89	4.01					
Percentage increase		5%	5%	3%	3%					
Utility Rates - Sewer	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sewer Base Rate Inside City Limits	61.79	67.97	74.77	80.00	85.60	89.88	97.97	104.83	111.12	118.90
Per 1,000 gallons over 4,000 gallons	3.54	3.90	4.28	4.58	4.90	4.90	5.61	6.00	6.36	6.81
Sewer Base Rate Outside City Limits	77.24	87.97	93.46	100.00	107.00	112.35	122.46	131.03	138.89	148.63
Per 1,000 gallons over 4,000 gallons	4.47	4.92	5.35	5.72	6.12	6.12	7.01	7.50	7.95	8.51
Percentage increase		10%	10%	7%	7%	5%	9%	7%	6%	7%
Landfill Tipping Fee	2011	2012	2014	2020						
Per year per solid waste customer	\$ 2.18	\$ 6.00	\$ 24.00	\$ 27.60						
BOD/TSS Fees	2011	2012	2019							
Residents and Non-Food Establishments (bi-monthly rate)	\$ 3.76	\$ 6.82	\$ 7.25							
Food Service Establishments (bi-monthly rate)	\$ 15.04	\$ 27.28	\$ 29.00							
Ad Valorem Taxes	2011	2012	2014							
Rate per \$100 of property value	0.3799	0.3999	0.422							
Stokes County Fire District	2011	2015	2017							
Rate per \$100 of property value	0.0650	0.0700	0.0750							
Forsyth County Fire District	2011	2012	2017	2018						
Rate per \$100 of property value	0.0550	0.0650	0.0750	0.0786						
Motor Vehicle Fee	2010									
Rate per vehicle	\$ 5.00									
Yard Waste Fee	2011									
Rate per year per yard waste cart	\$ 50.00									
Library	2001	2006	2013	2017	2018					
Annual Contribution	\$ 2,500	\$ 5,000	\$ 5,250	\$ 6,250	\$ 7,250					
Chamber of Commerce	1993	1996	2001	2009	2012	2013				
Annual Contribution	\$ 500	\$ 1,000	\$ 5,500	\$ 5,000	\$ 4,000	\$ 3,500				

COMPLIANCE SECTION



cannon&company
Certified Public Accountants L.L.P.

**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the City of King's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of King's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of King'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 King's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cannon & Company, P.C.

October 25, 2019

CITY OF KING, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Pass- Through to Other Entity</u>
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Health & Human Services</u>					
Passed-through the Piedmont Triad Regional Council of Governments					
Special program for the Aging-Title III, Part B Grants for Supportive Services and Senior Centers					
	93.044	1,087	2,205		
Noncash Programs:					
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality					
grants for Clean Water State Revolving Funds (note 3)					
	66.468	-	-		
<u>U.S. Department of Homeland Security</u>					
Passed-Through NC Department of Public Safety: FEMA: Hurricane Florence 2018 FEMA-4393-DR-NC					
	97.036	14,724			
TOTAL ASSISTANCE - FEDERAL PROGRAMS		15,811	2,205	-	-
STATE GRANTS:					
CASH ASSISTANCE:					
<u>N.C. Department of Transportation</u>					
Powell Bill					
	N/A		233,608		
<u>N.C. Department of Health & Human Services</u>					
Senior Center Development					
Passed-through Piedmont Triad Regional Council of Governments- General Purpose Grant					
			3,565	1,188	
TOTAL ASSISTANCE - STATE PROGRAMS		-	237,173	1,188	-
Local Grants:					
NCLM Soft Body Armor Grant					
				5,222	
TOTAL ASSISTANCE - LOCAL PROGRAMS		-	-	5,222	-
TOTAL ASSISTANCE		\$ 15,811	\$ 239,378	\$ 6,410	\$ -

CITY OF KING, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Awards

June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of King under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the City of King, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of King.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The City of King has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.