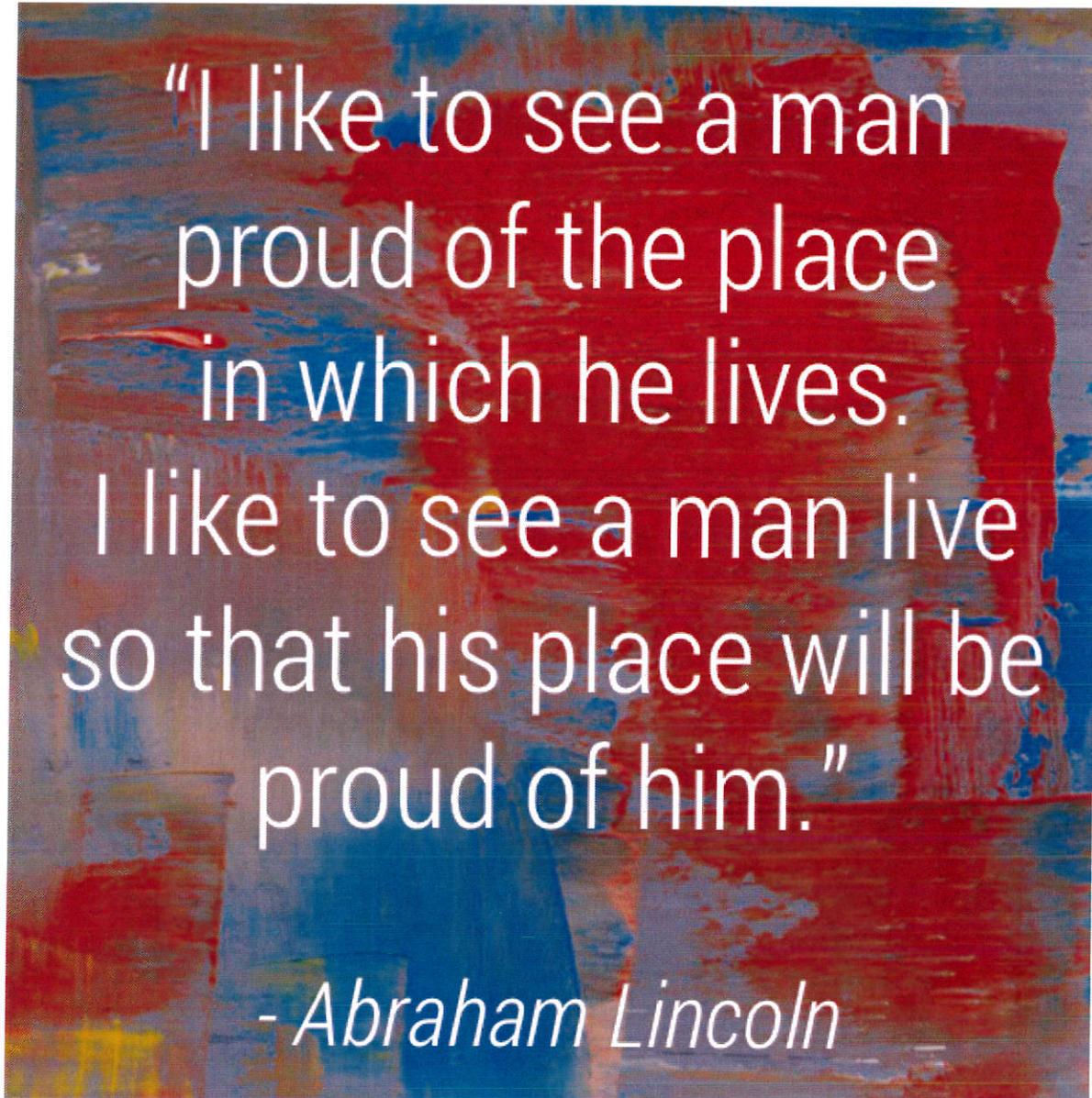


City of King, North Carolina



“I like to see a man
proud of the place
in which he lives.

I like to see a man live
so that his place will be
proud of him.”

- Abraham Lincoln

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

City of King
North Carolina

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

Prepared by the City of King Finance Department:

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

Debra Burnette, *Collections Supervisor*

Connie Hughes, *Accounting Technician*

Shannon Cain, *Payroll Technician*

Traci Ayers, *Collections Clerk*

Cindy Martin, *Collections Clerk*

THE CITY OF KING, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION

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

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

October 31, 2017

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, 2017.

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, 2017, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2017, 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

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 4.0% at June 30, 2017, slightly less than the State average of 4.2%. Analysis of the unemployment rate indicates that the labor force for Stokes County in June 2017 was 22,019 with 891 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 2016-2017, 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 2016-2017, two patrol cars were purchased. These cars were to replace aging patrol units. The cost of the cars including related graphics and equipment was \$72,693. A parking lot on Main Street was completed at a cost of \$95,540, four acres were purchased adjoining Central Park at a cost of \$115,291, and another lot on Main Street was purchased, at a cost of \$96,106, for impound and storage purposes. An aging generator was replaced at the Fire Department at a cost of \$42,534 and a mobile electronic message board was purchased at a cost of \$13,000.

An aging pump station on Goff Road was replaced at a cost of \$513,600 and council approved moving forward with preliminary engineering work on a wastewater treatment plant.

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, 2016. This was the sixth 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 fifth 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 third 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.

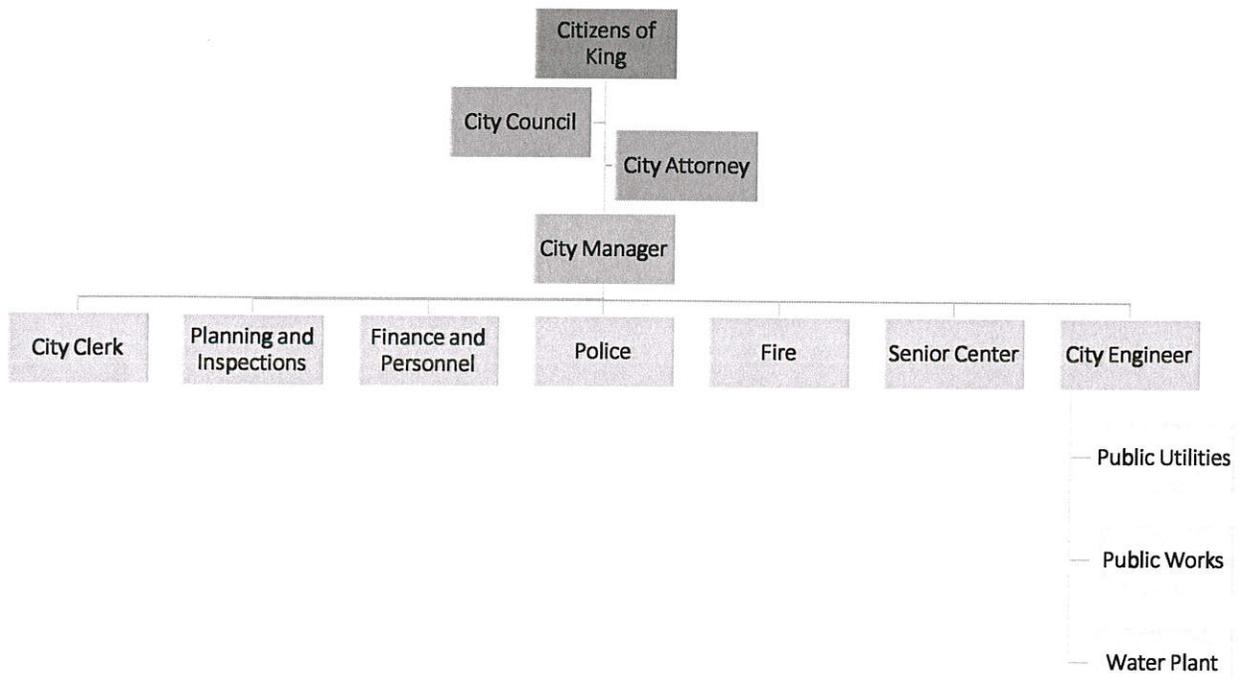
Respectfully submitted,

A handwritten signature in cursive script that reads "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, 2016

Executive Director/CEO

CITY OF KING
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017

CITY COUNCIL

Jack Warren	Mayor
Wesley Carter	Mayor Pro Tempore
Charles Allen	Council Member
Brian Carico	Council Member
Rick McCraw	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
Paula May	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 L.L.P.

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, 2017, 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, 2017, 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 and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 61 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 through 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 10, 2017 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, P.C.

Winston-Salem, NC

October 10, 2017

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, 2017. 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.

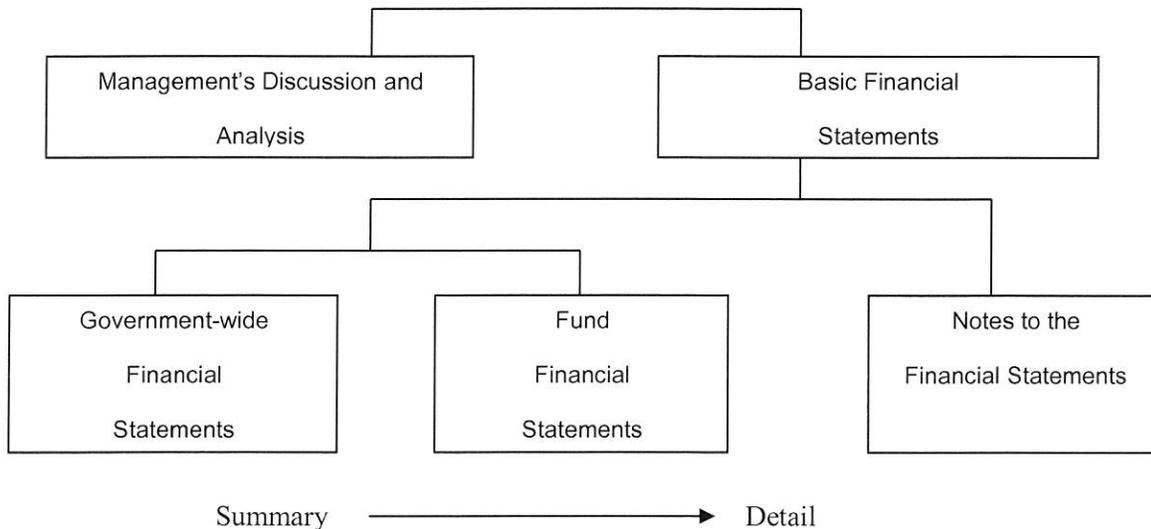
Financial Highlights

- 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 34,006,857 (*net position*).
- The government's total net position increased by \$524,177 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 \$3,799,020 with a net change of (\$42,982) in fund balance. Fund balance of \$393,218, is non-spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance available for the General Fund was \$3,203,652 or 52 percent of total general fund expenditures for the fiscal year.
- Property taxes supported 39.72 percent of governmental services to citizens and the community in 2017. The City's tax rate for the fiscal year 2017 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,930,876	\$ 3,997,986	\$ 8,311,344	\$ 8,786,124	\$ 12,242,220	\$ 12,784,110
Capital assets	9,750,150	9,606,294	28,194,045	28,307,560	37,944,195	37,913,854
Deferred outflows of resources	712,705	154,313	337,329	71,891	1,050,034	226,204
Total assets	14,393,731	13,758,593	36,842,718	37,165,575	51,236,449	50,924,168
Long-term liabilities	2,204,650	1,559,460	13,057,428	13,558,183	15,262,078	15,117,643
Other liabilities	564,850	649,005	1,289,569	1,476,131	1,854,419	2,125,136
Deferred inflows of resources	79,801	117,345	33,294	54,847	113,095	172,192
Total liabilities	2,849,301	2,325,810	14,380,291	15,089,161	17,229,592	17,414,971
Net position:						
Net investment in capital assets	8,721,378	8,459,013	14,892,244	14,202,661	23,613,622	22,661,674
Restricted	407,641	506,685	-	-	407,641	506,685
Unrestricted (deficit)	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unrestricted	2,415,411	2,467,085	7,570,183	7,873,753	9,985,594	10,340,838
Total net position	\$ 11,544,430	\$ 11,432,783	\$ 22,462,427	\$ 22,076,414	\$ 34,006,857	\$ 33,509,197

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 \$34,006,857 as of June 30, 2017. The City's net position increased by \$524,177 for the fiscal year ended June 30, 2017. However, the largest portion (69%) 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, \$407,641, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,985,594 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 97.72%. The statewide average in fiscal year 2016 was 98.78%.
- Increased fire district tax revenues and a grant for parking lot construction.

Figure 3

City of King's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 215,182	\$ 240,323	\$ 5,651,857	\$ 5,452,172	\$ 5,867,039	\$ 5,692,495
Operating grants and contributions	1,273,186	978,459	-	-	1,273,186	978,459
Capital grants and contributions	2,216	2,260	-	-	2,216	2,260
General revenues:						
Property taxes	2,461,811	2,404,229	-	-	2,461,811	2,404,229
Local option sales tax	984,041	926,860	-	-	984,041	926,860
Unrestricted investment earnings	15,256	7,504	-	-	15,256	7,504
Unrestricted intergovernmental	682,935	706,280	-	-	682,935	706,280
Other	169,644	135,751	23,110	15,684	192,754	151,435
Total revenues	<u>5,804,271</u>	<u>5,401,666</u>	<u>5,674,967</u>	<u>5,467,856</u>	<u>11,479,238</u>	<u>10,869,522</u>
Expenses:						
General government	589,179	579,167	-	-	589,179	579,167
Public Safety	3,658,390	3,168,782	-	-	3,658,390	3,168,782
Transportation	471,564	366,016	-	-	471,564	366,016
Environmental protection	551,778	542,989	-	-	551,778	542,989
Culture and recreation	358,527	335,859	-	-	358,527	335,859
Non-Departmental	4,754	230	-	-	4,754	230
Interest on long-term debt	31,915	36,093	-	-	31,915	36,093
Water and sewer	-	-	5,288,954	4,957,972	5,288,954	4,957,972
Total expenses	<u>5,666,107</u>	<u>5,029,135</u>	<u>5,288,954</u>	<u>4,957,972</u>	<u>10,955,061</u>	<u>9,987,108</u>
Increase in net position before transfers	138,164	372,531	386,013	509,884	524,177	882,415
Transfers	-	20,000	-	(20,000)	-	-
Increase (decrease) in net position	138,164	392,531	386,013	489,884	524,177	882,415
Net position, beginning, restated	11,406,266	11,040,252	22,076,414	21,586,530	33,482,680	32,626,782
Net position, ending	<u>\$ 11,544,430</u>	<u>\$ 11,432,783</u>	<u>\$ 22,462,427</u>	<u>\$ 22,076,414</u>	<u>\$ 34,006,857</u>	<u>\$ 33,509,197</u>

Governmental activities. Governmental activities increased the City's net position by \$138,164, thereby accounting for 26% of the total growth of net position of the City of King. In comparison with Fiscal 2016, Governmental Activities saw an overall increase of 7.46% in revenues and a 12.67% increase in expenditures in Fiscal 2017.

Business-type activities. Business-type activities increased the City's net position by \$386,013, accounting for 74% 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 opted for no increase in water rates but did increase sewer rates by 9% in fiscal year 2017. In comparison with Fiscal 2016, the Water and Sewer Fund saw an overall increase of 3.79% in revenues and a 6.68% increase in expenses in Fiscal 2016.

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 \$3,203,652 while total fund balance reached \$3,784,597. 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 50 percent of the fiscal year 2017 budgeted expenditures, while total fund balance represents 59 percent of the same amount.

At June 30, 2017, the governmental funds of City of King reported a combined fund balance of \$3,799,020 with a net decrease in fund balance of \$42,982. Included in this change in fund balance are decreases in fund balance in both the General and Public Safety Capital Reserve 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 \$305,334. Budget amendments included purchase of land for a storage/impound lot and paving and completion of a downtown parking lot.

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 \$7,570,183. The change in net position of the Water and Sewer Fund was an increase of \$386,013 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, 2017, totals \$37,944,195 (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, purchase of two patrol cars, and land. The Water Interconnection with Winston-Salem is now substantially complete and the Water Plant Project was finalized during Fiscal 2017.

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		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 5,342,242	\$ 5,178,888	\$ 607,127	\$ 559,074	\$ 5,949,369	\$ 5,737,972
Buildings	1,226,805	1,278,014	200,740	209,260	1,427,546	1,487,274
Construction in progress	-	-	555,118	22,332	555,118	22,332
Infrastructure	1,336,817	1,379,865	-	-	1,336,817	1,379,865
Improvements other than buildings	747,492	662,626	26,571,759	27,265,314	27,319,251	27,927,940
Equipment, furniture & fixtures	446,872	376,283	220,483	226,182	667,355	602,465
Software	21,484	-	-	-	21,484	-
Police K9s	-	-	-	-	-	-
Vehicles	628,437	730,607	38,818	25,397	667,255	756,004
Total	<u>\$ 9,750,150</u>	<u>\$ 9,606,294</u>	<u>\$ 28,194,045</u>	<u>\$ 28,307,560</u>	<u>\$ 37,944,195</u>	<u>\$ 37,913,853</u>

Long-term debt

As of June 30, 2017 the City of King had installment and loan debt due in more than one year of 14,330,576. Of that, \$1,028,772 is General Fund debt which is backed by property tax and other revenues. The remaining \$13,301,804 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 installment and loan debt decreased by \$118,510 during the past fiscal year. New financing agreements were issued for streets paving and purchase of two patrol cars for the Police Department. 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 \$45,997,046. The City had no bonds authorized but un-issued at June 30, 2017.

Economic Factors and Next Year's Budget and Rates

Factors considered in the preparation of the fiscal year 2018 City of King budget include:

- Expectation that state-collected revenues will remain stable compared to Fiscal 2017.
- A 2.5% COLA (Cost of Living Adjustment) for employees to help meet the annual increase in inflation.

Governmental Activities: Actual revenues exceeded budget for FY 16-17 by approximately .30%; budgeted revenues for FY 17-18 were increased by 8.33% over FY 16-17. The largest increases in expenditures are anticipated to be purchasing two police vehicles (\$85,000), purchase of a new fire truck (\$525,000), and streets paving (\$251,156).

Business-type Activities: Rate increases of 3% for water and 7% for sewer were approved by the Board. Increased expenses for the Enterprise Fund include replacement of an aging dump truck (\$141,700) for Water Distribution, replacement of windows (\$40,942) at the Water Plant, one-half of engineering fees for the proposed wastewater plant (\$75,0000), the ongoing water line replacement program, 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and equivalents	\$ 3,261,647	\$ 6,585,639	\$ 9,847,286
Taxes receivable, net	115,802	-	115,802
Accounts receivable, net	391,290	1,266,505	1,657,795
Prepaid expenses	143,000	59,800	202,800
Cash and investments - restricted	19,137	399,400	418,537
Total current assets	<u>3,930,876</u>	<u>8,311,344</u>	<u>12,242,220</u>
Capital Assets			
Land, improvements and construction in progress	5,342,242	1,162,245	6,504,487
Buildings, net of depreciation	1,226,806	-	1,226,806
Equipment and Furniture, net of depreciation	446,872	-	446,872
Infrastructure, net of depreciation	1,336,817	-	1,336,817
Other capital assets, net of depreciation	1,397,413	27,031,800	28,429,213
Total capital assets	<u>9,750,150</u>	<u>28,194,045</u>	<u>37,944,195</u>
Total assets	<u>\$ 13,681,026</u>	<u>\$ 36,505,389</u>	<u>\$ 50,186,415</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	712,705	337,329	1,050,034
Total deferred outflows of resources	<u>712,705</u>	<u>337,329</u>	<u>1,050,034</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 15,388	\$ 37,630	\$ 53,018
Customer deposits	-	399,400	399,400
Current portion of long-term liabilities	549,462	852,539	1,402,001
Total current liabilities	<u>564,850</u>	<u>1,289,569</u>	<u>1,854,419</u>
Long-term liabilities:			
Net pension liability	820,819	390,186	1,211,005
Total pension liability	310,961	-	310,961
Due in more than one year	1,072,870	12,667,242	13,740,112
Total liabilities	<u>2,769,500</u>	<u>14,346,997</u>	<u>17,116,497</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	79,801	33,294	113,095
Total deferred inflows of resources	<u>79,801</u>	<u>33,294</u>	<u>113,095</u>
NET POSITION			
Net investment in capital assets	8,721,378	14,892,244	23,613,622
Restricted for:			
Stabilization by state statute	392,208	-	392,208
Streets	1,010	-	1,010
Federal and state drug forfeitures	14,423	-	14,423
Unrestricted:	2,415,411	7,570,183	9,985,594
Total net position	<u>\$ 11,544,430</u>	<u>\$ 22,462,427</u>	<u>\$ 34,006,857</u>

CITY OF KING, NORTH CAROLINA
 Statement of Activities
 For the Year Ended June 30, 2017

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ 589,179	\$ 63,072	\$ -	\$ -	\$ (526,107)	\$ -	\$ (526,107)
Public safety	3,658,390	56,736	943,309	2,216	(2,656,129)	-	(2,656,129)
Transportation	471,564	8,000	202,984	-	(260,580)	-	(260,580)
Environmental protection	551,778	74,227	4,686	-	(472,865)	-	(472,865)
Culture and recreation	358,527	13,147	122,207	-	(223,173)	-	(223,173)
Non-Departmental	4,754	-	-	-	(4,754)	-	(4,754)
Interest on long-term debt	31,915	-	-	-	(31,915)	-	(31,915)
Total governmental activities	5,666,107	215,182	1,273,186	2,216	(4,175,523)	-	(4,175,523)
Business-type activities							
Water & sewer fund	5,288,954	5,651,857	-	-	-	362,903	362,903
Total business-type activities	5,288,954	5,651,857	-	-	-	362,903	362,903
Total primary government	\$ 10,955,061	\$ 5,867,039	\$ 1,273,186	\$ 2,216	\$ (4,175,523)	\$ 362,903	\$ (3,812,620)

General revenues:

Taxes:							
Property taxes, levied for general purposes					2,461,811	-	2,461,811
Local option sales tax					984,041	-	984,041
Unrestricted intergovernmental					682,935	-	682,935
Unrestricted investment earnings					15,256	19,810	35,066
Grants and contributions not restricted to specific programs					600	-	600
Miscellaneous					147,434	-	147,434
Insurance proceeds					9,086	3,300	12,386
Gain (loss) on sale of assets					12,524	-	12,524
					4,313,687	23,110	4,336,797
Total general revenues					138,164	386,013	524,177
Change in net position					11,432,784	22,076,414	33,509,198
Net position, previously reported					(26,518)	-	(26,518)
Restatement					11,406,266	22,076,414	33,482,680
Net position, beginning, restated					11,544,430	22,462,427	34,006,857
Net position, ending					\$ 11,544,430	\$ 22,462,427	\$ 34,006,857

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

**INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

CITY OF KING, NORTH CAROLINA

Balance Sheet
 Governmental Funds
 June 30, 2017

	General Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,261,647	\$ -	\$ 3,261,647
Cash and investments-restricted	4,714	14,423	19,137
Taxes receivable, net	115,802	-	115,802
Prepaid items	143,000	-	143,000
Accounts receivable	391,290	-	391,290
Total assets	<u>\$ 3,916,453</u>	<u>\$ 14,423</u>	<u>\$ 3,930,876</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 15,388	\$ -	\$ 15,388
Total liabilities	<u>15,388</u>	<u>-</u>	<u>15,388</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	116,468	-	116,468
Total deferred inflows of resources	<u>116,468</u>	<u>-</u>	<u>116,468</u>
FUND BALANCES			
Restricted:			
Stabilization by state statute	392,208	-	392,208
Streets	1,010	-	1,010
Federal and state drug forfeitures	-	14,423	14,423
Committed:			
Public safety	187,727	-	187,727
Unassigned	3,203,652	-	3,203,652
Total fund balances	<u>3,784,597</u>	<u>14,423</u>	<u>3,799,020</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,916,453</u>	<u>\$ 14,423</u>	<u>\$ 3,930,876</u>

CITY OF KING, NORTH CAROLINA

Balance Sheet

June 30, 2017

Total fund balance, governmental funds	\$	3,799,020
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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	\$	14,076,821	
Accumulated depreciation		<u>(4,326,671)</u>	9,750,150

Deferred outflows of resources related to pensions are not reported in the funds	712,705
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Liabilities for earned revenues considered deferred inflows of resources in fund statements	116,468
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Gross long-term debt	(1,028,772)
Net pension liability	(820,819)
Total pension liability	(310,961)

Deferred inflows of resources related to pensions are not reported in the funds	(79,801)
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Other long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds	(593,560)
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Net Position of Governmental Activities	<u>\$</u>	<u>11,544,430</u>
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CITY OF KING, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,445,484	\$ -	\$ 2,445,484
Unrestricted intergovernmental	1,664,882	-	1,664,882
Restricted intergovernmental	1,303,743	1,457	1,305,200
Permits and fees	166,331	-	166,331
Sales and services	21,747	-	21,747
Investment earnings	15,250	6	15,256
Other revenues	147,432	-	147,432
Total revenues	<u>5,764,869</u>	<u>1,463</u>	<u>5,766,332</u>
EXPENDITURES			
Current:			
General government	724,737	-	724,737
Public safety	3,491,130	-	3,491,130
Transportation	503,500	-	503,500
Environmental protection	510,405	-	510,405
Culture and recreation	445,978	-	445,978
Debt service:			
Principal	444,936	-	444,936
Interest	31,915	-	31,915
Non-Departmental	4,754	-	4,754
Total expenditures	<u>6,157,355</u>	<u>-</u>	<u>6,157,355</u>
Excess (deficiency) of revenues over	<u>(392,486)</u>	<u>1,463</u>	<u>(391,023)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	15,332	-	15,332
Transfers to other funds	-	(15,329)	(15,329)
Issuance of installment purchase	326,428	-	326,428
Insurance proceeds	9,086	-	9,086
Sale of capital assets	12,524	-	12,524
Total other financing sources and uses	<u>363,370</u>	<u>(15,329)</u>	<u>348,041</u>
Net changes in fund balances	<u>(29,116)</u>	<u>(13,866)</u>	<u>(42,982)</u>
Fund balances-beginning	<u>3,813,713</u>	<u>28,289</u>	<u>3,842,002</u>
Fund balances-ending	<u>\$ 3,784,597</u>	<u>\$ 14,424</u>	<u>\$ 3,799,020</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, 2017

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

Net change in fund balances-total governmental funds	\$	(42,982)
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Governmental funds report capital outlays as expenditures. However,
 in the Statement of Activities the cost of those assets is allocated
 over their 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	468,219	
Depreciation expense for governmental assets	<u>(324,362)</u>	143,857

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		205,071
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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>16,242</u>	16,242
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The issuance of long-term debt provides current financial resources to
 governmental funds, while the repayment of the principal of long-term
 debt consumes the current financial resources of governmental funds.
 Neither transaction has any effect on net 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	(326,428)	
Principal payments on long-term debt	<u>444,938</u>	118,510

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	(39,168)	
Pension expense	(208,726)	
Net pension obligation	(50,028)	
Other postemployment benefits	<u>(4,612)</u>	(302,534)

Change in net assets of governmental activities	<u>\$</u>	<u>138,164</u>
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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, 2017

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 2,421,650	\$ 2,421,650	\$ 2,445,484	\$ 23,834
Unrestricted intergovernmental	1,755,209	1,755,209	1,664,882	(90,327)
Restricted intergovernmental	1,167,650	1,261,990	1,303,743	41,753
Permits and fees	137,700	137,700	166,331	28,631
Sales and services	27,900	27,900	21,747	(6,153)
Investment earnings	3,600	3,600	15,250	11,650
Other revenues	139,712	139,712	147,432	7,720
Total revenues	<u>5,653,421</u>	<u>5,747,761</u>	<u>5,764,869</u>	<u>17,108</u>
EXPENDITURES				
Current:				
General Government	643,355	794,371	724,737	69,634
Public Safety	3,523,952	3,555,568	3,491,130	64,438
Transportation	597,243	583,243	503,500	79,743
Environmental protection	507,318	525,118	510,405	14,713
Culture and recreation	353,910	485,943	445,978	39,965
Debt service				
Principal retirement	453,067	444,936	444,936	-
Interest	32,886	32,886	31,915	971
Non-Departmental	10,612	5,612	4,754	858
Total expenditures	<u>6,122,343</u>	<u>6,427,677</u>	<u>6,157,355</u>	<u>270,322</u>
Excess (deficiency) of revenues over	<u>(468,922)</u>	<u>(679,916)</u>	<u>(392,486)</u>	<u>287,430</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	16,894	16,894	16,914	20
Proceeds from installment purchase	355,328	331,516	326,428	(5,088)
Insurance proceeds	-	9,018	9,086	68
Sale of capital assets	7,000	7,000	12,524	5,524
Total other financing sources and uses	<u>379,222</u>	<u>364,428</u>	<u>364,952</u>	<u>524</u>
Fund balance appropriated	89,700	315,488	-	315,488
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,534)</u>	<u>\$ (27,534)</u>
Fund balance, beginning			3,812,129	
Fund balance, ending			<u>\$ 3,784,595</u>	
A legally budgeted Public Safety Capital Reserve Fund is consolidated into the General Fund for reporting purposes.				
Interest Income			1	
Transfers to other funds			(1,583)	
Fund Balance, Beginning			1,584	
Fund Balance, Ending (Exhibit 4)			<u>\$ 3,784,597</u>	

CITY OF KING, NORTH CAROLINA

Statement of Net Position

Proprietary Funds

June 30, 2017

	Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,585,639	\$ 6,585,639
Accounts receivable, net	1,266,505	1,266,505
Prepaid expenses	59,800	59,800
Cash and investments-restricted	399,400	399,400
Total current assets	<u>8,311,344</u>	<u>8,311,344</u>
Non-current assets:		
Capital assets, net	28,194,045	28,194,045
Total non-current assets	<u>28,194,045</u>	<u>28,194,045</u>
Total assets	<u>\$ 36,505,389</u>	<u>\$ 36,505,389</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	\$ 337,329	\$ 337,329
Total deferred outflows of resources	<u>\$ 337,329</u>	<u>\$ 337,329</u>
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	798,664	798,664
Accounts payable and accrued liabilities	37,630	37,630
Compensated absences - current	53,875	53,875
Liabilities Payable from Restricted Assets:		
Customer deposits	399,400	399,400
Total current liabilities	<u>1,289,569</u>	<u>1,289,569</u>
Non-current liabilities:		
Other post employment benefits	110,227	110,227
Non-current portion of long-term debt	12,503,140	12,503,140
Net pension liability	390,186	390,186
Accrued vacation pay	53,875	53,875
Total non-current liabilities	<u>13,057,428</u>	<u>13,057,428</u>
Total liabilities	<u>14,346,997</u>	<u>14,346,997</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	33,294	33,294
NET POSITION		
Net investment in capital assets	14,892,244	14,892,244
Unrestricted	7,570,183	7,570,183
Total net position	<u>\$ 22,462,427</u>	<u>\$ 22,462,427</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, 2017

	Enterprise Funds	
	Water and Sewer Fund	Total
REVENUES		
Charges for services	\$ 5,494,952	\$ 5,494,952
Water and sewer taps	144,520	144,520
Other	12,385	12,385
Total operating revenues	<u>5,651,857</u>	<u>5,651,857</u>
OPERATING EXPENSES		
Governing Body	48,785	48,785
Administration	179,946	179,946
Finance	300,031	300,031
Water treatment and distribution	1,943,628	1,943,628
Waste collection and treatment	1,641,573	1,641,573
Engineering	128,397	128,397
Depreciation and amortization	996,296	996,296
Total operating expenses	<u>5,238,656</u>	<u>5,238,655</u>
Operating income	<u>413,201</u>	<u>413,201</u>
NON-OPERATING REVENUES (EXPENSES)		
Earnings on investments	19,810	19,810
Interest on long-term debt	(50,298)	(50,298)
Total non-operating revenue (expenses), net	<u>(30,488)</u>	<u>(30,488)</u>
Income (loss) before contributions and transfers	382,713	382,713
Insurance proceeds	3,300	3,300
Change in net position	386,013	386,013
Total net position, previously reported	22,076,414	22,076,414
Total net position, ending	<u>\$ 22,462,427</u>	<u>\$ 22,462,427</u>

CITY OF KING, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	Enterprise Funds	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,130,117	\$ 6,130,117
Cash paid for goods and services	(3,035,823)	(3,035,823)
Cash paid to or on behalf of employees for services	(1,656,488)	(1,656,488)
Customer deposits received	12,034	12,034
Net cash provided by operating activities	<u>1,449,840</u>	<u>1,449,840</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Decrease in due to other funds	(1,642)	(1,642)
Total cash flows to noncapital financing activities	<u>(1,642)</u>	<u>(1,642)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(882,782)	(882,782)
Insurance proceeds	3,300	3,300
Principal paid on bond maturities and notes	(803,098)	(803,098)
Interest paid on bond maturities and notes	(50,298)	(50,298)
Net cash used by capital and related financing activities	<u>(1,732,878)</u>	<u>(1,732,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	19,810	19,810
Net cash provided by investing activities	<u>19,810</u>	<u>19,810</u>
Net decrease in cash and cash equivalents	(264,870)	(264,870)
Balances, beginning	7,249,909	7,249,909
Balances, ending	<u>\$ 6,985,039</u>	<u>\$ 6,985,039</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	<u>\$ 413,201</u>	<u>\$ 413,201</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	996,296	996,296
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	271,500	271,500
Increase (decrease) in accounts payable and accrued liabilities	(192,085)	(192,085)
Increase (decrease) in allowance for doubtful accounts	(147)	(147)
(Increase) decrease in prepaid items	(59,800)	(59,800)
Increase (decrease) in customer deposits	12,034	12,034
(Increase) decrease in deferred outflows of resources - pensions	(265,438)	(265,438)
Increase (decrease) in net pension liability	297,670	297,670
Increase (decrease) in deferred inflows of resources - pensions	(21,553)	(21,553)
Increase (decrease) in OPEB liability	2,379	2,379
Increase (decrease) in accrued vacation	(4,217)	(4,217)
Total adjustments	<u>1,036,639</u>	<u>1,036,639</u>
Net cash provided (used) by operating activities	<u>\$ 1,449,840</u>	<u>\$ 1,449,840</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.

Technology Fund - Accounts for funds that are internally assigned 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.

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, 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

I. – Summary of Significant Accounting Policies (Continued)

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

City of King Restricted Cash

Governmental Activities			
General Fund			
	Police Cars Escrow	\$	3,704
	Streets		1,010
	Federal and State drug forfeitures		14,423
Business-type Activities			
Water and Sewer Fund			
	Customer Deposits	\$	<u>399,400</u>
Total Restricted Cash			<u>\$ 418,537</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, 2016. 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 one item that meets this criterion, pension deferrals for the 2017 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 two items that meet the criterion for this category – property taxes receivable and pension 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.

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

I. – Summary of Significant Accounting Policies (Continued)

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.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

I. – Summary of Significant Accounting Policies (Continued)

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.

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

I. – Summary of Significant Accounting Policies (Continued)

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 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, 2017, the City's deposits had a carrying amount of \$7,597,491 and a bank balance of \$8,111,317. 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, 2017, the City's petty cash fund totaled \$700.

II. – Detail Notes on All Funds(Continued)

2. Investments

At June 30, 2017, the City’s investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2017	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$ 2,163,743	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	500,736	0.09 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, 2017. 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.

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.

II. – Detail Notes on All Funds(Continued)

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>163,630</u>
Total	\$	<u>171,930</u>

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

II. – Detail Notes on All Funds(Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,178,898	\$ 163,344	\$ -	\$ 5,342,242
Total capital assets not being depreciated	<u>5,178,898</u>	<u>163,344</u>	<u>-</u>	<u>5,342,242</u>
Capital assets being depreciated:				
Buildings and improvements	2,512,430	-	-	2,512,430
Infrastructure	1,721,902	-	-	1,721,902
Other improvements	1,001,222	114,219	-	1,115,441
Equipment, furniture & fixtures	1,083,381	71,534	100,000	1,054,915
Software	76,229	22,615	-	98,844
Police dogs	13,850	-	-	13,850
Vehicles	2,164,637	96,507	43,947	2,217,197
Total capital assets being depreciated	<u>8,573,651</u>	<u>304,875</u>	<u>143,947</u>	<u>8,734,579</u>
Less accumulated depreciation for:				
Buildings	1,234,416	51,208	-	1,285,624
Infrastructure	342,037	43,048	-	385,085
Other improvements	338,596	29,353	-	367,949
Equipment, furniture & fixtures	650,133	57,910	100,000	608,043
Software	76,229	1,131	-	77,360
Police dogs	13,850	-	-	13,850
Vehicles	1,490,995	141,712	43,947	1,588,760
Total accumulated depreciation	<u>4,146,256</u>	<u>324,362</u>	<u>143,947</u>	<u>4,326,671</u>
Total capital assets being depreciated, net	<u>4,427,395</u>			<u>4,407,908</u>
Governmental activity capital assets, net	<u>\$ 9,606,293</u>			<u>\$ 9,750,150</u>

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

Administration	\$ 41,820
Police	63,394
Fire	116,334
Planning & inspections	626
Public buildings	2,456
Public works	45,992
Parks & recreation	53,740
Total depreciation expense	<u>\$ 324,362</u>

CITY OF KING, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 559,074	\$ 48,053	\$ -	\$ 607,127
Construction in progress	22,332	532,786	-	555,118
Total capital assets not being depreciated	<u>581,406</u>	<u>580,839</u>	<u>-</u>	<u>1,162,245</u>
Capital assets being depreciated:				
Public buildings improvements	494,360	-	-	494,360
Sewer pump stations and lines	12,084,123	-	-	12,084,123
Water plant and distribution system	26,550,333	216,588	-	26,766,921
Furniture and fixtures	212,104	25,865	-	237,969
Fuel facility	52,816	-	-	52,816
Equipment	900,951	34,946	-	935,897
Vehicles	308,918	24,543	-	333,461
Total capital assets being depreciated	<u>40,603,606</u>	<u>301,942</u>	<u>-</u>	<u>40,905,547</u>
Less accumulated depreciation for:				
Public buildings improvements	285,100	8,520	-	293,620
Sewer pump stations and lines	5,947,359	269,970	-	6,217,329
Water plant and distribution system	5,421,782	669,129	-	6,090,911
Furniture and fixtures	203,044	3,080	-	206,124
Fuel facility	22,541	1,320	-	23,861
Equipment	714,104	33,155	-	747,259
Vehicles	283,521	11,122	-	294,643
Total accumulated depreciation	<u>12,877,451</u>	<u>996,296</u>	<u>-</u>	<u>13,873,747</u>
Total capital assets being depreciated, net	<u>27,726,155</u>			<u>27,031,800</u>
Business-type activity capital assets, net	<u>\$ 28,307,560</u>			<u>\$ 28,194,045</u>

Construction commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

Project	Spent To Date	Remaining Commitment
Goff Road Pump Station	\$ 494,735	\$ 18,865
Water plant construction	12,839,758	124,554
Total	<u>\$ 13,334,493</u>	<u>\$ 143,419</u>

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.

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.

Liabilities (Continued)

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, 2017, was 8.00% of compensation for law enforcement officers and 7.33% 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 \$274,805 for the year ended June 30, 2017.

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, 2017, the City reported a liability of \$1,211,005 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City’s proportion was .05706%, which was a decrease of .00692% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$307,946. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,753	\$ 42,435
Changes of assumptions	82,943	-
Net difference between projected and actual earnings on pension plan adjustments	669,533	-
Changes in proportion and differences between City contributions and proportionate share of contribution	-	62,867
City contributions subsequent to the measurement date	274,805	-
Total	<u>\$ 1,050,034</u>	<u>\$ 105,302</u>

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Liabilities (Continued)

\$274,805 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	92,348
2019		92,477
2020		303,150
2021		181,955
2022		-
Thereafter		-
	<u>\$</u>	<u>669,930</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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

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Liabilities (Continued)

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, 2016 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 2016 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

Liabilities (Continued)

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$2,874,278	1,211,004	(178,286)

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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>19</u>
	<u>19</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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Liabilities (Continued)

Actuarial Assumptions – The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases factor	3.50 to 7.35 percent, including inflation and productivity
Discount rate	3.86 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, 2016.

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, 2017, the City reported a total pension liability of \$310,961. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$31,306.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	7,793
City benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 7,793

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Liabilities (Continued)

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

Year ended June 30:	
2018	\$ 1,263
2019	1,263
2020	1,263
2021	1,263
2022	1,263
Thereafter	1,481

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 3.86 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 (2.86 percent) or 1 percentage-point higher (4.86 percent) than the current rate:

	1% Decrease <u>(2.86%)</u>	Discount Rate <u>(3.86%)</u>	1% Increase <u>(4.86%)</u>
Total pension liability	\$ 343,322	\$ 310,961	\$ 281,676

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

	2017
Beginning balance	\$ 287,451
Service Cost	22,307
Interest on the total pension liability	10,262
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(9,059)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 310,961</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.

Liabilities (Continued)

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of a actuarial experience study for the period January 1, 2010 through December 31, 2014.

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.

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 \$53,811 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

Liabilities (Continued)

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, 2016, the State contributed \$13,900,000 to the plan. The City of King's proportionate share of the State's contribution is \$6,168.

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.

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

At June 30, 2017 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 \$16,133. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability

was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the City recognized pension expense of \$6,168 and revenue of \$6,168 for support provided by the State. At June 30, 2017, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Liabilities (Continued)

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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension 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.

e. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description – For employees hired prior to May 15, 2007, these employees have the option of receiving City-paid health insurance coverage for themselves and eligible dependents. Employees who choose not to take this dependent coverage may have an additional 5% paid into his/her 401(k) plan. For employees hired after May 15, 2007, the City pays the full cost of coverage for employee's health insurance benefits and employees have the option of purchasing dependent coverage at the City's group rates. Under the terms of a City resolution, the City administers a single-employer defined benefit healthcare plan. 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. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy – By City resolution, the retirees pay the full cost of coverage for the healthcare benefits. No funds are set aside to pay benefits and administration costs. In fiscal year ended June 30, 2017, total retiree member contributions for premiums were \$10,451; the City's implicit subsidy contribution amount based on age adjusted costs reflecting the higher cost of benefits associated with older participants was calculated at \$4,807.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Prior to Fiscal Year Ended June 30, 2015, the City elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. From Fiscal Year Ended June 30, 2015 and forward,

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Liabilities (Continued)

the City will use data obtained from an outside Actuarial Valuation. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 11,338
Interest on net OPEB obligation	9,174
Adjustment to annual required contribution	<u>(8,764)</u>
Annual OPEB cost (expense)	11,748
Contributions made	<u>(4,807)</u>
Increase (decrease) in net OPEB obligation	6,991
Net OPEB obligation, beginning of year, adjusted	<u>229,352</u>
Net OPEB obligation, end of year	<u>\$236,343</u>

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 11,798	40.7%	\$ 236,343
2016	\$ 11,446	41.1%	\$ 229,352
2015	\$ 11,446	58.7%	\$ 222,604

Funded Status and Funding Progress – As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$121,194. The covered payroll (annual payroll of active employees covered by the plan) was \$3,037,840, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 4.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Liabilities (Continued)

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

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 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 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 health insurance carrier, United Healthcare as of July 1, 2015 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.

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Liabilities (Continued)

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	\$ 274,805
Difference between expected and actual experience	22,753
Net difference between projected and actual earnings on plan investments	669,533
Changes in assumptions	<u>82,943</u>
	<u>\$ 1,050,034</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable, General Fund	\$ -	\$ 116,468
Differences in expected versus actual	42,435	-
Changes in proportion and differences between employer share of contributions	62,864	-
Changes in assumptions	7,796	-
Total	<u>\$ 113,095</u>	<u>\$ 116,468</u>

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,

Liabilities (Continued)

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.

The employees' health insurance coverage through United Healthcare began on July 1, 2014 and ended June 30, 2017. 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, 2017, 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.

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 \$1,740, \$1,896 and \$1,896 for 2017, 2016 and 2015, respectively.

The City entered into lease agreements on September 22, 2015 for a 2016 Honda Pilot and a 2015 Honda CRV; the leases require 35 monthly payments of \$401 and \$301, respectively. Mileage in excess of 15,000 per year will be billed at a rate of \$ 0.20 and \$ 0.15 per mile, respectively. Purchase option at the end of the lease will be \$19,932 for the Pilot and \$15,601 for the CRV.

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Liabilities (Continued)

b. Installment Purchase

General Fund installment obligations consisted of the following at June 30, 2017:

Purchase money installment 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.	\$ 191,416
Purchase money installment 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.	233,071
Purchase money installment contract for the paving of City Streets. Issued in September 2014; payable in 5 annual installments of \$23,709 including interest at 2.16% through Fiscal 2019	45,926
Purchase money installment contract for the purchase of two police cars and equipment; issued in November 2014; payable in 5 annual installments of \$14,666 including interest at 2.38% through Fiscal 2019	28,318
Purchase money installment 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	202,609
Purchase money installment contract for the paving of City parking lots. Issued in April 2015; payable in 5 annual installments of \$22,401 including interest at 2.29% through Fiscal 2019	43,308
Purchase money installment contract for the paving of City Streets. Issued in October 2013; payable in 5 annual installments of \$23,558 including interest at 2.290% through Fiscal 2018.	23,030
Purchase money installment 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.	201,168
Purchase money installment 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>59,926</u>
	<u>\$ 1,028,772</u>

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Liabilities (Continued)

Due within one year	\$ 315,740
Due in more than one year	<u>713,032</u>
	<u>\$ 1,028,772</u>

Enterprise Fund Revenue Bonds, State Revolving Loans and purchase money installment agreements consist of the following at June 30, 2017.

\$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. \$ 38,829

\$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. 190,740

\$12,964,312 State Revolving Loan. Issued in November 2014; principal due annually in May; installments of \$648,216 with no interest through fiscal 2035 11,667,881

Purchase money installment 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. 203,017

Purchase money installment contract for the purchase and construction of a Belt Filter Press. Issued in September 2010; due in 10 annual installments of \$116,071 including interest at 3.927% through Fiscal Year 2020. Balloon payment of \$1,038,264 due in Fiscal Year 2021. 1,201,338

	<u>\$ 13,301,805</u>
Due within one year	\$ 798,633
Due in more than one year	<u>12,503,172</u>
	<u>\$ 13,301,805</u>

At June 30, 2017, the City of King had no bonds authorized but unissued and had a legal debt margin of \$45,997,046.

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Liabilities (Continued)

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>
2018	\$ 315,740	\$ 27,167	\$ 798,633	\$ 45,948
2019	297,675	18,926	801,594	41,654
2020	241,957	11,105	804,811	37,305
2021	111,947	4,535	1,651,684	32,949
2022	61,453	1,812	705,655	4,403
2023-2035	-	-	8,539,428	4,858
	<u>\$ 1,028,772</u>	<u>\$ 63,545</u>	<u>\$ 13,301,805</u>	<u>\$ 167,117</u>

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Liabilities (Continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2017.

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Installment Purchase	\$ 1,147,282	\$ 326,428	\$ 444,938	\$ 1,028,772	\$ 315,740
Compensated absences	428,276	90,289	51,121	467,444	233,722
Other postemployment benefits	121,504	4,612	-	126,116	-
Net pension liability (LGERS)	194,623	626,196	-	820,819	-
Total pension liability (LEO)	260,933	50,028	-	310,961	-
Governmental activity long-term liabilities	<u>\$ 2,152,618</u>	<u>\$ 1,097,553</u>	<u>\$ 496,059</u>	<u>\$ 2,754,112</u>	<u>\$ 549,462</u>

Current portion	\$ 549,462
Noncurrent portion	<u>2,204,650</u>
	<u>\$ 2,754,112</u>

Business-type activities:

State Revolving Loans	\$ 12,590,398	\$ -	\$ 692,949	\$ 11,897,449	\$ 692,949
Installment Purchase	1,514,504	-	110,149	1,404,355	105,715
Other postemployment benefits	107,848	2,379	-	110,227	-
Net pension liability (LGERS)	92,516	297,670	-	390,186	-
Compensated absences	111,966	15,381	19,598	107,749	53,875
Business-type activity long-term liabilities	<u>\$ 14,417,232</u>	<u>\$ 315,430</u>	<u>\$ 822,696</u>	<u>\$ 13,909,966</u>	<u>\$ 852,539</u>

Current portion	\$ 852,539
Noncurrent portion	<u>13,057,427</u>
	<u>\$ 13,909,966</u>

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

B. Interfund Balances and Activity

Transfer to/from other funds at June 30, 2017 consists of the following:

From the Technology Fund to the General Fund	\$ 15,329
From the Capital Reserve Fund to the General Fund	<u>1,584</u>
	<u>\$ 16,913</u>

CITY OF KING, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Liabilities (Continued)

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization.

During the 2017 fiscal year, the City made a transfer from the Technology Fund to the General Fund for technology purchases.

C. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 9,750,150	\$ 28,194,045
Less: long-term debt	<u>1,028,772</u>	<u>13,301,801</u>
Net investment in capital asset	<u>\$ 8,721,378</u>	<u>\$ 14,892,244</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	\$ 3,784,597
Less:	
Stabilization by state statute	392,208
Streets-Powell Bill	1,010
Committed-Public Safety	187,727
Fund Balance per Policy	1,539,339
Unassigned	1,664,313

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, 2017 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.

IV – Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position for the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$26,518.

Required Supplementary Financial Data

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

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer contributions for the Other Postemployment Benefits
- 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
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

CITY OF KING, NORTH CAROLINA

Other Postemployment Benefits

Schedule of Funding Progress

June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Projected Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/2014	-	182,542	182,542	0.00%	797,899	22.88%
12/31/2015	-	287,451	287,451	0.00%	836,482	34.36%
12/31/2016	-	310,961	310,961	0.00%	936,497	33.20%

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	21,206	0.00%
2016	21,964	0.00%
2017	23,510	0.00%

CITY OF KING, NORTH CAROLINA

City of King's Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Four Fiscal Years

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
King's proportion of the net pension liability (asset) (%)	0.05706%	0.06398%	0.06186%	0.06030%
King's proportion of the net pension liability (asset) (\$)	1,211,005	287,138	(364,817)	726,847
King's covered-employee payroll	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	35.57%	8.75%	-11.87%	23.30%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

CITY OF KING, NORTH CAROLINA

City of King's Contributions

Required Supplementary Information

Last Four Fiscal Years

Local Government Employees' Retirement System

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

CITY OF KING, NORTH CAROLINA

City of King's Proportionate Share of Net Pension Liability

Required Supplementary Information

Last Three Fiscal Years

Firefighters' and Rescue Squad Workers' Pension

	<u>2017</u>	<u>2016</u>	<u>2015</u>
King's proportionate share of the net pension liability (%)	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	16,133	15,173	11,682
Total	<u>\$ 16,133</u>	<u>\$ 15,173</u>	<u>\$ 11,682</u>
King's covered employee payroll	952,164	841,680	748,212
King's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.69%	1.80%	1.56%
Plan fiduciary net pension as a percentage of the total pension liability	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, 2017

	<u>2017</u>
Beginning balance	\$ 287,451
Service cost	22,307
Interest on the total pension liability	10,262
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(9,059)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<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, 2017

	<u>2017</u>
Total pension liability	\$ 310,961
Covered payroll	1,049,868
Total pension liability as a percentage of covered payroll	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.

OTHER 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes			
Current year		\$ 2,396,002	
Prior year		39,290	
Penalties and interest		10,192	
Total	<u>\$ 2,421,650</u>	<u>\$ 2,445,484</u>	<u>\$ 23,834</u>
Unrestricted intergovernmental			
Local option sales tax		984,041	
Video programming tax		40,467	
Payments in lieu of taxes		196,621	
Beer and wine tax		31,458	
Utility franchise tax		384,428	
Senior Center revenue		27,867	
Total	<u>1,755,209</u>	<u>1,664,882</u>	<u>(90,327)</u>
Restricted intergovernmental			
Police standby		1,704	
Powell bill allocation		202,984	
Solid waste disposal tax		4,686	
Fire district revenue		935,684	
Fire standby		5,760	
On-behalf payments		6,168	
Fire hydrant maintenance		20,000	
Department of Commerce Grant		94,340	
Yard carts		240	
Body armor grant		2,216	
Motor vehicle fee		29,961	
Total	<u>1,261,990</u>	<u>1,303,743</u>	<u>41,753</u>
Permits and fees			
Fire permits/inspections		21,942	
Yard waste fee		7,595	
Landfill tipping fee		66,392	
Court-awarded funds		3,293	
Inspection/Zoning fees		63,072	
Police permits/fingerprinting		4,037	
Total	<u>137,700</u>	<u>166,331</u>	<u>28,631</u>
Sales and services			
DOT mowing		8,000	
Veteran's Memorial pavers		600	
Facility/shelter rentals		8,170	
Athletic fees		4,977	
Total	<u>27,900</u>	<u>21,747</u>	<u>(6,153)</u>
Investment earnings	<u>3,600</u>	<u>15,250</u>	<u>11,650</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other revenues			
Recycling revenues		3,299	
Vehicle fuel-outside agencies		80,347	
Cell tower payments		60,868	
Miscellaneous		2,918	
	<u>139,712</u>	<u>147,432</u>	<u>7,720</u>
Total revenues	<u>5,747,761</u>	<u>5,764,869</u>	<u>17,108</u>
EXPENDITURES			
General government			
Governing body			
Salaries and employee benefits		13,851	
Operating expenses		13,011	
Professional services		24,659	
		<u>51,521</u>	
Administration			
Salaries and employee benefits		104,002	
Operating expenses		30,804	
Capital outlay		48,053	
		<u>182,859</u>	
Finance			
Salaries and employee benefits		102,998	
Operating expenses		57,012	
Capital outlay		22,615	
		<u>182,625</u>	
Planning and inspections			
Salaries and employee benefits		167,427	
Operating expenses		19,833	
		<u>187,260</u>	
Public buildings			
Operating expenses		25,132	
Capital outlay		95,340	
		<u>120,472</u>	
Total General Government	<u>794,371</u>	<u>724,737</u>	<u>69,634</u>
Public Safety			
Police			
Salaries and employee benefits		1,449,938	
Operating expenses		296,044	
Capital outlay		79,193	
		<u>1,825,175</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, 2017

	Budget	Actual	Variance Positive (Negative)
Fire			
Salaries and employee benefits		1,375,194	
Operating expenses		225,726	
Capital outlay		65,035	
		<u>1,665,955</u>	
Total Public Safety	<u>3,555,568</u>	<u>3,491,130</u>	<u>64,438</u>
Transportation			
Streets			
Salaries and employee benefits		109,592	
Street lights		82,793	
Operating expenses		287,302	
Capital outlay		23,813	
		<u>503,500</u>	
Total Transportation	<u>583,243</u>	<u>503,500</u>	<u>79,743</u>
Environmental protection			
Solid waste			
Salaries and employee benefits		14,573	
Operating expenses		300,347	
		<u>314,919</u>	
Public works			
Salaries and employee benefits		107,121	
Operating expenses		88,365	
		<u>195,486</u>	
Total Environmental Protection	<u>525,118</u>	<u>510,405</u>	<u>14,713</u>
Culture and Recreation			
Recreation			
Salaries and employee benefits-recreation acres		56,933	
Salaries and employee benefits-central park		51,254	
Operating expenses-recreation acres		63,533	
Operating expenses-central park		32,004	
Capital outlay-recreation acres		7,659	
Capital outlay-central park		126,311	
		<u>337,694</u>	
Community development			
Operating expenses		4,293	
Library			
Operating expenses		16,532	
Senior center			
Salaries and employee benefits		65,006	
Operating expenses		22,453	
		<u>87,459</u>	
Total Culture and Recreation	<u>485,943</u>	<u>445,978</u>	<u>39,965</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service			
Principal retirement		444,936	
Interest		31,915	
Total	<u>477,822</u>	<u>476,851</u>	<u>971</u>
Non-Departmental	<u>5,612</u>	<u>4,754</u>	<u>858</u>
TOTAL EXPENDITURES	<u>6,427,677</u>	<u>6,157,355</u>	<u>270,322</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(679,916)</u>	<u>(392,486)</u>	<u>287,430</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers (to) from other funds			
Capital project	15,311	15,330	19
Capital reserve	1,583	1,584	1
Proceeds from installment purchase	331,516	326,428	(5,088)
Insurance proceeds	9,018	9,086	68
Sale of capital assets	7,000	12,524	5,524
Total other financing sources and uses	<u>364,428</u>	<u>364,952</u>	<u>524</u>
Fund balance appropriated	315,488	-	315,488
Net change in fund balance	<u>\$ -</u>	<u>\$ (27,534)</u>	<u>\$ (27,535)</u>
Fund balance, beginning		<u>3,812,129</u>	
Fund balance, ending		<u>\$ 3,784,595</u>	

CITY OF KING, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Federal Forfeiture <u>Fund</u>	State Forfeiture <u>Fund</u>	Technology <u>Fund Project</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash	3,390	11,033	-	14,423
Total assets	<u>3,390</u>	<u>11,033</u>	<u>-</u>	<u>14,423</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds-GF	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Public Safety	3,390	11,033	-	14,423
Assigned for:				
Technology	-	-	-	-
Total fund balances	<u>3,390</u>	<u>11,033</u>	<u>-</u>	<u>14,423</u>
Total liabilities and fund balances	<u>\$ 3,390</u>	<u>\$ 11,033</u>	<u>\$ -</u>	<u>\$ 14,423</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, 2017

	Federal Forfeiture Fund	State Forfeiture Fund	Technology Fund Project	Total Nonmajor Governmental Funds
REVENUES				
Court Awarded Funds	\$ -	\$ -	\$ -	\$ -
Controlled substance tax	-	1,457	-	1,457
Investment earnings	-	2	4	6
Total Revenues	<u>-</u>	<u>1,459</u>	<u>4</u>	<u>1,463</u>
EXPENDITURES				
Expenditures	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,459</u>	<u>4</u>	<u>1,463</u>
OTHER FINANCING SOURCES (USES)				
General fund transfers in (out)	-	-	(15,329)	(15,329)
Enterprise fund transfers in (out)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(15,329)</u>	<u>(15,329)</u>
Net change in fund balances	-	1,459	(15,325)	(13,866)
Fund balances, beginning	<u>3,390</u>	<u>9,574</u>	<u>15,325</u>	<u>28,289</u>
Fund balances, ending	<u>\$ 3,390</u>	<u>\$ 11,033</u>	<u>\$ -</u>	<u>\$ 14,423</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, 2017

	Project <u>Authorization</u>	Prior Year	Current <u>Year</u>	Total to <u>Date</u>	Variance Positive (Negative)
REVENUES					
Forfeiture Funds	\$ 3,437	\$ 7,612	\$ -	\$ 7,612	4,175
Investment earnings	-	23	-	23	23
	<u>3,437</u>	<u>7,635</u>	<u>-</u>	<u>7,635</u>	<u>4,198</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>3,390</u>	<u>-</u>	<u>3,390</u>	<u>3,390</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>\$ 3,390</u>	<u>-</u>	<u>\$ 3,390</u>	<u>\$ 3,390</u>
Fund balance, beginning			<u>3,390</u>		
Fund balance, ending			<u>\$ 3,390</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, 2017

	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	20,902	1,457	22,359	19,359
Investment earnings	-	416	2	418	418
	<u>9,048</u>	<u>42,638</u>	<u>1,459</u>	<u>44,097</u>	<u>35,049</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>(4,067)</u>	<u>1,459</u>	<u>(2,608)</u>	<u>29,742</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>\$ 6,575</u>	<u>1,459</u>	<u>\$ 8,034</u>	<u>\$ 8,034</u>
Fund balance, beginning			<u>9,574</u>		
Fund balance, ending			<u>\$ 11,033</u>		

CITY OF KING, NORTH CAROLINA
CAPITAL PROJECT FUND-TECHNOLOGY PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 2,200	\$ 2,986	\$ 4	\$ 2,990	\$ 790
	<u>2,200</u>	<u>2,986</u>	<u>4</u>	<u>2,990</u>	<u>790</u>
EXPENDITURES					
Construction	222,190	221,220	-	221,220	970
Supplies and Materials	76,737	64,412	-	64,412	12,325
Professional Services	2,200	1,207	-	1,207	993
Debt service	53,325	53,074	-	53,074	251
	<u>354,452</u>	<u>339,913</u>	<u>-</u>	<u>339,913</u>	<u>14,539</u>
Revenues in excess of (less than) expenditures	<u>(352,252)</u>	<u>(336,927)</u>	<u>4</u>	<u>(336,923)</u>	<u>15,329</u>
Other financing sources (uses):					
Private placement loan	49,724	49,724	-	49,724	-
Transfer to GF	(18,400)	(18,400)	(15,329)	(33,729)	(15,329)
Other financing source-EF	161,061	173,628	-	173,628	12,567
Other financing source-GF	159,867	147,300	-	147,300	(12,567)
Total other financing sources	<u>352,252</u>	<u>352,252</u>	<u>(15,329)</u>	<u>336,923</u>	<u>(15,329)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>15,325</u>	<u>(15,325)</u>	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning			<u>15,325</u>		
Fund balance, ending			<u>\$ -</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, 2017

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 60	\$ 527	\$ 1	\$ 528	\$ 468
	<u>60</u>	<u>527</u>	<u>1</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>(106,273)</u>	<u>(1,583)</u>	<u>(107,856)</u>	<u>(466)</u>
Total other financing sources (uses)	<u>(60)</u>	<u>1,057</u>	<u>(1,583)</u>	<u>(526)</u>	<u>(466)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,584</u>	<u>(1,582)</u>	<u>\$ 2</u>	<u>\$ 2</u>
Fund balance, beginning			<u>1,584</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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenue			
Charges for services			
Water sales		\$ 2,581,017	
Sewer charges		2,913,935	
Water and sewer taps		64,430	
Water and sewer capacity		63,575	
Water and sewer line availability		16,515	
Other		12,385	
	<u>\$ 5,459,600</u>	<u>5,651,857</u>	<u>\$ 192,257</u>
Nonoperating revenues			
Interest on investments	<u>5,000</u>	<u>19,690</u>	<u>14,690</u>
Total revenues	<u>5,464,600</u>	<u>5,671,546</u>	<u>206,946</u>
EXPENSES			
Water and sewer governing body			
Salaries and employee benefits		13,851	
Supplies		340	
Contracted services		20,056	
Other operating expenses		14,538	
Total water and sewer governing body	<u>61,854</u>	<u>48,785</u>	<u>13,069</u>
Water and sewer administration			
Salaries and employee benefits		165,373	
Supplies		1,630	
Other operating expenses		19,946	
Total water and sewer administration	<u>201,817</u>	<u>186,949</u>	<u>14,868</u>
Water and sewer finance			
Salaries and employee benefits		251,188	
Supplies		6,882	
Contracted services		6,643	
Other operating expenses		53,413	
Total water and sewer finance	<u>356,195</u>	<u>318,126</u>	<u>38,069</u>
Water operations			
Salaries and employee benefits		418,317	
Chemicals		111,947	
Utilities		126,258	
Repairs and maintenance		55,373	
Other departmental expenses		236,795	
Total water operations	<u>1,104,065</u>	<u>948,690</u>	<u>155,375</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, 2017

	Budget	Actual	Variance Positive (Negative)
Water distribution			
Salaries and employee benefits		583,706	
Supplies and meter replacements		52,321	
Utilities		45,512	
Repairs and maintenance		28,599	
Other departmental expenses		236,618	
Total water distribution	<u>1,136,174</u>	<u>946,756</u>	<u>189,418</u>
Wastewater operations			
Sewer operations			
Utilities		59,483	
Supplies		6,399	
Contracted services		1,322,001	
Other departmental expenses		3,595	
Total	<u>1,446,772</u>	<u>1,391,478</u>	<u>55,294</u>
Sewer maintenance			
Salaries and employee benefits		94,528	
Supplies		7,258	
Repairs and maintenance		6,955	
Other departmental expenses		146,068	
Total	<u>815,547</u>	<u>254,809</u>	<u>560,738</u>
Total waste collection and treatment	<u>2,262,319</u>	<u>1,646,287</u>	<u>616,032</u>
Engineering			
Salaries and employee benefits		129,525	
Other departmental expenses		8,399	
Total engineering	<u>140,504</u>	<u>137,924</u>	<u>2,580</u>
Debt service			
Interest and other charges		50,298	
Principal retirement		803,098	
Total debt service	<u>853,399</u>	<u>853,396</u>	<u>3</u>
Capital Outlay			
Water operations - construction		216,588	
Water operations - equipment		34,946	
Water operations-vehicle		24,543	
Finance - software		25,864	
Total capital outlay	<u>-</u>	<u>301,941</u>	<u>(301,941)</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, 2017

	Budget	Actual	Variance Positive (Negative)
Total expenditures	<u>6,116,327</u>	<u>5,388,855</u>	<u>727,472</u>
Revenues over expenditures	<u>(651,727)</u>	<u>282,691</u>	<u>934,418</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	645,927	-	(645,927)
Proceeds of fixed asset sales	2,500	-	(2,500)
Insurance proceeds	3,300	3,300	-
Operating transfers (to) from other funds			
Capital project fund	-	-	-
Total other financing sources and uses	<u>651,727</u>	<u>3,300</u>	<u>(648,427)</u>
Revenues and other financing sources (uses) over (under) expenses	<u>\$ -</u>	<u>285,991</u>	<u>\$ 285,991</u>
Reconciling items			
Capital Outlay		301,941	
Payment of debt principal		803,098	
Depreciation on Exhibit 8		(996,296)	
Increase in deferred outflows of resources - pension		265,438	
Increase in net pension liability		(297,670)	
Decrease in deferred inflows of resources - pensions		21,553	
Interest income from Water and Sewer Capital Project Funds		79	
Interest income from Capital reserve fund		41	
Increase in accrued OPEB liability		(2,379)	
Decrease in accrued vacation pay		4,217	
Change in net position		<u>\$ 386,013</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, 2017

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ 25	\$ 578	\$ 41	\$ 619	\$ 594
	<u>25</u>	<u>578</u>	<u>41</u>	<u>619</u>	<u>594</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>(10,786)</u>	<u>41</u>	<u>(10,745)</u>	<u>14,528</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>\$ 14,487</u>	<u>\$ 41</u>	<u>\$ 14,528</u>	<u>\$ 14,528</u>

CITY OF KING, NORTH CAROLINA
CAPITAL PROJECT FUND-WATER PLANT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Investment earnings	\$ 2,000	\$ -	\$ 79	\$ 79	\$ (1,921)
	<u>2,000</u>	<u>-</u>	<u>79</u>	<u>79</u>	<u>(1,921)</u>
EXPENDITURES					
Debt service	679,050	-	-	-	679,050
Construction	13,854,617	12,623,170	216,588	12,839,758	1,014,859
	<u>14,533,667</u>	<u>12,623,170</u>	<u>216,588</u>	<u>12,839,758</u>	<u>1,693,909</u>
Revenues in excess of (less than) expenditures	<u>(14,531,667)</u>	<u>(12,623,170)</u>	<u>(216,509)</u>	<u>(12,839,679)</u>	<u>1,691,988</u>
Other financing sources (uses):					
Proceeds from installment purchase	13,580,997	12,333,143	177,644	12,510,787	(1,070,210)
Loan fee reimbursement	271,620	254,202	-	254,202	(17,418)
Other financing source-EF	679,050	-	-	-	(679,050)
Total other financing sources	<u>14,531,667</u>	<u>12,587,345</u>	<u>177,644</u>	<u>12,764,989</u>	<u>(1,766,678)</u>
Revenues and other sources over (under) expenses	<u>\$ -</u>	<u>\$ (35,825)</u>	<u>\$ (38,865)</u>	<u>\$ (74,690)</u>	<u>\$ (74,690)</u>

CITY OF KING, NORTH CAROLINA
GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2017

	City-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 594,271,801	0.422	\$ 2,462,639	\$ 2,203,744	\$ 258,895
Public Utilities			45,089	45,089	
Penalties			99	99	
Discoveries					
Current year taxes	140,995	0.422	595	595	-
Abatements	<u>(6,582,938)</u>	-	<u>(27,780)</u>	<u>(27,780)</u>	<u>-</u>
Total property valuation	<u>\$ 587,829,858</u>				
Net levy			2,480,643	2,221,748	258,895
Uncollected taxes at June 30, 2017			<u>(56,552)</u>	<u>(55,938)</u>	<u>(614)</u>
Current year's taxes collected			<u>\$ 2,424,091</u>	<u>\$ 2,165,810</u>	<u>\$ 258,281</u>
Current levy collection percentage			<u>97.72%</u>	<u>97.48%</u>	<u>99.76%</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>	86
Revenue Capacity <i>These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.</i>	94
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>	99
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>	102
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>	104

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

	2008	2009	2010	2011	2012
Governmental Activities					
Net investment in capital assets	\$ 8,008,810	\$ 8,218,041	\$ 8,441,115	\$ 8,462,149	\$ 8,635,180
Restricted	409,519	296,549	257,253	615,312	408,815
Unrestricted	1,736,616	1,948,480	2,230,358	-	-
Unassigned	-	-	-	1,852,370	1,979,253
Subtotal governmental activities net position	10,154,945	10,463,070	10,928,726	10,929,831	11,023,248
Business-type activities					
Net investment in capital assets	12,929,457	14,542,148	14,858,038	14,705,365	14,851,205
Restricted	-	-	-	-	-
Unrestricted	2,987,162	2,360,272	3,027,047	-	-
Unassigned	-	-	-	4,069,667	4,587,603
Subtotal business-type activities net position	15,916,619	16,902,420	17,885,085	18,775,032	19,438,808
Primary Government					
Net investment in capital assets	20,938,267	22,760,189	23,299,153	23,167,514	23,486,385
Restricted	409,519	296,549	257,253	615,312	408,815
Unrestricted	4,723,778	4,308,752	5,257,405	-	-
Unassigned	-	-	-	5,922,037	6,566,856
Subtotal primary government activities net position	26,071,564	27,365,490	28,813,811	29,704,863	30,462,056
	2013	2014	2015	2016	2017
Governmental Activities					
Net investment in capital assets	\$ 7,791,411	\$ 8,298,584	\$ 8,198,415	\$ 8,459,013	\$ 8,721,378
Restricted	427,489	528,890	722,364	506,685	407,641
Unassigned	2,564,697	2,088,182	2,119,473	2,467,085	2,415,411
Subtotal governmental activities net position	10,783,597	10,915,656	11,040,252	11,432,783	11,544,430
Business-type activities					
Net investment in capital assets	15,358,905	17,855,568	15,163,286	14,202,661	14,892,244
Restricted	-	-	117,544	-	-
Unrestricted	-	-	-	-	-
Unassigned	5,729,174	3,014,196	6,305,700	7,873,753	7,570,183
Subtotal business-type activities net position	21,088,079	20,869,764	21,586,530	22,076,414	22,462,427
Primary Government					
Net investment in capital assets	23,150,316	26,154,152	23,361,701	22,661,674	23,613,622
Restricted	427,489	528,890	839,908	506,685	407,641
Unassigned	8,293,871	5,102,378	8,425,173	10,340,838	9,985,594
Subtotal primary government activities net position	31,871,676	31,785,420	32,626,782	33,509,197	34,006,857

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

	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
General Government	\$ 647,039	\$ 526,128	\$ 498,819	\$ 651,814	\$ 679,716
Public Safety	2,397,311	2,566,622	2,627,096	2,867,686	3,119,798
Transportation	-	-	-	-	328,753
Environmental protection	-	-	-	-	595,734
Cultural and Recreation	254,245	299,615	250,290	316,001	340,154
Public Works	977,257	830,570	841,824	844,534	-
Interest on long-term debt	-	-	-	-	44,239
Non-departmental	168,100	87,458	166,155	57,227	-
Total Governmental Activities Expense	4,443,952	4,310,393	4,384,184	4,737,262	5,108,394
Total Business-type Activity - Water and Sewer	3,295,036	3,288,112	3,446,824	3,542,121	4,122,498
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 7,738,988	\$ 7,598,505	\$ 7,831,008	\$ 8,279,383	\$ 9,230,892
Program revenues					
Governmental activities					
Charges for services					
General Government	\$ 60,177	\$ 40,887	\$ 30,197	\$ 30,190	\$ 29,049
Public Safety	6,354	6,094	5,131	23,169	17,459
Transportation	-	-	-	-	-
Public Works	-	-	-	29,935	-
Environmental protection	-	-	-	-	-
Cultural and Recreation	25,187	33,409	27,905	27,767	28,266
Operating Grants and Contributions					
General Government	-	3,500	1,250	2,750	1,000
Public Safety	641,222	684,663	801,041	682,161	699,837
Transportation	-	-	-	-	198,321
Environmental protection	-	-	-	-	4,724
Cultural and Recreation	-	-	-	24,927	-
Public Works	267,286	218,508	192,376	193,064	-
Capital Grants and Contributions					
Cultural and Recreation	5,540	-	-	-	-
Public Safety	-	-	-	-	-
Total Governmental Activities Program Revenues	1,005,766	987,061	1,057,900	1,013,963	978,656
Business-type Activity - Water and Sewer					
Charges for Services	3,799,297	3,886,836	4,065,486	4,417,934	4,760,490
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	475,285	409,673	403,427	-	38,000
Total Business Activity Program Revenues	4,274,582	4,296,509	4,468,913	4,417,934	4,798,490
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 5,280,348	\$ 5,283,570	\$ 5,526,813	\$ 5,431,897	\$ 5,777,146
Net Revenue (Expense)					
Governmental activities	(3,438,186)	(3,323,332)	(3,326,284)	(3,723,299)	(4,129,738)
Business-type activity	979,546	1,008,397	1,022,089	875,833	675,992
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (2,458,640)	\$ (2,314,935)	\$ (2,304,195)	\$ (2,847,466)	\$ (3,453,746)

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

	2008	2009	2010	2011	2012
General revenues and Other Changes in Net Position					
Governmental activities					
Ad Valorem Taxes	1,894,183	2,072,001	2,216,984	2,199,696	2,330,886
Local option sales tax	783,644	723,079	726,053	760,163	762,019
Unrestricted intergovernmental	727,999	595,112	639,078	527,336	669,070
Restricted intergovernmental	-	-	-	-	-
Unrestricted investment earnings	66,598	26,340	6,616	20,234	12,817
Grants and contributions not restricted to specific programs	213,337	-	-	-	216,337
Sales & service	-	-	-	-	-
Miscellaneous revenue	182,687	153,235	151,232	180,968	189,279
Insurance proceeds	-	-	-	-	-
Gain (loss) on sale of asset	817	4,178	-	21,555	8,319
Transfers	62,586	57,512	25,252	14,452	34,428
Total Governmental Activities	3,931,851	3,631,457	3,765,215	3,724,404	4,223,155
Business-type Activity					
Miscellaneous	116,847	34,916	(199)	233	-
Unrestricted investment earnings	-	-	11,795	28,332	22,213
Insurance proceeds	-	-	-	-	-
Gain (loss) on sale of asset	14,241	-	-	-	-
Transfers	(62,586)	(57,512)	(24,295)	(14,452)	(34,428)
Total Business-Type Activity	68,502	(22,596)	(12,699)	14,113	(12,215)
TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET POSITION	\$ 4,000,353	\$ 3,608,861	\$ 3,752,516	\$ 3,738,517	\$ 4,210,940
Change in Net Position					
Governmental Activities	493,665	308,125	465,656	1,105	93,417
Business-type Activity	1,048,048	985,801	982,665	889,946	663,777
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 1,541,713	\$ 1,293,926	\$ 1,448,321	\$ 891,051	\$ 757,194

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

	2013	2014	2015	2016	2017
Expenses					
Governmental activities					
General Government	\$ 708,445	\$ 630,431	\$ 722,925	\$ 579,167	\$ 589,179
Public Safety	3,177,698	3,077,020	2,987,157	3,168,782	3,658,390
Transportation	348,682	346,343	337,735	366,016	471,564
Environmental protection	582,640	544,708	557,182	542,989	551,778
Cultural and Recreation	350,485	355,978	347,524	335,859	358,527
Public Works	-	-	-	-	-
Interest on long-term debt	46,598	42,436	36,873	36,093	31,915
Non-departmental	-	10,611	-	230	4,754
Total Governmental Activities Expense	5,214,549	5,007,527	4,989,396	5,029,136	5,666,107
Total Business-type Activity - Water and Sewer	4,301,622	4,242,869	4,504,612	4,957,972	5,288,954
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 9,516,171	\$ 9,250,396	\$ 9,494,008	\$ 9,987,108	\$ 10,955,061
Program revenues					
Governmental activities					
Charges for services					
General Government	\$ 21,853	\$ 31,507	\$ 43,658	\$ 69,377	\$ 63,072
Public Safety	26,239	23,129	26,156	68,386	56,736
Transportation	8,000	8,000	8,000	8,000	8,000
Public Works	-	-	-	-	-
Environmental protection	24,014	65,418	74,723	76,478	74,227
Cultural and Recreation	23,191	25,033	22,408	18,082	13,147
Operating Grants and Contributions					
General Government	-	-	-	-	-
Public Safety	638,822	646,778	697,623	742,612	943,309
Transportation	204,465	204,978	204,777	203,688	202,984
Environmental protection	-	-	4,420	4,448	4,686
Cultural and Recreation	51,341	26,335	26,529	27,711	122,207
Public Works	-	-	-	-	-
Capital Grants and Contributions					
Cultural and Recreation	-	-	-	-	-
Public Safety	-	-	176,542	2,260	2,216
Total Governmental Activities Program Revenues	997,925	1,031,178	1,284,836	1,221,042	1,490,584
Business-type Activity - Water and Sewer	4,967,739	5,056,718	5,386,704	5,452,172	5,651,857
Charges for Services	4,967,739	5,056,718	5,386,704	5,452,172	5,651,857
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
Total Business Activity Program Revenues	4,967,739	5,056,718	5,386,704	5,452,172	5,651,857
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 5,965,664	\$ 6,087,896	\$ 6,671,540	\$ 6,673,214	\$ 7,142,441
Net Revenue (Expense)					
Governmental activities	(4,216,624)	(3,976,349)	(3,704,560)	(3,808,092)	(4,175,523)
Business-type activity	666,117	813,849	882,092	494,200	362,903
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (3,550,507)	\$ (3,162,500)	\$ (2,822,468)	\$ (3,313,892)	\$ (3,812,620)

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

	2013	2014	2015	2016	2017
General revenues and Other Changes in Net Position					
Governmental activities					
Ad Valorem Taxes	2,342,871	2,473,276	2,410,104	2,404,229	2,461,811
Local option sales tax	809,966	788,916	871,585	926,860	984,041
Unrestricted intergovernmental	-	590,654	672,414	706,280	682,935
Restricted intergovernmental	636,885	38,505	-	-	-
Unrestricted investment earnings	7,005	3,730	4,135	7,504	15,256
Grants and contributions not restricted to specific programs	14,550	2,550	1,800	2,250	600
Sales & service	-	-	-	-	-
Miscellaneous revenue	129,913	141,274	129,647	125,750	147,434
Insurance proceeds	-	42,213	6,489	3,137	9,086
Gain (loss) on sale of asset	6,201	(17,473)	21,792	4,614	12,524
Transfers	29,581	44,763	63,365	20,000	-
Total Governmental Activities	3,976,973	4,108,408	4,181,331	4,200,624	4,313,687
Business-type Activity					
Miscellaneous	-	-	-	-	-
Unrestricted investment earnings	12,736	9,411	7,242	11,885	19,810
Insurance proceeds	-	-	51,151	3,799	3,300
Gain (loss) on sale of asset	-	3,187	7,056	-	-
Transfers	(29,581)	(44,763)	(63,365)	(20,000)	-
Total Business-Type Activity	(16,845)	(32,165)	2,084	(4,316)	23,110
TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET POSITION	\$ 3,960,128	\$ 4,076,243	\$ 4,183,415	\$ 4,196,308	\$ 4,336,797
Change in Net Position					
Governmental Activities	(239,651)	132,059	476,771	392,531	138,164
Business-type Activity	649,272	781,684	884,176	489,884	386,013
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 409,621	\$ 913,743	\$ 1,360,947	\$ 882,415	\$ 524,177

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

	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 940,033	\$ 829,890	\$ 576,942	\$ -	\$ -
Unreserved	1,520,697	1,765,163	2,260,315	-	-
Restricted ⁽¹⁾	-	-	-	590,700	389,073
Committed	-	-	-	35,398	63,546
Assigned	-	-	-	-	-
Unassigned	-	-	-	2,256,161	2,463,265
Total General Fund	\$2,460,730	\$ 2,595,053	\$ 2,837,257	\$ 2,882,259	\$ 2,915,884
All Other Governmental Funds					
Reserved	\$ 74,184	\$ 45,144	\$ 20,757	\$ -	\$ -
Unreserved	337	5,680	32,222	-	-
Restricted	-	-	-	24,612	19,742
Committed	-	-	-	-	-
Assigned	-	-	-	3,746	18,217
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	\$ 74,521	\$ 50,824	\$ 52,979	\$ 28,358	\$ 37,959
	2013	2014	2015	2016	2017
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Restricted	406,146	516,501	463,700	471,815	393,218
Committed	89,083	104,864	104,877	123,445	187,727
Assigned	155,166	50,364	-	-	-
Unassigned	2,307,500	2,553,478	2,868,013	3,218,453	3,203,652
Total General Fund	\$2,957,895	\$ 3,225,207	\$ 3,436,590	\$ 3,813,713	\$ 3,784,597
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Restricted	21,343	12,389	11,487	12,964	14,423
Committed	-	-	-	-	-
Assigned	12,948	33,660	33,666	15,325	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	\$ 34,291	\$ 46,049	\$ 45,153	\$ 28,289	\$ 14,423

⁽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

	2008	2009	2010	2011	2012
REVENUES					
Ad valorem taxes	\$ 1,904,103	\$ 2,050,942	\$ 2,216,934	\$ 2,170,898	\$ 2,314,532
Other taxes and licenses	783,645	723,079	726,053	760,163	-
Unrestricted intergovernmental	726,730	581,250	628,116	556,758	1,355,197
Restricted intergovernmental	895,379	930,370	1,011,239	920,850	958,850
Permits and fees	66,713	46,980	35,328	58,965	75,471
Contributions and donations	7,209	600	16,923	-	-
Sales and services	25,187	33,409	27,905	41,372	38,404
Investment earnings	96,935	34,712	7,247	20,583	12,921
Other revenues	164,896	134,426	128,072	142,365	171,003
TOTAL REVENUES	4,670,797	4,535,768	4,797,817	4,671,954	4,926,378
EXPENDITURES					
Current:					
General government	791,945	760,501	608,684	577,850	615,811
Public Safety	2,282,434	2,421,275	2,660,690	2,726,610	3,338,629
Transportation	622,861	169,836	194,989	289,477	324,026
Environmental protection	419,410	450,029	481,779	500,662	547,083
Cultural and recreation	371,843	185,634	182,940	266,549	266,835
Debt service ⁽¹⁾					
Principal retirement	388,032	389,261	376,217	359,960	323,141
Interest and other charges	87,577	83,178	69,523	55,572	43,557
Non-departmental and special appropriations	80,523	76,843	87,806	-	-
TOTAL EXPENDITURES	5,044,625	4,536,557	4,662,629	4,776,680	5,459,082
REVENUES OVER (UNDER) EXPENDITURES	\$ (373,828)	\$ (789)	\$ 135,188	\$ (104,726)	\$ (532,704)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	62,586	57,512	53,791	25,067	67,993
Transfers to capital project	-	-	(10,740)	(10,615)	(33,565)
Transfer to capital reserve fund	-	-	(16,326)	-	-
Proceeds from installment purchase	273,636	49,724	73,260	89,100	535,500
Insurance proceeds	-	-	4,458	-	-
Sale of capital assets	817	4,178	4,728	21,555	6,001
TOTAL OTHER FINANCING SOURCES (USES)	337,039	111,414	109,171	125,107	575,929
NET CHANGE IN FUND BALANCE	(36,789)	110,625	244,359	20,381	43,225
FUND BALANCE - Beginning of Year	2,572,040	2,535,252	2,645,877	2,890,236	2,910,617
FUND BALANCE - End of Year	\$ 2,535,251	\$ 2,645,877	\$ 2,890,236	\$ 2,910,617	\$ 2,953,843
Debt service as a percentage of noncapital expenditures	10.50%	10.72%	9.40%	8.25%	7.41%

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

	2013	2014	2015	2016	2017
REVENUES					
Ad valorem taxes	\$ 2,325,767	\$ 2,464,924	\$ 2,401,709	\$ 2,435,843	\$ 2,445,484
Other taxes and licenses	-	-	-	-	-
Unrestricted intergovernmental	1,448,679	1,405,905	1,570,528	1,628,764	1,664,882
Restricted intergovernmental	899,907	896,871	1,094,353	990,263	1,305,200
Permits and fees	65,002	113,444	133,546	207,599	166,331
Contributions and donations	12,000	-	-	-	-
Sales and services	33,741	35,583	32,208	28,332	21,747
Investment earnings	7,005	3,730	4,135	7,442	15,256
Other revenues	129,910	144,559	128,411	126,207	147,432
TOTAL REVENUES	4,922,011	5,065,016	5,364,890	5,424,450	5,766,332
EXPENDITURES					
Current:					
General government	644,542	573,381	688,110	545,120	724,737
Public Safety	3,028,859	2,957,715	3,396,594	3,085,152	3,491,130
Transportation	345,908	342,348	342,809	448,375	503,500
Environmental protection	543,033	509,696	527,596	633,038	510,405
Cultural and recreation	312,217	284,046	313,023	286,003	445,978
Debt service ⁽¹⁾					
Principal retirement	312,322	272,350	296,783	398,159	444,936
Interest and other charges	46,598	42,436	36,873	36,093	31,915
Non-departmental and special appropriations	-	10,611	-	230	4,754
TOTAL EXPENDITURES	5,233,479	4,992,583	5,601,788	5,432,170	6,157,355
REVENUES OVER (UNDER) EXPENDITURES	\$ (311,468)	\$ 72,433	\$ (236,898)	\$ (7,720)	\$ (391,023)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	51,415	56,959	63,365	38,400	15,332
Transfers to capital project	(21,834)	(12,196)	-	-	(15,329)
Transfer to capital reserve fund	-	-	-	-	-
Proceeds from installment purchase	308,903	112,632	355,739	338,692	326,428
Insurance proceeds	-	42,213	6,489	3,137	9,086
Sale of capital assets	11,327	7,025	21,792	4,614	12,524
TOTAL OTHER FINANCING SOURCES (USES)	349,811	206,633	447,385	384,843	348,041
NET CHANGE IN FUND BALANCE	38,343	279,066	210,487	377,123	(42,982)
FUND BALANCE - Beginning of Year	2,953,843	2,992,186	3,271,256	3,436,590	3,584,002
FUND BALANCE - End of Year	\$ 2,992,186	\$ 3,271,252	\$ 3,481,743	\$ 3,813,713	\$ 3,541,020
Debt service as a percentage of noncapital expenditures	6.97%	6.44%	6.56%	8.43%	8.38%

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⁾
2008	481,207,739	34,944,182	7,562,446	523,714,367	100%	0.3599
2009	491,591,285	34,800,819	8,346,896	534,739,000	100%	0.3799
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

⁽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
2008	0.3599	0.6000		0.0550	1.0149
2009	0.3799	0.6300		0.0650	1.0749
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

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
2008	0.3599	0.6960	0.0550	1.1109
2009	0.3799	0.6960	0.0550	1.1309
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

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 Seven Years Ago

City of King		2017 ⁽¹⁾⁽²⁾		
Taxpayer	Type of Business	2017 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
RJ Reynolds Inc	Tobacco	\$ 7,909,617	1	1.35%
Cres Tobacco Company Inc	Tobacco	6,206,427	2	1.06%
Duke Energy Corp	Utility	5,504,813	3	0.94%
PCI Development Company LLC	Real Estate Development	4,162,300	4	0.71%
Grandview Inc	Real Estate Development	3,842,400	5	0.65%
Mountainview Properties	Real Estate Development	3,682,900	6	0.63%
CW Hills King LLC	Real Estate Development	3,439,500	7	0.59%
Priddy Manor	Retirement Home	3,277,837	9	0.56%
Christian Village	Real Estate	3,043,900	8	0.52%
Universal Properties	Real Estate Development	2,664,628	10	0.45%
Glenwood King Company LLC	Real Estate Development	3,362,700		
Windstream North Carolina Inc	Telecommunications			
CSE King LP	Utility			
Time Warner NY Cable	Utility			
		2010 ⁽¹⁾		
Taxpayer	Type of Business	2010 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
RJ Reynolds Inc	Tobacco	\$ 8,140,300	2	1.40%
Duke Energy Corp	Utility	3,172,428	9	0.55%
Cres Tobacco Company Inc	Tobacco	7,526,650	3	1.29%
PCI Development Company LLC	Real Estate Development	4,304,100	4	0.74%
Grandview Inc	Real Estate Development	-	-	0.00%
Mountainview Properties	Real Estate Development	3,732,000	6	0.64%
Glenwood King Company LLC	Real Estate Development	3,540,300	7	0.61%
Christian Village	Real Estate	2,686,600	10	0.46%
Priddy Manor	Retirement Home	-	-	0.00%
Universal Properties	Real Estate Development	-	-	0.00%
Windstream North Carolina Inc	Telecommunications	8,257,400	1	1.42%
CSE King LP	Utility	2,686,600	8	0.46%
Time Warner NY Cable	Utility	4,005,780	5	0.69%

⁽¹⁾ Year 2003 data not available

⁽²⁾ Year 2015 data from Stokes County tax office, Forsyth County tax office, and NC Department of Revenue Utility Certifications

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
2008	2007	1,894,958	1,870,773	98.72%	22,624	1,893,397	99.92%
2009	2008	2,049,733	2,006,988	97.91%	38,289	2,045,277	99.78%
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%	50,450	2,212,990	99.57%
2012	2011	2,348,552	2,284,213	97.26%	48,607	2,332,820	99.33%
2013	2012	2,363,604	2,301,292	97.36%	41,865	2,343,157	99.13%
2014	2013	2,490,209	2,429,840	97.58%	30,564	2,460,404	98.80%
2015	2014	2,425,465	2,364,474	97.49%	33,114	2,397,588	98.85%
2016	2015	2,447,040	2,390,969	97.71%	23,424	2,414,393	98.67%
2017	2016	2,480,643	2,424,090	97.72%	-	2,424,090	97.72%

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			
2008		2,030,665		520,000	944,078		3,494,743	0.26%	529.59
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⁾

⁽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
2008	523,714,367	41,897,149	2,030,665		39,866,484	4.85%
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%

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, 2017

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>599,658,790</u>	0.18%	<u>1,062,275</u>
Total	<u>\$ 599,658,790</u>		<u>\$ 1,062,275</u>
City direct debt			<u>1,028,772</u>
Total direct and overlapping debt			<u>\$ 2,091,047</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	(6)	7.9%
2014	6,863	1,473,413	31,742	(6)	5.5%
2015	(6)	1,520,821	32,811	(6)	5.9%
2016	(6)	(6)	(6)	(6)	4.8%
2017	(6)	(6)	(6)	(6)	4.0%

⁽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 Six Years Prior

City of King Employer	2017 ⁽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	4.73%	1,000	1	4.87%
Wieland Copper Products	250	2	1.18%	500	2	2.44%
County of Stokes	250	3	1.18%	250	3	1.22%
Wal-Mart Associates Inc	250	4	1.18%			
Melan Construction Company	250	5	1.18%			
Lifebrite Hospital Group of Stokes ⁽⁵⁾	250	6	1.18%	250	4	1.22%
Food Lion LLC	100	7	0.47%			
YMCA of Northwest North Carolina	100	8	0.47%	100	6	0.49%
Autumn Corporation	100	9	0.47%	100	5	0.49%
Priddy Manor Assisted Living	50	10	0.24%			
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⁾ 21,128

⁽¹⁾ Data not available for City of King

⁽²⁾ Year 2003 data not available

⁽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 Division of Employment Security. 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	2008	2009	2010	2011	2012
General Government					
Administration	6	6	6	6	6
Finance	7	7	7	6	6
Public Works	4	3	3	3	3
Engineering	1	1	1	1	1
Planning & Inspections	2	3	2	2	2
Recreation ⁽²⁾	3	3	3	3	3
Public Safety					
Police	20	23	23	22	20
Fire ⁽¹⁾	15	15	15	16	16
Water/sewer (Business activity)	17	17	16	16	17
Total	75	78	76	75	74

Function	2013	2014	2015	2016	2017
General Government					
Administration	6	6	6	6	7
Finance	6	6	6	6	6
Public Works	3	3	3	3	4
Engineering	1	1	1	1	1
Planning & Inspections	2	2	2	2	2
Recreation ⁽²⁾	3	3	3	3	3
Public Safety					
Police	20	20	20	21	21
Fire ⁽¹⁾	16	16	16	17	21
Water/sewer (Business activity)	17	17	17	18	18
Total	74	74	74	77	83

⁽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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Number of Arrests	507	384	612	400	183	410	451	675	313 ⁽⁵⁾	N/A
Number of Citations	1,136	619	1,003	901	317	545	520	679	345 ⁽⁵⁾	N/A
Foot Patrol									2,076	2,397
Security Check									2,341	2,239
Fire										
Number of Fire Calls Answered	765	817	953	952	691	742	717	812	866	N/A
Number of EMS Calls Answered	1,289	1,388	1,307	1,301	1,376	1,470	1,374	1,536	1,577	N/A
Planning and Inspections										
Planning										
Zoning Permits issued	15	12	3	3	2	0	5	24	11	14
Inspections										
Building Permits Issued	744	616	536	595	423	451	446	655	678	575
Inspections performed	844	1,091	946	719	867	634	666	1,284	1,234	882
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)	177	210	248	197	191	165	235	297	293	271
Library										
Material Circulated	74,022	84,023	82,055	86,277	79,983	84,396	80,621	79,725	N/A	N/A
Internet use	19,259	21,710	22,571	22,704	25,085	24,078	23,003	28,671	N/A	N/A
Streets										
Number of streetlights	688	693	700	702	705	711	730	768	770	770
Miles of streets	38.966	38.805	38.727	38.767	39.687	39.687	39.700	39.667	39.667	39.669
Solid Waste										
Number of customers	2,305	2,402	2,425	2,446	2,472	2,482	2,496	2,505	2,525	2,546
Yard Cart permits sold						146	158	150	173	173
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	7,994	7,984	7,957	8,044	8,557	8,508	7,956	8,009	8,089	8,088
Number of sewer customers	2,981	3,000	3,000	2,677	2,692	3,015	2,859	3,023	2,699	2,695
Average gallons of sewer treated per day				60,084	64,434	66,539	66,481	67,693	71,264	69,493

⁽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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	688	693	700	702	705	711	730	768	770	770
Miles of streets	38.966	38.805	38.727	38.767	39.687	39.687	39.700	39.667	39.667	39.669
Water/sewer (Business activity)										
Number of water customers	7,994	7,984	7,957	8,044	8,557	8,508	7,956	8,009	8,089	8,088
Number of sewer customers	2,981	3,000	3,000	2,677	2,692	3,015	2,859	3,023	2,699	2,695

Source: City of King Finance Department

CITY OF KING, NORTH CAROLINA

Utility Rates

Last Seven Fiscal Years

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

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

Utility Customer Concentration

Last Four Fiscal Years

Account Class	2014	2015	2016	2017
Church	45	45	53	51
Commercial	412	417	398	372
Government	8	9	7	8
Industrial	4	4	4	4
Other	9	9	9	9
Residential	7,467	7,514	7,604	7,631
Schools	10	10	13	12
Unknown	1	1	1	1
Total	7,956	8,009	8,089	8,088

COMPLIANCE SECTION



cannon&company
Certified Public Accountants

**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, 2017, 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 10, 2017.

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, S.L.P.

October 10, 2017

CITY OF KING, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

<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>
Federal Grants:				
Cash Programs:				
<u>U.S. Department of Health & Human Services</u>				
Special program for the Aging-Title III, Part B Grants for Supportive Services and Senior Centers Passed-through the Piedmont Triad Regional Council of Governments	93.044	1,650	3,350	
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	216,588		
		<hr/>	<hr/>	<hr/>
TOTAL ASSISTANCE - FEDERAL PROGRAMS		218,238	3,350	-
STATE GRANTS:				
CASH ASSISTANCE:				
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A		264,089	
<u>NC Department of Commerce</u>				
Rural Economic Development Grant Downtown Revitalization Grant 2017-028-1257-1534			94,463	
<u>N.C. Department of Health & Human Services</u>				
Senior Center Development Passed-through Piedmont Triad Regional Council of Governments- General Purpose Grant			7,252	2,417
		<hr/>	<hr/>	<hr/>
TOTAL ASSISTANCE - STATE PROGRAMS		-	365,804	2,417
Local Grants:				
NCLM Soft Body Armor Grant				3,290
		<hr/>	<hr/>	<hr/>
TOTAL ASSISTANCE - LOCAL PROGRAMS		-	-	3,290
		<hr/>	<hr/>	<hr/>
TOTAL ASSISTANCE		\$ 218,238	\$ 369,154	\$ 5,707

CITY OF KING, NORTH CAROLINA
 Notes to Schedule of Expenditures of Federal and State Awards
 June 30, 2017

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, 2017. 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 – Loans Outstanding

The City of King had the following loan balances outstanding at June 30, 2017. The loan made in the current year is included in the SEFSA in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the City of King’s basic financial statements.

<u>Program Name</u>	<u>C DFA Number</u>	<u>Project Number</u>	<u>Grant ID Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds	66.468	WIF-1668	FS-984338-10	\$11,667,881